LISTING PROSPECTUS

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

Sisal Pay S.p.A.

€530,000,000 Senior Secured Floating Rate Notes due 2026

Sisal Pay S.p.A. (to be subsequently renamed SisalPay Group S.p.A.), a joint stock company (*società per azioni*) incorporated under the laws of Italy (the "**Issuer**"), is offering €530.0 million aggregate principal amount of its Senior Secured Floating Rate Notes due 2026 (the "**Notes**") as part of the financing for the proposed creation of the SisalPay Group (as defined herein), a corporate partnership in the retail and digital market of payment services (the "**Gallo Investment**"). The Issuer is a holding company currently directly owned by Sisal Group S.p.A., and following the consummation of the Gallo Investment will be directly owned by Sisal Group S.p.A. and Banca 5 S.p.A. Prior to the consummation of the Gallo Investment, the Issuer will not control Sisal Pay Servizi S.p.A. (to be subsequently renamed SisalPay Servizi S.p.A.) ("**TelCo**") or SisalPay S.p.A. ("**PayCo**" and together with TelCo and the Issuer, the "**SisalPay Group**"). The Issuer will pay interest on the Notes at a rate equal to the sum of (i) three-month EURIBOR (with 0% floor), plus (ii) 3.875% per annum, reset quarterly. The Issuer will pay interest on the Notes quarterly in arrears on March 17, June 17, September 17 and December 17 of each year, commencing on March 17, 2020. The Notes will mature on December 17, 2026. At any time prior to December 17, 2020, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the relevant "make-whole" premium. At any time on or after December 17, 2020, the Issuer may redeem all or a portion of the Notes, at the redemption prices set forth in this offering memorandum. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. However, a change of control will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event. In addition, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. See "*Description of the Notes.*"

If the Offering closes prior to the consummation of the Gallo Investment, pending consummation thereof, 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 an escrow account, held in the name of the Issuer, but controlled by the Escrow Agent (as defined herein), and pledged on a first-ranking basis in favor of the Trustee (as defined herein) on behalf of the holders of the Notes. The release of the escrowed proceeds to consummate the Gallo Investment will be subject to the satisfaction of certain conditions described herein. If the Completion Date (as defined herein) does not occur on or prior to the Escrow Longstop Date (as defined herein) or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. 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, and additional amounts, if any, from the Issue Date to the special mandatory redemption date. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

The Notes will be senior obligations of the Issuer and will rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes. The Notes will not be guaranteed. If the Offering closes prior to the consummation of the Gallo Investment, on the Issue Date, and prior to the Completion Date, the Notes will be secured by first-ranking security interests in the Notes escrow account (the "**Notes Issue Date Collateral**"). On or following the Completion Date within the time periods specified herein, subject to certain agreed security principles, the Notes will be secured by first-ranking security interests in (i) all the issued Capital Stock of the Issuer; (ii) material structural intercompany receivables of the Issuer (if any); and (iii) within 20 business days following the Completion Date, all the issued Capital Stock of each of TelCo and PayCo (the "**Notes Collateral**"). Under the terms of the Intercreditor Agreement (as defined herein) to be entered into in connection with this Offering, in the event of enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from such collateral only after lenders under the Revolving Credit Facility (as defined herein) and counterparties to certain hedging agreements have been repaid in full. In addition, any future Guarantees and the security interests in the Notes Collateral may be released under certain circumstances and any future Guarantees and the Notes Collateral will be subject to legal and contractual limitations. See "*Risk Factors—Risks Related to the Notes, the Notes Collateral and any Future Notes Guarantees*" "*Description of Certain Financing Arrangements—Intercreditor Agreement,*" "*Description of the Notes—Security*" and "*Limitations on Validity and Enforceability of any Future Notes Guarantees and the Notes Collateral and Certain Insolvency Law Considerations.*"

Subject to and as set forth in "*Description of the Notes—Withholding Taxes,*" the Issuer will not be liable to pay any additional amounts to holders of the relevant series of Notes in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) where the Notes are held by a person resident in a country that is not listed in the White List (as defined below) and otherwise in the circumstances as described in "*Description of the Notes—Withholding Taxes.*"

There is currently no public market for the Notes. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof. This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019. In addition, application has been made to obtain listing of the Notes on the ExtraMOT Pro Segment of the Italian Stock Exchange (*Borsa Italiana*). There is no assurance that the Notes will be, or will remain, listed and admitted to trading on the Euro MTF Market or on the ExtraMOT Pro Segment of the Italian Stock Exchange (*Borsa Italiana*).

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 31 of this offering memorandum.

Price for the Notes: 100.000% plus accrued interest from the Issue Date

We expect that the Notes will be delivered in book-entry form through a common depositary of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") on or about the Issue Date. See "*Book-Entry, Delivery and Form.*" The Notes will be in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess of €100,000.

This offering memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction where such offer or solicitation is unlawful. The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any state of the United States or other jurisdiction, and therefore 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, the registration requirements of the U.S. Securities Act. The Notes are being offered and sold in the United States only to qualified institutional buyers ("QIBs") in reliance on Rule 144A under the U.S. Securities Act ("Rule 144A"), and to certain non-U.S. persons in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act ("Regulation S") other than to retail investors in the European Economic Area. For these purposes, a "retail investor" is defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (1) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended or superseded, the "Prospectus Regulation"). Prospective purchasers are hereby notified that the seller 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. The Notes are not transferable except in accordance with the restrictions described under "*Transfer Restrictions*."

Joint Global Coordinators and Joint Bookrunners

UBS Investment Bank **Banca IMI**

Joint Bookrunners

BNP PARIBAS **Deutsche Bank** **HSBC** **Nomura**

The date of this listing prospectus is December 19, 2019.

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IMPORTANT INFORMATION FOR INVESTORS

We accept responsibility for the information contained in this offering memorandum and, to the best of our knowledge (having taken reasonable care to ensure that such is the case), the information is true and accurate in all material respects and contains no omission likely to affect the import of such information. As used in this offering memorandum, unless the context otherwise requires, references to the "Issuer" are to Sisal Pay S.p.A. and references to "we," "us," "our", and the "SisalPay Group" are to the Issuer and its consolidated subsidiaries from time to time and, after the Completion Date, includes (1) the NewCos and (2) both the Sisal Payments Business and the Banca 5 Payments Business, which are also referred to collectively herein as the "**combined business**").

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

You should rely only on the information contained in this offering memorandum. We have not, and UBS Europe SE, Banca IMI S.p.A., BNP Paribas, Deutsche Bank AG, London Branch, HSBC Bank plc and Nomura International plc (the "**Initial Purchasers**") have not, authorized anyone to provide you with information that is different from the information contained herein. We are not, and the Initial Purchasers are not, making an offer of these securities in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum. This offering memorandum is based on information provided by us and other sources believed by us to be reliable. The Initial Purchasers are not responsible for, and are not making any representation or warranty to you concerning, our future performance or the accuracy or completeness of this offering memorandum.

This offering memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this offering memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum and you must obtain all applicable consents and approvals; neither we nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. Please see "*Transfer Restrictions.*"

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

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

By accepting delivery of this offering memorandum, you agree to the foregoing restrictions, to make no photocopies of this offering memorandum or any documents referred to herein and not to use any information herein for any purpose other than considering an investments in the Notes.

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

The contents of our website do not form any part of this offering memorandum.

We may withdraw this Offering at any time, and we and the Initial Purchasers reserve the right to reject any offer to purchase the Notes in whole or in part and to sell to any prospective investor less than the full amount of the

Notes sought by such investor. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own accounts.

Application will be made to the Official List of the Luxembourg Stock Exchange for the Notes to be listed and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market. The Issuer will also apply for an additional listing for the Notes on the ExtraMOT Pro Segment of the Italian Stock Exchange (*Borsa Italiana*). The Issuer cannot guarantee that its application for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading of the Notes on the Euro MTF Market thereof or listing for trading on the ExtraMOT Pro Segment of the Italian Stock Exchange (*Borsa Italiana*) will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. Comments by the competent authority may require significant modification or reformulation of information contained in this offering memorandum or may require the inclusion of additional information in the listing particulars. We may also be required to update the information in this offering memorandum to reflect changes in our business, financial condition or results of operations and prospects since the publication of this offering memorandum. Following the listing, the relevant listing particulars will be available at the offices of the Listing Agent. Any investor or potential investor in the EEA should not base any investment decision relating to the Notes on the information contained in this offering memorandum after publication of the listing particulars and should refer instead to those listing particulars.

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

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

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

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

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

The distribution of this offering memorandum and the offer and sale of the Notes may be restricted by law in certain jurisdictions. You must inform yourself about, and observe, any such restrictions. See "*Notice to U.S. Investors,*" "*Notice to Certain European Investors,*" "*Plan of Distribution*" and "*Transfer Restrictions*" elsewhere in this offering memorandum. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Notes or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. We are not, and the Initial Purchasers are not, making an offer to sell the Notes or a solicitation of an offer to buy any of the Notes to any person in any jurisdiction except where such an offer or solicitation is permitted.

STABILIZATION

IN CONNECTION WITH THIS OFFERING, UBS EUROPE SE (THE "STABILIZING MANAGER") (OR AFFILIATES ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT

NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR AFFILIATES ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZING ACTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

NOTICE TO U.S. INVESTORS

In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements that are described in this offering memorandum. See "*Transfer Restrictions.*" This offering memorandum is being provided to a limited number of investors in the United States that the Issuer reasonably believes to be qualified institutional buyers ("**QIBs**") under Rule 144A for use solely in connection with their consideration of the purchase of the Notes. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

For this Offering, the Issuer and the Initial Purchasers are relying upon exemptions from registration under the U.S. Securities Act for offers and sales of securities which do not involve a public offering, including Rule 144A under the Securities Act. Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the provision of Section 5 of the U.S. Securities Act provided by Rule 144A. The Notes are subject to restrictions on transferability and resale. Purchasers of the Notes may not transfer or resell the Notes except as permitted under the U.S. Securities Act and applicable U.S. state securities laws. The Notes described in this offering memorandum have not been registered with, recommended by or approved by the SEC, any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense. See "*Transfer Restrictions.*"

THE NOTES MAY NOT BE OFFERED TO THE PUBLIC IN ANY JURISDICTION. BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM, YOU AGREE NOT TO OFFER, SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY, ANY NOTES TO THE PUBLIC.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers of the Notes. The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129 (as amended and superseded), and includes any relevant implementing measure in each member state ("**EU Member State**") of the European Economic Area (the "**EEA**"). Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us or the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum.

Prohibition of offers to EEA retail investors

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

Professional investors and ECPs only target market

Professional investors and ECPs (as defined below) only target market: Solely for the purposes of the product approval process each manufacturers', the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties ("**ECPs**") and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to ECPs and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, and without prejudice to our obligations in accordance with MiFID II, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Italy

The offering of the Notes has not been cleared by *Commissione Nazionale per le Società e la Borsa*, the Italian Securities Exchange Commission ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of this offering memorandum or any other offering circular, prospectus, form of application, advertisement, other offering material or other information or document relating to the Issuer, or the Notes be issued, distributed or published in Italy, either on the primary or on the secondary market, except:

(i) to qualified investors (*investitori qualificati*), as defined by Article 2, paragraph (e) of the Prospectus Regulation; or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter* of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time ("**Regulation No. 11971**"), and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Legislative Decree No. 58 of February 24, 1998, as amended (the "**Financial Services Act**"), CONSOB Regulation No. 20307 of 15 February 2018, as amended ("**Regulation No. 20307**") and Legislative Decree No. 385 of September 1, 1993, as amended (the "**Banking Act**"); and

(b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

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

Grand Duchy of Luxembourg

The offering of the Notes should not be considered a public offering of securities in the Grand Duchy of Luxembourg. This Offering Memorandum may not be reproduced or used for any other purpose than the offering of the Notes nor provided to any person other than the recipient thereof. The Notes are offered to a limited number of sophisticated investors in all cases under circumstances designed to preclude a distribution, which would be other than a private placement. All public solicitations are banned and the sale may not be publicly advertised.

The Notes may not be offered or sold to the public within the territory of the Grand Duchy of Luxembourg unless: (a) the offer is made to "qualified investors" as described in points (1) to (4) of Section I of Annex II to MiFID II, and persons or entities who are, on request, treated as professional clients in accordance with

Section II of that Annex, or recognized as eligible counterparties in accordance with Article 30 of MiFID II unless they have entered into an agreement to be treated as non-professional clients in accordance with the fourth paragraph of Section I of that Annex; or; (b) the offer of the Notes benefits from an exemption from, or constitutes a transaction not subject to, the requirement to publish a prospectus pursuant to the Luxembourg law dated July 16, 2019 on prospectuses for securities, which has implemented into Luxembourg law the Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd., and neither this offering memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

United Kingdom

This offering memorandum is for distribution only to, and is only directed at, persons who (i) 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**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or cause 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 document relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to "qualified investors" as defined in the Prospectus Regulation and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Regulation.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires otherwise, in this offering memorandum:

- "*Banca 5*" refers to Banca 5 S.p.A., an entity incorporated under the laws of Italy;
- "*Banca 5 DPP*" refers to the €186.0 million deferred purchase price consideration owed to Banca 5 in connection with the Gallo Investment as further described under "*Summary—The Transactions*";
- "*Banca 5 Payments Business*" refers to (a) the business of Banca 5 consisting of, *inter alia*, assets, contracts and legal relationships through which Banca 5 carries out its payment services and services ancillary thereto; and (b) the business of Banca 5 consisting of, *inter alia*, assets, contracts and legal relationships pertaining to the performance of services relating to telephone top-ups being contributed, in each case, to the NewCos;
- "*Banking Products and Services*" refers to business-to-business, business-to-consumer and business-to-business-to-consumer products and services, including cash withdrawals and deposits, credit transfers, personal loans and bank accounts;
- "*CAGR*" refers to compound annual growth rate;
- "*Clearstream*" refers to Clearstream Banking S.A. or any successor thereof;
- "*Completion Date*" refers to the date on which the Gallo Investment is completed;
- "*Contribution Agreement*" refers to the agreement between the Issuer and Sisal Group S.p.A., pursuant to which Sisal Group S.p.A. will be required to, among other things, fund the Issuer with interest accrued and additional amounts, if any, from the Issue Date to a special mandatory redemption date;
- "*CVC*" refers to CVC Capital Partners SICAV-FIS S.A., and its subsidiaries and CVC Capital Partners Advisory Group Holding Foundation and its subsidiaries;
- "*CVC Fund VI*" refers to CVC Capital Partners VI (A) L.P., CVC Capital Partners VI (B) L.P., CVC Capital Partners VI (C) L.P., CVC Capital Partners VI (D) S.L.P., CVC Capital Partners VI Associates L.P. and CVC Capital Partners Investment Europe VI L.P.;
- "*Escrow Account*" refers to an escrow account, which will be held in the name of the Issuer, but controlled by the Escrow Agent, into which the Initial Purchasers will deposit the gross proceeds of the offering of the Notes on the Issue Date pursuant to the Escrow Agreement, if the Offering closes prior to the consummation of the Gallo Investment. The Escrow Account will be pledged as collateral to secure the Notes. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*";
- "*Escrow Agent*" refers to Deutsche Bank AG, London Branch;
- "*Escrow Agreement*" refers to the escrow agreement dated on or about the Issue Date among the Issuer, the Trustee and the Escrow Agent relating to the deposit of the gross proceeds of the Offering of the Notes in the Escrow Account. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*";
- "*Escrow Longstop Date*" means May 30, 2020;
- "*Euroclear*" refers to Euroclear Bank SA/NV or any successor thereof;
- "*EU*" refers to the European Union;
- "*euro*," "*EUR*" and "*€*" refers to the lawful currency of the European Monetary Union;
- "*Exchange Act*" refers to the U.S. Securities Exchange Act of 1934, as amended;
- "*Gallo Investment*" refers to the creation of the SisalPay Group, pursuant to the Gallo Investment Agreement, as further described under "*Summary—The Transactions*";
- "*Gallo Investment Agreement*" refers to the investment agreement dated as of July 30, 2019, as amended on October 8, 2019 and on October 23, 2019, by and among Sisal Group S.p.A., Banca 5 S.p.A., Sisal S.p.A. and Sisal Point S.p.A., as further described under "*Summary—The Transactions*";
- "*Guarantors*" refers to any future Guarantor described under "*Description of the Notes—Guarantees*";
- "*IFRS*" refers to International Financial Reporting Standards as adopted by the European Union;
- *"Indenture*" refers to the indenture governing the Notes to be dated the Issue Date by and among, *inter alios*, the Issuer, the Trustee and the Security Agent;
- "*Initial Purchasers*" refers to, collectively, UBS Europe SE, Banca IMI S.p.A, BNP Paribas, Deutsche Bank AG, London Branch, HSBC Bank plc and Nomura International plc;

- "*Issue Date*" refers to December 17, 2019, the date of original issuance of the Notes;
- "*Issuer*" refers to Sisal Pay S.p.A. (to be subsequently renamed SisalPay Group S.p.A.), a joint stock company (*società per azioni*) established under the laws of Italy;
- "*Intesa Sanpaolo*" refers to Intesa Sanpaolo S.p.A., an entity incorporated under the laws of Italy;
- "*Intercreditor Agreement*" refers to the intercreditor agreement to be entered into on or about the Issue Date, by and among, inter alios, the Issuer, the Trustee, BNP Paribas Italian Branch, as security agent under the Revolving Credit Facility and certain lenders and arrangers under the Revolving Credit Facility;
- "*Merchant Services*" refers to business-to-business hardware and software offerings to manage point of sale activities, including terminal maintenance, invoicing and tax compliance and working capital management;
- "*NewCos*" refers, collectively, to PayCo and TelCo.
- "*Notes*" refers to the €530.0 million in aggregate principal amount of senior secured floating rate notes due 2026 offered hereby;
- "*Notes Collateral*" has the meaning given to such term under "*Summary—Summary Corporate and Financing Structure*";
- "*Notes Guarantee*" refers to any future guarantees of the Notes by a Guarantor;
- "*Notes Issue Date Collateral*" has the meaning given to such term under "*Summary—The Offering—Summary Corporate and Financing Structure*";
- "*Offering*" refers to the offering of the Notes hereby;
- "*Osservatorio PoliMi*" refers to *Osservatorio Innovative Payments del Politecnico di Milano*;
- "*Payments Products and Services*" refers to (1) bills payments, (2) the issuance and top-up of prepaid debit cards and (3) telco top-ups, including, mobile phones, pay-for-view TV cards, and e-commerce accounts;
- "*PayCo*" refers to SisalPay S.p.A. (formerly, QUI! Financial Services S.p.A.);
- "*Revolving Credit Facility*" refers to the €92.5 million revolving credit facility to be made available to the Issuer pursuant to the Revolving Credit Facility Agreement, which is described in more detail in "*Description of Certain Financing Arrangements—Revolving Credit Facility*";
- "*Revolving Credit Facility Agreement*" refers to the €92.5 million revolving credit facility agreement to be entered into on or prior to the Issue Date between, inter alios, the Issuer and BNP Paribas Italian Branch, as agent, which is described in more detail in "*Description of Certain Financing Arrangements—Revolving Credit Facility*";
- "*Security Agent*" refers to BNP Paribas Italian Branch, 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;
- "*Sisal*" means Sisal S.p.A.;
- "*Sisal Point*" means Sisal Point S.p.A.;
- "*Sisal Group*" means Sisal Group S.p.A.;
- "*Sisal Group DPP*" refers to refers to the €100.0 million deferred purchase price consideration owed to Sisal Group in connection with the Gallo Investment as further described under "*Summary—The Transactions*";
- "*Sisal Payments Business*" or "*SisalPay*" refers to (a) the business comprising the segregated assets through which the Sisal Group carries out the activity of payment services and services ancillary thereto, as well as other contracts and legal relationships of the Sisal Group pertaining to such activities and services; and (b) the business of Sisal and Sisal Point consisting of, *inter alia*, assets, contracts and legal relationships pertaining to the performance of payment services and telephone top-ups being contributed, in each case, to the NewCos;
- "*SisalPay Group*" refers to the corporate partnership in payment services formed by contributing the Sisal Payments Business and the Banca 5 Payments Business as further described under "*Summary—The Transactions*". References to "*SisalPay Group,*" "*we,*" "*us*" or "*our*" refer to the Issuer and its consolidated subsidiaries from time to time, and, after the Completion Date includes (1) the NewCos and (2) both the Sisal Payments Business and the Banca 5 Payments Business, which are also referred to collectively herein

as the “combined business.” Such references throughout this offering memorandum reflect, and assume, the completion of the Gallo Investment, and therefore includes both the Sisal Payments Business and the Banca 5 Payments Business;

- *“SG2”* refers to a newly incorporated company resulting from the demerger of Sisal Group as described in “*Summary—The Transactions—The Gallo Investment”;*
- “*TelCo*” refers to Sisal Pay Servizi S.p.A. (to be subsequently renamed SisalPay Servizi S.p.A.);
- “*Transactions*” has the meaning given to such term under “*Summary—The Transactions*”;
- “*Trustee*” refers to The Law Debenture Trust Corporation p.l.c., in its capacity as trustee, legal representative (*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;
- “*turnover*” refers to the total amount of payments received from customers;
- “*United States*” or the “*U.S.*” refers to the United States of America; and
- “*U.S. Securities Act*” refers to the U.S. Securities Act of 1933, as amended.

ITALIAN "WHITE LIST STATES"

In order to qualify as eligible to receive interest free from *imposta sostitutiva* (Italian substitute tax), among other things, non-Italian resident holders of the Notes and beneficial interests therein must be beneficial owners resident for tax purposes in, or be "institutional investors" established in, a country which the Italian government identifies as allowing for a satisfactory exchange of information with Italy (the "**White List States**") as listed in the Italian Ministerial Decree dated September 4, 1996, as amended from time to time, or, as from the tax year in which the Ministerial Decree to be issued under Article 11, paragraph 4, let. c) of Legislative Decree No. 239 of April 1, 1996 is effective, in a country therein included. See "*Certain Tax Considerations—Certain Italian Tax Considerations—Interest on the Notes—Non-Italian Resident Noteholders*". Subject to certain limited exceptions, such as for central banks and supranational bodies established in accordance with international agreements in force in Italy, this residency requirement applies to all holders of the Notes and beneficial interests therein, including ultimate beneficiaries of interest payments under the Notes holding via sub-accounts to which interests in the Notes may be allocated upon purchase or thereafter. As of the date of this offering memorandum, the White List States include the following:

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

The White List States may change and the Issuer have no obligation to provide notice of any such change. Noteholders will bear the risk of changes in the White List States and should therefore inform themselves of any such changes.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this offering memorandum are not historical facts and are "forward-looking" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. This document contains certain forward-looking statements in various sections, including, without limitation, under the headings "*Summary,*" "*Risk Factors,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Sisal Payments Business,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Banca 5 Payments Business,*" "*Industry*" and "*Business,*" and in other sections where the offering memorandum includes statements about our intentions, beliefs or current expectations regarding our future financial results, plans, liquidity, prospects, growth, strategy and profitability, as well as the general economic conditions of the industry and country in which we operate. We may from time to time make written or oral forward-looking statements in other communications. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future sales or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries and the economic, political and legal environment in which we operate and other information that is not historical information.

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under "*Risk Factors,*" as well as those included elsewhere in this offering memorandum. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the competitive environment in which we operate and a changing regulatory environment that may permit more participants;
- the existing regulatory framework, and potential changes to that framework or the introduction of more stringent laws and regulations;
- economic weakness and political uncertainty, particularly in Italy and the EU;
- the need to maintain the value of our brands and address changes in consumer preferences and technological developments;
- our reliance on partners and retailers, as well as third party suppliers;
- the real and perceived integrity of our employees and executives;
- the ability of our internal processes and systems to detect money laundering and fraud, and comply with data privacy laws and other applicable laws;
- failure to renew agreements with customers on favorable terms;
- the challenges associated with making acquisitions, including antitrust and competition laws;
- the potential exposure to an unfavorable outcome with respect to pending litigation, which could result in substantial monetary damages;
- our ability to maintain the security of our information technology systems and to protect our intellectual property;
- pending tax proceedings, as well as potential changes in taxation or the interpretation or application of tax laws;
- our use of open source software;
- our reliance on credit card payment service providers and other financial institutions;
- our reliance on key persons and employees and satisfactory labor relations;
- risks associated with the potential impairment of goodwill;
- our exposure to credit risk and related exposure to losses;
- our high leverage and debt service obligations and restrictive debt covenants;

- risks associated with our structure and the interests of our principal shareholders;
- risks associated with the Notes Collateral, including the ability of holders of the Notes to enforce and realize the value of the Notes Collateral; and
- limitations imposed under Italian insolvency and other laws.

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

We urge you to read carefully the sections of this offering memorandum entitled "*Risk Factors,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Sisal Payments Business,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Banca 5 Payments Business,*" "*Industry and Market Data*" and "*Business*" for a more detailed discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not be accurate or occur at all. Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made.

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The Issuer is a holding company formed for the purpose of facilitating the Transactions (as defined herein). Consequently, no audited financial is available for the Issuer. The audited financial information of the Sisal Payments Business and the Banca 5 Payments Business is therefore presented in this offering memorandum.

The Sisal Payments Business

This offering memorandum includes and presents the (i) audited carve-out financial statements of the Sisal Payments Business as of and for the years ended December 31, 2016, 2017 and 2018 (the "**Sisal Payments Business Annual Carve-out Financial Statements**") and (ii) unaudited carve-out financial statements of the Sisal Payments Business as of and for the nine months ended September 30, 2019 (the "**Sisal Payments Business Interim Carve-out Financial Statements**" and, together with the Sisal Payments Business Annual Carve-out Financial Statements, the "**Sisal Payments Business Carve-out Financial Statements**"), which have been derived from the historical financial information included in the consolidated financial statements of Sisal Group S.p.A. for the same reporting periods and years by applying the carve-out criteria described in the notes to the Sisal Payments Business Carve-out Financial Statements included elsewhere in this offering memorandum.

The Sisal Payments Business Carve-out Financial Statements were prepared for the purpose of presenting the net assets, financial position and results of operations of the Sisal Payments Business as if the Sisal Payments Business had been operating as a stand-alone entity controlled by Sisal Group during the years ended December 31, 2016, 2017 and 2018 and the nine months ended September 30, 2018 and 2019, as further described in the notes to the Sisal Payments Business Carve-out Financial Statements included elsewhere in this offering memorandum. References to financial information of the "Sisal Payments Business" reflects financial information derived from the Sisal Payments Business Carve-out Financial Statements.

The Sisal Payments Business Carve-out Financial Statements may not necessarily be indicative of the historical results that would have been obtained if the Sisal Payments Business had been a separate company during the periods presented or of the results that may be obtained in the future.

The Sisal Payments Business Annual Carve-out Financial Statements contains unaudited aggregated financial information for the total year ended December 31, 2016 ("**total year ended December 31, 2016**"), which represents the sum, without any changes, of the results of operations as follows:

(a) with regard to the period from January 1, 2016 to November 30, 2016, income statement and cash flow data of the Sisal Payments Business directly or indirectly under the control of the funds managed by Apax, Permira and Clessidra groups and by Rodolfo Molo and Malvina Molo as well as certain former executives (the "**Predecessor**"); and

(b) with regard to (i) the period from March 2, 2016 to December 31, 2016 and (ii) the years ended December 31, 2017 and 2018, the statement of financial position, income statement and cash flow data of the Sisal Payments Business indirectly owned by CVC Fund VI (the "**Successor**"). It should be noted that, for the period from March 2, 2016 to November 30, 2016, Schumann S.p.A. (subsequently merged into Sisal Group S.p.A.) did not report any significant costs and revenues, assets and liabilities in its statement of financial position and income statement.

The total year ended December 31, 2016 financial information has been presented for illustrative purposes only in order to present economic data for a full year period that could be compared with the data for the years ended December 31, 2017 and 2018 and represents the financial information for a full year. However, the underlying data was generated by different management teams as a result of the acquisition by CVC Fund VI of Sisal Group, through Schumann S.r.l, on December 1, 2016 (the "**Acquisition**"). As such, the financial information presented for the total year ended December 31, 2016 does not represent the actual historical financial data of the Sisal Payments Business.

The Sisal Payments Business Annual Carve-out Financial Statements were prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("**IFRS**") and audited by PricewaterhouseCoopers S.p.A. The Sisal Payments Business Interim Carve-out Financial Statements have been prepared in accordance with IFRS applicable to interim financial reporting, IAS 34 "Interim Financial Reporting."

In 2018, the Sisal Payments Business applied the new accounting standards "*IFRS 9—Financial Instruments*" and "*IFRS 15—Revenue from Contracts with Customers*", both effective from January 1, 2018. There were no effects from applying IFRS 9 and IFRS 15; see Note 2.5 "*Adoption of the new standards IFRS 9 and IFRS 15*" of the Sisal Payments Business Annual Carve-out Financial Statements.

In 2019, the Sisal Payments Business applied the new accounting standards "*IFRS—16 Leases*", effective from January 1, 2019 using the "*simplified retrospective method.*" Therefore, cumulative effects of applying the new accounting standards were recognized as an adjustment to retained earnings as of January 1, 2019 (date of initial application), while comparative figures were not restated. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model with some exemptions for short-term and low-value leases. The lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There were no significant effects from applying IFRS 16; see Note 2.3 "*Accounting policies*" of the Sisal Payments Business Interim Carve-out Financial Statements.

The Banca 5 Payments Business

This offering memorandum includes and presents the (i) audited carve-out financial statements of the Banca 5 Payments Business as of and for the years ended December 31, 2017 and 2018 (the "**Banca 5 Payments Business Annual Carve-out Financial Statements**") and (ii) unaudited condensed carve-out financial statements of the Banca 5 Payments Business as of and for the nine month ended September 30, 2019 (the "**Banca 5 Payments Business Condensed Carve-out Financial Statements**" and, together with the Banca 5 Payments Business Annual Carve-out Financial Statements, the "**Banca 5 Payments Business Carve-out Financial Statements**"), which have been derived from the historical financial information included in the financial statements of Banca 5 S.p.A. as at and for the years ended December 31, 2018 and 2017 and included in the historical economic-financial data as at and for the nine months ended September 30, 2019 and 2018. The carve-out criteria are described in the notes to the Banca 5 Payments Business Carve-out Financial Statements included elsewhere in this offering memorandum. The Banca 5 Payments Business Annual Carve-out Financial Statements have been prepared in accordance with IFRS and audited by KPMG S.p.A. The Banca 5 Payments Business Condensed Carve-out Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting."

The Banca 5 Payments Business Carve-out Financial Statements were prepared for the purpose of presenting the assets, liabilities, revenues and expenses of Banca 5 that are directly or indirectly attributable to the Banca 5 Payments Business as further described in the notes to the Banca 5 Payments Business Carve-out Financial Statements included elsewhere in this offering memorandum. References to financial information of "Banca 5 Payments Business" reflects financial information derived from the Banca 5 Payments Business Carve-out Financial Statements.

The Banca 5 Payments Business Carve-out Financial Statements may not necessarily be indicative of the historical results that would have been obtained if the Banca 5 Payments Business had been a separate company during the periods presented or of the results that may be obtained in the future.

In 2018, Banca 5 Payments Business applied the new accounting standards "*IFRS 9—Financial Instruments*" and "*IFRS 15 -Revenue from Contracts with Customers*", both effective from January 1, 2018. There were no effects from applying IFRS 9 and IFRS 15; see Note 2.5 "*Adoption of the new standards IFRS 9, IFRS 15 and IFRS 16*" of the Banca 5 Payments Business Annual Carve-out Financial Statements.

In 2019, Banca 5 Payments Business applied the new accounting standards "*IFRS – 16 Leases*" using the "*simplified retrospective method.*" There were no effects from applying IFRS 16; see Note 2.5 "*Adoption of the new standard IFRS 16—Leases*" of the Banca 5 Payments Business Condensed Carve-out Financial Statements.

The Sisal Payments Business Carve-out Financial Statements and the Banca 5 Payments Business Carve-out Financial Statements included in this offering memorandum should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and U.S. GAAP and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this offering memorandum and (ii) the impact that future additions to, or amendments of, IFRS may have on our results of operations or financial condition, as well as on the comparability of the prior periods.

Unaudited *Pro Forma* Consolidated Financial Information

This offering memorandum includes the unaudited *pro forma* consolidated statement of financial position as of September 30, 2019, the unaudited *pro forma* consolidated statement of comprehensive income for the year ended December 31, 2018, for the nine months ended September 30, 2019 and for the twelve months ended September 30, 2019 and related explanatory notes (together, the "**Unaudited *Pro Forma* Consolidated Financial Information**"). The Unaudited *Pro Forma* Consolidated Financial Information has been prepared as though the Transactions had occurred on September 30, 2019 for the purpose of the unaudited *pro forma* consolidated statement of financial position, as of January 1, 2018 for the purpose of the unaudited *pro forma* consolidated statement of comprehensive income for the year ended December 31, 2018, as of January 1, 2019 for the purpose of the unaudited *pro forma* consolidated statement of comprehensive income for the nine months ended September 30, 2019 and as of October 1, 2018 for the purpose of the unaudited *pro forma* consolidated statement of comprehensive income for the twelve months ended September 30, 2019. See "*Summary Unaudited Pro Forma Consolidated Financial and Other Information,*" "*Capitalization,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Sisal Payments Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Banca 5 Payments Business*" and for a description of the *pro forma* effect of the Transactions, including the issuance of the Notes offered hereby and the application of the proceeds thereof as described in "*Use of Proceeds,*" see "*Unaudited Pro Forma Consolidated Financial Information.*" Unless otherwise indicated, references to "our" or the SisalPay Group's financial information refer to financial information derived from the Unaudited *Pro Forma* Consolidated Financial Information.

The Unaudited *Pro Forma* Consolidated Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Regulation or any generally accepted accounting standards. The unaudited *pro forma* adjustments are based upon available information and certain assumptions that we believe to be reasonable and give effect to events that are directly attributable to the Transactions described therein and are factually supportable, and for the purposes of statement of comprehensive income items, are deemed to have a continuing effect on the Issuer.

The Unaudited *Pro Forma* Consolidated Financial Information is for informational purposes only and should not be considered indicative of actual results that would have been achieved had the Transactions been completed on the dates indicated and do not purport to indicate our future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in the Unaudited *Pro Forma* Consolidated Financial Information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the Unaudited *Pro Forma* Consolidated Financial Information.

Last Twelve Months Financial Information

The financial information included in this offering memorandum for the twelve months ended September 30, 2019, is calculated by taking the results of operations for the nine months ended September 30, 2019 and adding to them the difference between the results of operations for the year ended December 31, 2018 and the nine months ended September 30, 2018 (the "**LTM Financial Information**").

The LTM Financial Information has not been audited or reviewed by our auditors, is not required by or presented in accordance with IFRS or any other generally accepted accounting principles and has been prepared for illustrative purposes only. This information is not necessarily representative of our results for any future period or our financial condition for any past date.

Rounding

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

Use of Non-IFRS Financial Measures

Certain parts of this offering memorandum contain non-IFRS measures and ratios for the Sisal Payments Business, the Banca 5 Payments Business and the SisalPay Group, including "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "Net revenues", "*Pro forma* adjusted EBITDA", "*Pro forma* adjusted EBITDA margin", "Combined adjusted *pro forma* EBITDA", "*Pro forma* adjusted total financial debt", "Adjusted *pro forma* cash and cash equivalents", "*Pro Forma* adjusted net financial debt", "*Pro forma* cash interest expense", "Changes in net working capital", "Adjusted operating free cash flow", "Adjusted operating free cash flow conversion", "Operating cash flow", "Cash flow", "*Pro forma* adjusted operating free cash flow", "Adjusted *pro forma* operating free cash flow conversion", "Ratio of *pro forma* adjusted net financial debt to combined adjusted *pro forma* EBITDA", "Ratio of combined adjusted *pro forma* EBITDA to *pro forma* cash interest expense". These non-IFRS measures and ratios relate to one or more of the SisalPay Group, the Sisal Payments Business and the Banca 5 Payments Business. For the calculation of these non-IFRS measures and ratios, see "*Summary Unaudited Pro Forma Consolidated Financial and Other Information.*"

We define EBITDA for the Sisal Payments Business as profit (or loss) for the year/period adjusted for: (i) Amortization, depreciation, provisions and impairment losses and reversals; (ii) Finance income and similar; (iii) Finance expenses and similar; (iv) Income taxes and (v) share of net profit of associates accounted for using the equity method.

We define Adjusted EBITDA as EBITDA adjusted for the effect of non-recurring items and depreciation/ amortization of shared assets owned by Sisal Group or by Banca 5 (as applicable).

We define EBITDA for the Banca 5 Payments Business as profit (or loss) for the period adjusted for (i) depreciation of property, plant and equipment and amortization of intangible assets and (ii) income taxes.

We define Adjusted EBITDA margin as Adjusted EBITDA divided by net revenues.

The Sisal Payments Business defines Net revenues as revenues net of revenues paid back to the supply chain.

The Banca 5 Payments Business defines Net revenues as revenues net of commission costs for supply chain.

We define *Pro forma* adjusted EBITDA as the sum of (i) revenues for the Sisal Payments Business net of revenues paid back to the supply chain and (ii) revenues for the Banca 5 Payments Business net of revenues paid back to the supply chain.

We define *Pro forma* adjusted EBITDA margin as *pro forma* adjusted EBITDA divided by *pro forma* Net Revenue.

We define Combined adjusted p*ro forma* EBITDA as *Pro forma* adjusted EBITDA further adjusted for (i) incremental G&A spending, (ii) cost savings for the combined business resulting from the Banca 5 Payments Business's transition from a third party platform, (iii) cost savings and other non-costs benefits from network optimization and (iv) the impact of the Banca 5 PostePay contract loss.

We define Adjusted operating free cash flow as the sum of Adjusted EBITDA and recurring capital expenditures.

We define Adjusted operating free cash flow conversion as Adjusted operating free cash flow divided by Adjusted EBITDA.

We define Operating cash flow as the sum of Adjusted operating free cash flow, changes in net working capital and taxes.

We define Cash flow as the sum of Operating cash flow and non-recurring capital expenditures.

We define Changes in net working capital as the sum of the movements in trade payables, inventories, trade receivables and other assets and liabilities, not including movements in cash.

We define *Pro forma* adjusted operating free cash flow as *pro forma* adjusted EBITDA minus the sum of the recurring capital expenditures of the Sisal Payments Business and the Banca 5 Payments Business.

We define *Pro forma* adjusted operating free cash flow conversion as *pro forma* adjusted operating free cash flow divided by *pro forma* adjusted EBITDA.

We define *Pro forma* adjusted total financial debt as *pro forma* total long-term financial debt, *pro forma* short-term financial debt and *pro forma* short-term portion of long-term financial debt, gross of transaction costs and excluding the DPP.

We define Adjusted *pro forma* cash and cash equivalents, as *pro forma* cash and cash equivalents, adjusted for an anticipated transfer of cash by Sisal Group to the Issuer for general corporate purposes.

We define *Pro forma* adjusted net financial debt as *pro forma* adjusted total financial debt minus *pro forma* cash and cash equivalents.

Pro forma cash interest expense reflects the estimated interest expense for the twelve-month period ended September 30, 2019 as if the Transactions had occurred on October 1, 2018.

We define Ratio of *pro forma* adjusted net financial debt to Combined adjusted *pro forma* EBITDA as *pro forma* adjusted net financial debt divided by Combined adjusted *pro forma* EBITDA.

We define Ratio of *pro forma* cash interest expense to Combined adjusted *pro forma* EBITDA as *pro forma* adjusted cash interest expense divided by Combined adjusted *pro forma* EBITDA.

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

These measures are not measurements of performance under IFRS or any other accounting principles and you should not consider them as an alternative to profit/(loss) before taxes or profit/(loss) from continuing operations determined in accordance with IFRS or any other accounting principles, or, as the case may be, or to cash flows from/(used in) operating activities, cash used in investing activities or cash flow from/(used in) financing activities, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Sisal Payments Business—Description of Key Line Items and Certain Key Performance Indicators—Non-IFRS Financial Measures and other ratios*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Banca 5 Payments Business—Description of Key Line Items and Certain Key Performance Indicators*."

Market and Industry Data

In this offering memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Certain market and industry data and certain forward-looking industry statements were extracted from market research, governmental and other publically available information, independent industry publications. These external sources include, among others, Euromonitor, *Osservatorio PoliMi* and a market report commissioned by us in connection with the Gallo Investment from Roland Berger. Industry publications, surveys, forecasts and reports prepared by industry consultants generally state that the information contained therein has been obtained from sources believed to be reliable, but some of the information may have been derived from estimates or subjective judgments or may have been subject to limited audit or validation and there is no guarantee, representation or warranty (either expressly or implied) of the accuracy or completeness of such data or changes to such data following publication thereof. The information in this offering memorandum that has been sourced from third parties has been accurately reproduced and, as far as we are aware and able to ascertain from the information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Notwithstanding the foregoing, such third party information has not been independently verified, and neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of such information set forth in this offering memorandum. Third party sources explicitly disclaim any liability for any loss or damage, howsoever caused, arising from any errors, omissions or reliance on any information or views contained in their reports.

In addition, certain information in this offering memorandum for which no source is given, regarding our market position relative to our competitors in the Italian Payments Products and Services, Merchants Services and Banking Products and Services industries, is not based on published statistical data or information obtained from independent third parties. Such information and statements reflect our best estimates based upon information obtained from trade and business organizations and associations and other contacts within the industries in which we compete, as well as information published by our competitors. To the extent that no source is given for information contained in this offering memorandum, or such information is identified as being our belief, that information is based our experience, our evaluation of industry information, our determination of our addressable markets and our own investigation of market conditions including on the following: (i) in respect of market share, industry and market projections, industry publications, trade and business organizations and associations and other contacts within the industries in which we compete and internal analysis of our sales data, and unless otherwise stated, market share is based on turnover; (ii) in respect of industry trends, our senior management team's general business experience, as well as their experience in our industry and the local markets in which we operate; and (iii) in respect of the performance of our operations, our internal analysis of our audited and unaudited financial and other information. As some of the foregoing information was compiled or provided by our management or advisers and is not publicly available, such information accordingly may not be considered to be as independent as that provided by other third party sources.

Tax Considerations

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

Trademarks and Trade Names

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

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

In this offering memorandum, all references to $, "dollar" or "U.S. dollar" are to the lawful currency of the United States of America and all references to € or "euros" are to the single currency of the participating member states of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

The following tables set forth, for the periods indicated, the period end, period average, high and low Bloomberg Composite Rate (London) expressed in 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 below rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. We make no representation that the euro or U.S. dollar amounts referred to in this offering memorandum have been, could have been or could, in the future, be converted into U.S. dollars or euro, as the case may be, at any particular rate, if at all.

The average rate for a year means the average of the Bloomberg Composite Rates on the last business 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 December 5, 2019 was $1.1105 per €1.00.

	U.S. dollars per €1.00			
	Period-end	**Average[(1)]**	**High**	**Low**
Year				
2014	1.2100	1.3285	1.3925	1.2100
2015	1.0866	1.1100	1.2099	1.0492
2016	1.0547	1.1068	1.1527	1.0384
2017	1.2022	1.1297	1.2026	1.0427
2018	1.1452	1.1811	1.2492	1.1245
Month				
July 2019	1.1128	1.1214	1.1307	1.1122
August 2019	1.0988	1.1128	1.1227	1.0988
September 2019	1.0903	1.1010	1.1076	1.0903
October 2019	1.1146	1.1058	1.1158	1.0938
November 2019	1.1016	1.1047	1.1162	1.0999
December 2019 (through December 5, 2019)	1.1105	1.1087	1.1105	1.1075

(1) The average rate for a year means the average of the Bloomberg Composite Rates on the last business day of each month during the 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.

SUMMARY

This summary highlights certain information about us and the Offering. This summary should be read as an introduction to this offering memorandum. It does not contain all the information that may be important to you or that you should consider before investing in the Notes, and it is qualified in its entirety by the remainder of this offering memorandum. You should read this entire offering memorandum, including the financial statements and related notes, before making an investment decision. You should also carefully consider the information set out in this offering memorandum under the heading "Risk Factors" for factors that you should consider before investing in the Notes and "Information Regarding Forward-Looking Statements" for information relating to the statements contained in this offering memorandum that are not historical facts before making any decision as to whether to invest in the Notes. Unless otherwise indicated, references to "SisalPay Group," "we," "us" or "our" refer to the Issuer and its consolidated subsidiaries from time to time, and, after the Completion Date includes (1) the NewCos and (2) both the Sisal Payments Business and the Banca 5 Payments Business. Such references throughout this offering memorandum reflect, and assume, the completion of the Gallo Investment, and therefore includes both the Sisal Payments Business and Banca 5 Payments Business.

Overview

Created through the combination of the Sisal Payments Business and the Banca 5 Payments Business, we are a new leading player in Italian proximity payments products and services and a trusted business partner for Italian merchants. We believe the combined business will leverage an established platform across Italy, benefitting from scale of operations and focusing on key market segments that we believe hold significant growth potential. Our business is built on a proximity model, benefitting from an extensive and capillary network of approximately 51,000 points of sale ("**PoS**") (post-network optimization), mostly located in bars, coffee shops, tobacconists and newsstands, and we believe, based on internal analysis, that we served an estimated 20 million customers in 2018, underpinned by strong relationships with approximately 100 commercial partners.

We believe that our enhanced service and value proposition, together with our broad and diversified offering of products and services and our recognizable brands, will help us expand our customer reach and position us to deliver solid growth, profitability and cash flow generation. We generated *pro forma* net revenue of €143.4 million and Combined adjusted *pro forma* EBITDA of €100.0 million during the twelve months ended September 30, 2019.

Through our distinctive products and services offering, proprietary payment platform and digital portfolio and business-to-business ("**B2B**"), business-to-consumer ("**B2C**") and business-to-business-to-consumer ("**B2B2C**") products and services, we provide consumers with a one-stop-shop solution for their payments and banking services needs via our retail, online and mobile channels. Our combined offering includes the following segments:

- **Payments Products and Services:** a B2C offering with three components**:**
  - ***Bill Payments***: payment of various types of bills, including utilities, fines, taxes and subscriptions, from approximately 1,000 companies and public entities; we have commercial partnerships with 100 of these companies and public entities. Our bill payments segment includes pagoPa, a platform that provides consumers with a convenient way to make electronic payments owed to certain Italian central and local governmental entities. For the twelve months ended September 30, 2019, we generated 39.8% of our *pro forma* net revenue from this segment.
  - ***Prepaid Cards***: issuance and top-up of own-branded prepaid debit cards and top-up services for our partners' prepaid debit cards. For the twelve months ended September 30, 2019, we generated 7.7% of our *pro forma* net revenue from this segment.
  - ***Telco***: top-ups, including, mobile phones, pay-per-view TV cards, and e-commerce accounts. For the twelve months ended September 30, 2019, we generated 10.6% of our *pro forma* net revenue from this segment.
- **Merchant Services:** a B2B offering of technology infrastructure and solutions to our PoS partners (generally small entrepreneurs) to help them manage their everyday store needs, including invoicing and tax compliance, working capital management and payment terminal maintenance. For the twelve months ended September 30, 2019, we generated 38.0% of our *pro forma* net revenue from this segment.
- **Banking Products and Services:** a B2B, B2C and B2B2C offering of products and services, including cash withdrawals and deposits, bank accounts, bank transfers and personal and business lending and insurance products, offered in partnership with Banca 5 and Intesa Sanpaolo. For the twelve months ended September 30, 2019, we generated 3.9% of our *pro forma* net revenue from this segment.

Our comprehensive digital portfolio complements our core products and services. Our digital portfolio includes the following products, certain of which are provided through partnerships with third parties:

Payments: person-to-business ("**P2B**") and person-to-person ("**P2P**") payments, cash back and mobile recharge

Mobility: manage parking space and toll road access payments; purchase public transportation tickets and passes

Insurance: on-demand insurance covering goods, health, people, pets and travel (through a partnership)

Savings: manage personal finances, track spending and investing (through a partnership)

Combination Rationale

We believe our combined business will offer:

- An enhanced value proposition, with a full suite of proximity payments products and services and Merchant Services that drive strong customer footfall within the PoS network and provide merchants with tools to manage their in-store activities;
- A full service, one-stop-shop offering that enables consumers to fulfill their payments and banking services needs, while transacting via offline, online and digital channels;
- Tangible value-creation potential, with estimated cost synergies of approximately €16 million, primarily due to a greater scale of operations and focus on vertical integration; and
- Strong positioning in the proximity banking market by leveraging Banca 5's product offering and Intesa Sanpaolo's support, with potential to capture new opportunities in banking, mobility and insurance sectors.

Competitive Strengths

A new leading player in the structurally growing Italian payments and banking markets and a trusted business partner for Italian merchants

We are a new leading player in the Italian proximity payments industry, operating in large and growing markets: the Italian Payments Products and Services market, the Italian Banking Products and Services market and the Italian Merchant Services market. These markets are supported by solid growth trends that are in turn underpinned by favorable industry dynamics. We are also a partner of choice for many Italian merchants, to whom we provide critical B2B information technology infrastructure, support and other value-added services. The combination of the Sisal Payments Business and the Banca 5 Payments Business allows us to offer a leading omni-channel network of (1) Payments Products and Services, (2) Merchant Services and (3) Banking Products and Services that we believe, based on internal analysis, served an estimated 20 million customers in 2018 and maintain approximately 51,000 PoS (post-network optimization) with merchants across Italy. We believe that the complementary offering of the Sisal Payments Business and the Banca 5 Payments Business products and services will favorably position us to further consolidate our leading positions across and seize the full potential of our addressable markets.

The Italian Payments Products and Services market had a total market turnover of approximately €194 billion in 2018, and grew at a CAGR of 6.6% from 2016 (when turnover was approximately €171 billion) to 2018. We have a strong and established presence in the Italian Payments Products and Services market, with SisalPay and Banca 5 holding 8.7% of market share based on total market turnover for bill payments, telco top-ups and prepaid cards in 2018. In the nine months ended September 30, 2019, SisalPay generated turnover of €6.8 billion through its PoS network across its Payments Products and Services offering. Turnover related to this offering has grown at a CAGR of 8.2% from 2016 to 2018, which compares favorably with the Italian Payments Products and Services market average of 6.6% over the same period. Our Payments Products and Services segment accounted for 60% of our *pro forma* net revenues in 2018, representing *pro forma* net revenues of €91.2 million. Due to a number of supportive trends, the markets in which we operate have proven to be generally resilient, even in years of slow GDP growth in Italy. These markets are expected to continue outperforming Italy's economy over the 2018 to 2022 period, growing at a CAGR of 4.6% from 2018 to 2022, as compared with average Italian GDP growth forecast of 0.5% over the same period (Source: International Monetary Fund). Resilience and consistent growth in our markets is driven in part by low penetration of online and direct debit payment options in Italy, as well as cultural preferences that drive customers to prefer visiting physical proximity channels to make payments in real-time, digitally or with cash, in parallel with the purchase of other services that merchants offer. Ongoing closures of banks' physical branches (approximately 3,600 branches were closed between 2016 and 2018) present another driver of growth in our markets and provide players such as ourselves the opportunity to offer a simple and convenient alternative to banks that meets Italian households' everyday payment needs.

The Italian Payments Products and Services market has three key components: bill payments, prepaid cards and telco top-ups. In 2018, total market turnover in bill payments was €107 billion, followed by €77 billion in prepaid cards and €10 billion in telco top-ups. In 2018, bill payments, prepaid cards and telco top-ups accounted for 35%, 15% and 10% of our *pro forma* net revenues, respectively. We expect the bill payments component of the Italian Payments Products and Services market to continue growing moderately in the coming years, driven in part by the migration of public administration bill payments to the pagoPA system. We are a leading player in the pagoPA system, having processed 36.0% of pagoPA transactions since January 2016. The prepaid cards component is expected to continue growing markedly in the years to come, with growth projected at a CAGR of 10.6% over the 2018 to 2022 period. We currently address demand in this component in two ways: by offering our own prepaid card solutions and by offering top-up services for our partners' prepaid cards. We also expect the telco top-ups component to grow moderately in the coming years, driven in part by increasing usage of home and mobile banking for telco top-ups and increasing e-commerce transactions on telco provider websites and apps.

Through our Merchant Services segment, we serve a network of approximately 51,000 PoS (post-network optimization) across Italy, mostly located in bars, coffee shops, tobacconists and newsstands. Our Merchant Services segment generated €54.5 million in *pro forma* net revenues in 2018 (36.1% of our *pro forma* net revenues). This represents an attractive and stable income stream for our combined business and will remain a key focus area. We estimate that the total addressable market is approximately 300,000 merchants across Italy, providing a significant opportunity for growth beyond our current merchant customer base.

We hold a solid position in the Italian Banking Products and Services market, which we serve through our Banking Products and Services segment, which generated €5.2 million in *pro forma* net revenues in 2018 (3.4% of our *pro forma* net revenues). Banking Products and Services represent a significant market opportunity for us, with total annual turnover of approximately €415 billion in 2017 (based on €379 billion withdrawals and €36 billion bank transfers), and are supported by the positive market fundamentals discussed above. Addressing and further penetrating the Italian Banking Products and Services market is one of the key pillars of our strategy; we aim to expand our product and service offering to meet the everyday needs of our customers.

Thanks to our comprehensive and capillary network of approximately 51,000 PoS (post-network optimization) located in bars, coffee shops and tobacconists across Italy, we believe that we provide a convenient "one-stop-shop" service to Italian households with convenient operating hours, less queuing and wider availability, resulting in a better customer experience than Italian banks and post offices can generally provide. Approximately 40% of our bill payments turnover from January to September 2019 was paid electronically, compared with national card payments penetration of 26%.

Furthermore, our physical PoS network is complemented by our significant digital operations. Our digital offering is comprehensive, which we believe enhances and complements our PoS offering. We have introduced digital apps through which our customers can pay their bills ("**bill**") and execute banking and transactional services through the Banca 5 and SisalPay apps. We have also entered into commercial partnerships with companies offering mobility services ("**myCicero**"), insurance products ("**YOLO**") and a convenient way for customers to manage their savings ("**Oval**").

Broad and distinctive products and services offering, underpinned by strong relationships with approximately 100 commercial partners and the Italian public administration

We provide a full range of Payments Products and Services, Merchant Services and Banking Products and Services to consumers and merchants. We believe our comprehensive offering allows consumers to take advantage of a one-stop-shop solution, where they are able to visit a merchant for their core offering (for example, coffee or tobacco) and, at the same time, are able to pay their bills, top-up their cards or mobile devices and have access to banking services, resulting in a better customer experience. Merchants likewise benefit from the customer footfall generated in their stores as consumers visit to fulfil their payment and banking needs. We also assist merchants in managing all of their in-store payment-related activities including, for example, with invoicing and transitioning to cashless terminals.

Our long-standing relationships with approximately 100 commercial partners, including large retailers, utilities, telecom operators and financial institutions, allow us to provide a comprehensive and diversified offering to satisfy the everyday payment and banking needs of Italian consumers. For example, in our Payments Products and Services segment, we provide a variety of bill payments services managed via a proprietary platform and through partnerships with our commercial partners and merchants. Our positioning as the first provider of the pagoPA platform has allowed us to become a market leader in the fast growing Italian public administration bills segment. Our bill payments business includes the payment of utility bills, fines and taxes, as well as the payment of insurance premiums, subscription fees and transportation services. In our prepaid cards business, we offer top-up services for our partners' prepaid cards, while SisalPay and Banca 5 have each introduced their own branded prepaid cards. We intend to further expand our service offering by launching a new branded prepaid card following the rebranding of the combined business. Our Banking Products and Services segment offers B2B services (including bank accounts and business lending), B2C services (including bank accounts, debit cards and personal lending) and B2B2C services (including credit transfers and withdrawals). Additionally, we intend to leverage Banca 5 Payments Business to enlarge our Banking Products and Services offering, which includes cash withdrawals and bank transfers, as well as extend our Merchant Services offering from cash registers, invoicing and tax compliance to warehouse and working capital management.

We believe that our broad product offering allows us to provide a better range of services than our closest competitors, addressing customer needs across multiple areas. Particularly with respect to banking services, we believe that we have an advantage in this space due to Banca 5 Payments Business' capabilities and its relationship with Intesa Sanpaolo, Italy's largest bank (by number of branches).

Growing capillary payment PoS network supported by a strong brand proposition and merchant loyalty

We have one of the largest physical payment PoS networks in Italy. This broad capillary network allows us to serve our customers across Italy, and we believe that new market entrants could find it difficult to challenge us in terms of network scale. Our combined network consists of approximately 51,000 PoS (post-network optimization) distributed across Italy and allows us to benefit from economies of scale.

We have strong commercial relationships with merchants and provide them with a comprehensive suite of technology and support services alongside a dedicated training and communications platform. Our longstanding relationships and high levels of merchant loyalty are reflected in our low churn rates, averaging approximately 6.3% and 7.1% over the 2016 to 2018 period for SisalPay and Banca 5, respectively. We believe our churn rates are largely driven by the closure of unprofitable merchants, as opposed to merchants switching to other providers of payment and banking services. Given the quality and broad range of products and services we offer, we enjoy a positive reputation with merchants, as demonstrated by our proven track record of organic PoS growth. Our PoS numbers have been growing steadily in recent years, with SisalPay adding over 1,300 merchants between 2017 and 2018 (growth of 3.1%) and Banca 5 added over 400 merchants (in terms of M210 PoS terminals) over the same period (growth of 3.0%) while, in recent years, the Italian banking sector has witnessed a trend of branch closures, the number of banks' branches per 100,000 adults in Italy declining by approximately 31% between 2009 and 2018 and by approximately 18% between 2015 and 2018.

Our longstanding position with merchants and consumers drives the strong brand awareness that our Payments Products and Services segment enjoys. According to a survey conducted by Nextest in 2019, in which consumers were asked "which of the following companies managing payment services through convenience stores do you know by name?", approximately 54% of respondents recognized either SisalPay or Banca 5. SisalPay and Banca 5 brand awareness has been built over time through multi-channel campaigns on TV, radio, print media, social media, mobile apps and websites. We believe our brand awareness is higher than many other players in our market: it is estimated to be approximately six times higher than that of our closest competitor, who enjoys only 9% brand awareness.

A value-added technology and software partner for merchants and provider of a complementary digital offering to consumers

In our Merchant Services business unit, we provide users of our PoS network, which are generally small entrepreneurs, with a complete suite of value-adding technology and software solutions for merchants to help them manage their day-to-day needs. We have a large team of in-house software developers who develop and consistently improve our technological expertise and capabilities, including PoS technology, merchant software, communication and consumer apps and our merchant-dedicated platform for training.

We provide merchants with next-generation terminals, which enable them to execute both standard operations (such as cash register transactions, invoicing and tax compliance) as well as more advanced and differentiated functions (such as warehouse and working capital management). Further, our proprietary MyB5 Portal supports merchants in their day-to-day activities, providing tools for training and support, as well as a marketplace of what we believe to be approximately 1,700 products, promotions and news sources.

In exchange for these tools, services and support, merchants pay an annual merchant fee, which represents a stable recurring income stream for us. Merchant fees have remained broadly stable at approximately €900 per merchant per annum since 2016 for SisalPay and represented 36.1% of *pro forma* net revenues in 2018. As its PoS network has expanded organically, SisalPay's Merchant Services revenues have grown at a CAGR of 4.2% between 2016 and 2018.

Attractive and resilient financial profile with strong cash flow generation, supported by recurring revenue streams

The combined business has an attractive financial profile, with resilient top-line performance, high Adjusted EBITDA margins and strong cash flow generation.

In particular, SisalPay's expanding network, increasing brand recognition and evolving product range have driven top-line growth historically, mainly in the bill payments and prepaid card businesses. Over the 2016 to 2018 period, SisalPay's net revenues increased year-on-year by 6.3% in 2017 and 3.0% in 2018.

SisalPay's scale, operating leverage and cost-efficiency measures have driven Adjusted EBITDA margin growth: SisalPay Adjusted EBITDA margin increased from 63.3% in 2016 to 65.3% in 2017 and to 65.7% in 2018. Our *pro forma* Adjusted EBITDA margin was 63.1% for the twelve months ended September 30, 2019.

SisalPay is highly cash generative and requires limited capital expenditure, as demonstrated by SisalPay's high cash conversion levels (which we define as Adjusted EBITDA less recurring capital expenditures) of over 90% for each year from 2017 to 2018 and by our *pro forma* operating free cash flow conversion level of 90.2% for the last twelve months ended September 30, 2019.

Our attractive financial profile is underpinned by the recurring nature of our revenues, supported by predictable fees generated from Merchant Services, low PoS churn rates and the non-cyclical nature of transaction revenues, which provides resilience during downturns. From 2008 to 2018, we estimate that the Sisal Payments Business' transaction revenues increased at a CAGR of 15%, well above the Italian GDP CAGR of 0.8% over the same period.

Experienced management team with a strong track record, with support from solid, reputable shareholders

Our management team has more than 30 years of combined experience in the Payments Products and Services, Merchant Services and Banking Products and Services industries. Our management team includes the key executives from Sisal Group who led the launch of SisalPay and have delivered above-market growth. In the nine months ended September 30, 2019, SisalPay had turnover of €6.8 billion through its PoS network across its Payments Products and Services offering. Turnover related to this offering has grown at a CAGR of 8.2% from 2016 to 2018, which compares favorably with the Italian Payments Products and Services market average of 6.6% over the same period. In addition, a key member from Banca 5 Payments Business' management will provide complementary specialist expertise in banking services, enabling us to leverage the support of Intesa Sanpaolo, Italy's largest bank (by number of branches). We believe this will position us to expand our Banking Products and Services offering, particularly with the introduction of cash deposits, cash withdrawals and other products.

The unique and blended expertise of our management team is further enhanced by shareholders that recognize and value the strong potential of the markets we operate in when defining their long-term strategy. Sisal Group is a leading player in the Italian proximity payments industry, with 70 years of history. Established in 1946 as the first Italian company to operate in the gaming sector as a government concessionaire, it is a portfolio company of CVC Fund VI. CVC is a leading international private equity and advisory firm with a network of 24 offices on three continents which has secured over $129 billion in investor commitments. In total, CVC's private equity platform currently manages approximately $59 billion of assets. Intesa Sanpaolo is the largest commercial bank in Italy in terms of loans, deposits and branches. With approximately 3,800 branches in Italy serving almost 12 million customers, Intesa Sanpaolo is a leading provider of financial products and services to both households and businesses in Italy. It also has a strategic international presence, with subsidiaries in Central and Eastern Europe, the Middle East and North Africa. Its capital position and asset quality provide the bank with a competitive advantage as compared to other Italian banks and are complemented by a superior track record in terms of top-line growth.

Business Strategy

The combined entity will benefit from a (i) large and diversified offering of payments and banking products and services, (ii) state-of-art, fully invested technological platform, (iii) large and capillary merchant network and (iv) comprehensive digital offering. We aim to leverage these strengths to further optimize our business and consolidate our position as a reference partner for Italian households and merchants. We believe that leveraging our enhanced scale and reach, complementary offerings and capabilities, as well as building on our proven technology and innovation track record will enable future growth. We are also focused on realizing operational synergies and the cross-selling potential of our combined business and implementing key initiatives relating to Payments Products and Services, Merchant Services, Banking Products and Services and digital opportunities.

Continue expanding our product and service portfolio to increase relevance for customers

Both SisalPay and Banca 5 have a clear track record of strategically expanding their products and services portfolios, including innovative solutions and next-generation technologies. For example, SisalPay and Banca 5 have each introduced branded prepaid cards, having issued a total of 101,000 cards (65,000 SisalPay cards, 24,000 Banca 5 cards co-branded with Intesa Sanpaolo and 12,000 Banca 5 cards) as of November 2019. We intend to further expand our service offering by launching our own branded prepaid card following the rebranding of the new combined business. With the launch of our own branded prepaid card, we will target a large and fast-growing market, which is expected to grow at a CAGR of 10.6% per annum from 2018 through 2022, and we believe we will be well-positioned to seize what we believe to be the significant potential of progressive e-commerce growth in Italy.

We are a market leader in the Italian public administration bill payments segment and our recent marketing efforts have led to new regions adopting pagoPA. We have also recently launched our *Bolletini premarcati* program and won a contract with ACI (Automobile Club d'Italia) to offer more bill payment services for our customers. These were some of the factors that led to 16.0% net revenue growth within SisalPay's bill payments segment in the nine months ended September 30, 2019, as compared with the prior period.

Banca 5 has also progressively expanded its Banking Products and Services offering over the last few years, including expanding into cash withdrawals and bank transfers, payment accounts, personal loans and insurance products. We intend to further expand our portfolio by providing new products and services across the distribution network and customer base of the combined business, including the introduction of cash deposits, "know-your-customer" services for current account opening and other products, as well as insurance products through a partnership with the digital platform "YOLO".

Given the breadth of our distribution network, with 51,000 PoS (post network optimization), which we believe, based on internal analysis, served an estimated 20 million consumers in 2018, we plan to position the combined business as an open distribution platform, catering not only to our existing customer base but also potentially to that of other Italian banking groups, financial institutions and corporate partners that want to leverage our capillary physical presence throughout Italy. In addition, we believe that the ongoing optimization of bank branch networks in Italy creates an opportunity for us to further expand our business model and PoS network. According to World Development Indicators, the number of banks' branches per 100,000 adults in Italy declined by approximately 31% between 2009 and 2018 and by approximately 18% between 2015 and 2018.

Optimize our digital offering and further align with consumer trends

In addition to our extensive PoS network, we have built an online presence with a comprehensive digital offering. Combining SisalPay and Banca 5's digital assets and capabilities will allow us to leverage a broad ecosystem of digital apps across different market segments, including digital payments (bill), mobility services (myCicero), banking and transactional services (SisalPay and Banca 5 apps), insurance (YOLO, through a partnership) and savings (Oval, through a partnership), which are already used by approximately 2 million customers.

We intend to remain a frontrunner in the progressive shift from physical to digital payments and banking services, while also leveraging the highly-recognized Sisal Pay and Banca 5 brands and the opportunities created by PSD II for non-bank players, continuing to improve the integration, accessibility and convenience of our existing digital offer and expand our digital penetration by leveraging our existing base of what we believe, based on internal analysis to be an estimated 20 million customers in 2018.

Expand our Merchant Services business to further increase network loyalty

We intend to further expand the suite of products and services that we offer to merchants, with the goal of cementing our position as their partner of choice. We continue to invest in next-generation Merchant Services products, such as SisalPay's B2B EasyCassa platform, and Banca 5's Smart PoS platform, and we aim to provide merchants with easy to use, one-stop-shop solutions to manage their everyday business needs. For example, through EasyCassa, we provide retailers with an innovative high-tech suite to facilitate end-to-end in-store activities and payments, that are also complementary to our other products. EasyCassa is a cloud-based platform and the cash register function is fully integrated with our bill app. EasyCassa is also integrated with our Banking Products and Services offering, including bank accounts, revolving credit, treasury and liquidity management. Today with EasyCassa, our merchants are empowered to successfully manage several in-store activities, such as cash registers, e-billing management (mandatory in Italy since January 1, 2019), sales statistics, inventory and management of restaurant reservations. We also plan to progressively integrate additional functionalities and add-on services to these platforms, such as acquiring and working capital management services. We believe these new services will enable us to further increase the loyalty of our existing merchant partners, as well as to further expand our distribution network to new merchant categories, such as pharmacies and large retailers. Pharmacies provide a particularly interesting opportunity for us, being characterized by extended opening times, while potentially benefitting from an increase in footfall that PoS can generate.

Drive profitability by realizing operational and revenue synergies

We believe that combining the Sisal Payments Business and the Banca 5 Payments Business will allow us to benefit from materially enhanced scale and operational flexibility. In particular, we have identified certain initiatives that we believe will enable us to optimize our operational set-up, reducing the unitary cost of transaction processing as well as the infrastructure costs of our enlarged PoS distribution network. Following a strategic assessment of these initiatives by SisalPay and Banca 5's senior management, we expect to realize significant annual synergies from operational optimization, which we estimate will represent approximately €17.2 million of EBITDA per annum, and which are to be actioned within 18 months following the Completion Date and which we expect to be fully-realized within 24 months. One of the primary drivers of these savings will be the elimination of certain additional commissions currently payable by Banca 5 (we expect to achieve €14.7 million in such cost savings), which will no longer be payable following the transition to the SisalPay processing platform. The transition of Banca 5's PoS to the SisalPay processing platform is already in progress.

Furthermore, we believe that the PoS networks of the Sisal Payments Business and the Banca 5 Payments Business currently overlap in a number of locations. We expect to achieve €1.5 million of cost savings and an additional €1.0 million of network optimization benefits from the elimination of duplicate terminals and the strategic redeployment and relocation of certain PoS terminals.

In addition to the cost-savings initiatives described above, we also intend to leverage the complementarity of SisalPay and Banca 5's product offerings to unlock revenue cross-selling opportunities, such as by selling exclusive SisalPay products and services through Banca 5's PoS network and vice versa.

Continue to increase brand awareness and expand our customer base

We intend to continue consolidating our position as a highly recognized payments and banking services player among Italian households and merchants. Both SisalPay and Banca 5 already benefit from high brand awareness: according to a survey conducted by Nextest in 2019, based on aided awareness questions, approximately 54% of respondents know either SisalPay or Banca 5. This high level of brand awareness has been built over time through multi-channel campaigns on TV, radio, print media, social media, mobile apps and websites. We intend for the combined business to continue to pursue similar initiatives to maintain and grow the brand awareness already enjoyed by SisalPay and Banca 5, which we believe will enable us to further penetrate the markets in which the combined business will operate, increase our market share and successfully launch new products and services.

Principal Shareholders

CVC

CVC is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 24 offices: 15 across Europe and the Americas and nine in the Asia-Pacific region. To date, CVC has secured commitments of over $129 billion from over 300 investors from across the world. In total, CVC's private equity platform currently manages approximately $59 billion of assets.

Intesa Sanpaolo

Intesa Sanpaolo, formed in 2007, is one of the leading banking groups in Europe. Intesa Sanpaolo offers its services to 12 million customers through a network of approximately 3,800 branches distributed throughout Italy. Intesa Sanpaolo also has a strategic international presence, with approximately 1,100 branches and 7.3 million customers, comprising subsidiaries operating in commercial banking in 12 countries in Central Eastern Europe, the Middle East and North Africa and an international network of specialists in support of corporate customers across 25 countries, particularly in the Middle East, North Africa, the United States, Brazil, Russia, India and China. Intesa Sanpaolo has a market capitalization of approximately €40 billion.

Information about the Issuer

The Issuer is a joint stock company (*società per azioni*) established under the laws of the Republic of Italy and is registered with the Companies' Registry (*Registro delle Imprese*) of Milan-Monza-Brianza-Lodi under No. 10387140964. The registered office of the Issuer is located at Via Alessio di Tocqueville 13, 20154 Milan, Italy. The telephone number of the Issuer is +39 0288681 and the fax number of the Issuer is +39 0229000797.

The Transactions

The Gallo Investment

On July 30, 2019, Sisal Group, as majority shareholder and Banca 5, as minority shareholder entered into an investment agreement (the "**Gallo Investment Agreement**") with Sisal and Sisal Point (together with Sisal Group, the "**Sisal Entities**"), in each case as sellers, relating to the creation of the SisalPay Group, a corporate partnership in the payment services business (the "**Gallo Investment**"). Upon the completion of the Gallo Investment, (i) Sisal Group and Banca 5 will own 70% and 30% of the Issuer's share capital, respectively; and (ii) the Issuer will own the entire share capital of (a) TelCo, to which the respective telco business of the Sisal Entities and Banca 5 will be contributed; and (b) PayCo, to which the respective payment business of the Sisal Entities and Banca 5 will be contributed.

The consummation of the Gallo Investment is subject to, among other customary conditions, obtaining unconditional clearances, approvals and consents from the Italian antitrust authority (*Autorità Garante della Concorrenza e del Mercato*) with respect to antitrust matters and from the Bank of Italy of any authorization, approval or clearance required under Italian law for the purpose of the Transactions. If the conditions precedent under the Gallo Investment Agreement, including the regulatory approvals discussed above, are not satisfied by May 30, 2020 (the "**Escrow Longstop Date**"), the Gallo Investment Agreement will terminate. See "*Risk Factors—Risks Related to the Transactions—The Gallo Investment is subject to significant uncertainties and risks*."

The Gallo Investment Agreement contains customary representations, warranties and indemnities, given by each of Sisal Group, Sisal, Sisal Point and Banca 5 as to, among other things, capacity, title, litigation, intellectual property, taxes and certain disclosure matters, as well as customary covenants given by each of the parties to the Gallo Investment Agreement regarding, among other things, the conduct of the business and the affairs of the Sisal Payments Business and the Banca 5 Payments Business. Each of the parties' liability for any breach of a representation or warranty is subject to certain thresholds and limitations. The Gallo Investment Agreement further provides that a portion of the shares in the NewCos received following the above-described contributions will be sold by Sisal Group and Banca 5 to the Issuer (the "**Gallo Sale**") and the remaining portion will be contributed to the Issuer by Sisal Group and Banca 5 through the Equity Contribution (as defined below). Upon completion of the Gallo Sale, €500.0 million of the consideration owed by the Issuer will be paid to Sisal Group (the "**Sisal Group Consideration**"), while the Sisal Group DPP (as defined below) and the Banca 5 DPP (as defined below) will remain outstanding. In connection with the Gallo Investment Agreement, Sisal Group and Banca 5 have agreed to enter into a shareholders' agreement and certain transitional and commercial agreements that are further described under "*Related Party Transactions.*"

The Financing

Assuming the Completion Date occurs on or about December 19, 2019, we expect to finance the consideration owed in connection with the Gallo Investment as follows:

(i) Sisal Group and Banca 5 are expected to contribute equity to the Issuer on or about the Completion Date in an estimated aggregate amount of €214.0 million (the "**Equity Contribution**") comprised of (a) a portion of the share capital of TelCo and PayCo held by Banca 5 that will be contributed to the Issuer, having an estimated value of €64.0 million and (b) a portion of the share capital of TelCo held by Sisal Group that will be contributed to the Issuer, having an estimated value of €150.0 million;

(ii) deferred purchase price consideration comprised of (a) €100.0 million in deferred purchase price consideration owed to Sisal Group in connection with the sale to the Issuer of a portion of the share capital of TelCo and PayCo held by Sisal Group (the "**Sisal Group DPP**") and (b) €186.0 million in deferred purchase price consideration owed to Banca 5 in connection with the sale to the Issuer of a portion of the share capital of TelCo and PayCo held by Banca 5 (the "**Banca 5 DPP**" and, together with the Sisal Group DPP, the "**DPP**"); and

(iii) the offering of Notes by the Issuer in an aggregate principal amount of €530.0 million (the "**Offering**").

We refer to the Equity Contribution, the DPP and the Offering, collectively as the "**Financing**."

In particular, the Offering will be used to:

- fund the Sisal Group Consideration payable under the Gallo Investment Agreement; and
- pay certain fees and expenses in connection with the Transactions, including estimated fees and expenses to be incurred in connection with the Offering.

On or prior to the Issue Date, the Issuer will enter into a €92.5 million super senior revolving credit facility (the "**Revolving Credit Facility**"), which will be made available to the Issuer and certain of its subsidiaries on the Completion Date. Borrowings under the Revolving Credit Facility will be available for general corporate and working capital purposes. For a more detailed description of the Revolving Credit Facility Agreement, see "*Description of Certain Financing Arrangements—Revolving Credit Facility*." We currently expect no amounts to be drawn in cash under the Revolving Credit Facility on the Completion Date. See "*Capitalization*."

We refer to the Gallo Investment, the Financing, the entry into the Revolving Credit Facility, the Demerger, the Merger and any actions or steps related thereto, collectively as the "**Transactions**." See "*Use of Proceeds,*" "*Capitalization*" and "*Description of the Notes.*"

Escrow Account

If the Offering closes prior to the Completion Date, pending the consummation thereof, the Initial Purchasers will, concurrently with the issuance of the Notes on the Issue Date, deposit an amount equal to the gross proceeds of the Offering into an escrow account (the "**Escrow Account**") in the name of the Issuer but controlled by the Escrow Agent, and pledged in favor of the Trustee on behalf of the holders of the Notes. If the escrow arrangements prove necessary, the release of the proceeds from the Escrow Account will be subject to the satisfaction of certain conditions, including the completion of the Gallo Investment. If the conditions to the release of the escrowed proceeds are not consummated on or prior to the Escrow Longstop Date, or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption will be at a price equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest from the Issue Date to the special mandatory redemption date, and additional amounts, if any. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

If the Offering closes concurrently with the completion of the Gallo Investment, the foregoing escrow procedures will not apply, and the Initial Purchasers will transfer the proceeds from this offering in accordance with the instructions provided by the Issuer on the Issue Date to be used as described in "*Use of Proceeds.*"

For more information, see "*The Transactions.*"

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 will vary from estimated amounts depending on several factors, including differences from our estimate of fees and expenses and the timing of the Completion Date. This table should be read in conjunction with "*Use of Proceeds*" and "*Capitalization.*"

Sources of funds (In millions of Euros)		**Uses of funds** (In millions of Euros)	
Notes offered hereby[(1)]	530.0	Consideration in connection with the Gallo Investment[(4)]	1,000.0
Equity Contribution[(2)]	214.0		
Deferred purchase price consideration[(3)]	286.0	Estimated transaction costs[(5)]	30.0
Total sources	**1,030.0**	**Total uses**	**1,030.0**

(1) Represents €530.0 million aggregate principal amount due at maturity assuming the Notes are issued at par. If the Offering closes prior to the completion of the Gallo Investment, pursuant to the Escrow Agreement, we may fund the interest payments on the Notes prior to the Completion Date with the escrowed proceeds from the Offering.

(2) Represents the estimated aggregate amount of equity expected to be contributed by Sisal Group and Banca 5 to the Issuer comprised of (i) a portion of the share capital of TelCo and PayCo held by Banca 5 that will be contributed to the Issuer, having an estimated value of €64.0 million and (ii) a portion of the share capital of TelCo held by Sisal Group that will be contributed to the Issuer, having an estimated value of €150.0 million.

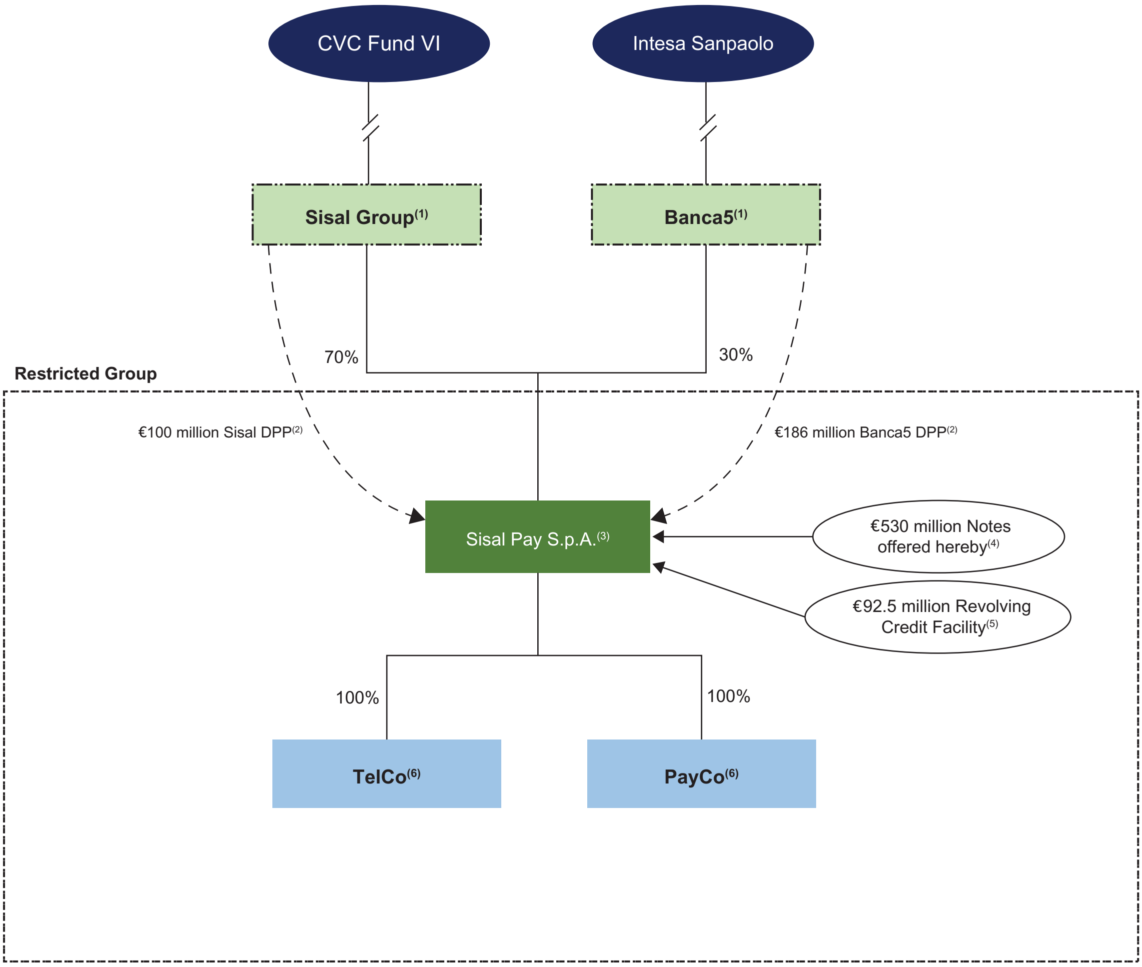
(3) Represents deferred purchase price consideration comprised of (i) €100.0 million represented by the Sisal Group DPP and (ii) €186.0 million represented by the Banca 5 DPP.

(4) Represents the expected total consideration payable to Sisal Group and Banca 5 for the respective shares to be acquired under the Gallo Investment Agreement. The expected total consideration reflects a €750.0 million and €250.0 million valuation of the Sisal Payments Business and the Banca 5 Payments Business, respectively, and is based on the assumption that the Gallo Investment is consummated on or about December 19, 2019. In connection with the Gallo Investment, €500.0 million, representing the estimated net proceeds of the Offering, will be paid to the Sisal Group. In addition, Sisal Group will contribute sufficient cash to the Issuer such that the Issuer will have at least €5.0 million of cash on balance sheet on the Completion Date.

(5) Represents the estimated transaction costs associated with the Transactions, including Initial Purchaser discounts, commitment and financial advisory fees and other transaction costs and professional expenses.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following charts summarize our corporate and financing structure as of the date of this offering memorandum adjusted to give effect to the Transactions. The charts are provided for illustrative purposes only and do not represent all legal entities or debt obligations of the entities presented. For a summary of the debt obligations identified in the charts, please refer to the sections entitled "Description of the Notes," "Description of Certain Financing Arrangements" and "Capitalization."



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(1) Pursuant to the Gallo Investment Agreement, Sisal Group will contribute the Sisal Payments Business and Banca 5 will contribute the Banca 5 Payments Business in exchange for 70% and 30%, respectively, of the share capital of the Issuer. See "*Summary—The Transactions.*"

(2) Pursuant to the Gallo Investment Agreement, (i) Sisal Group is expected to grant to the Issuer on or about the Completion Date an amount of €100.0 million as deferred purchase price consideration owed to Sisal Group in connection with the sale to the Issuer of a portion of the share capital of the NewCos held by Sisal Group and (ii) Banca 5 is expected to grant to the Issuer on or about the Completion Date an amount of €186.0 million as deferred purchase price consideration owed to Banca 5 in connection with the sale to the Issuer of a portion of the share capital of the NewCos held by Banca 5. See "*Summary—The Transactions.*" (3) The Issuer has no independent business operations and only limited assets. On the Completion Date, the Issuer will own 100% of the share capital of TelCo and PayCo. See "*Summary—The Transactions.*"

(3) To be subsequently renamed SisalPay Group S.p.A.

(4) The Notes will be senior obligations of the Issuer. If the Offering closes prior to the completion of the Gallo Investment on the Issue Date, and prior to the Completion Date, the Notes will be secured by a first-ranking security interest over the Escrow Account (the "**Notes Issue Date Collateral**"). On or following the Completion Date within the time periods specified herein, subject to certain agreed security principles, the Notes will be secured by first-ranking security interests in (i) all the issued capital stock of the Issuer, (ii) material structural intercompany receivables of the Issuer (if any) and (iii) within 20 business days following the Completion Date, all the issued Capital Stock of each of TelCo and PayCo (the "**Notes Collateral**"). The Notes Collateral will also secure on a first-ranking basis the Revolving Credit Facility and certain hedging obligations and may also secure certain future indebtedness. In the event of an enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from such collateral only after lenders under the Revolving Credit Facility and certain creditor representatives have been repaid in full. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security.*"

(5) On or prior to the Issue Date, the Issuer will enter into the Revolving Facility Agreement. On or following the Completion Date within the time periods specified herein, the Revolving Credit Facility will be secured by first-ranking security interests in the Notes Collateral and will benefit from guarantees from TelCo and PayCo. For more information on the Revolving Credit Facility, see "*Description of Certain Financing Arrangements—Revolving Credit Facility*."

(6) The Notes will not be guaranteed on either the Issue Date or the Completion Date. As of and for the twelve months ended September 30, 2019, and on a *pro forma* basis after giving effect to the Transactions, the subsidiaries of the Issuer that will not guarantee the Notes represented 100% of the Issuer's total revenues and income, Adjusted EBITDA and total assets. After giving *pro forma* effect to the Transactions, the subsidiaries of the Issuer that will not guarantee the Notes would have had €5.8 million of financial indebtedness outstanding as of September 30, 2019. See "*Risk Factors—Risks Related to the Notes, the Notes Collateral and any Future Notes Guarantees—The Notes will be structurally subordinated to all indebtedness of the Issuer's existing and future subsidiaries that do not guarantee the Notes, including any indebtedness under the Revolving Credit Facility. None of the Issuer's subsidiaries will guarantee the Notes upon Completion of the Gallo Investment.*"

THE OFFERING

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

Issuer . . . . Sisal Pay S.p.A.

Notes Offered . . . . €530.0 million aggregate principal amount of senior secured floating rate notes due 2026.

Issue Date . . . . On or about December 17, 2019.

Issue Price . . . . 100.000%, plus accrued and unpaid interest from the Issue Date.

Maturity Date . . . . December 17, 2026

Interest Rate and Interest Payment Dates . . . . Three-month EURIBOR (subject to a 0.0% floor) plus 3.875% per annum, reset quarterly. Interest on the Notes will be paid quarterly in arrears on each March 17, June 17, September 17 and December 17, commencing on March 17, 2020. Interest on the Notes will accrue from the Issue Date.

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 secured as set forth under "*Description of the Notes—Security*";
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer and other obligations that are not expressly subordinated in right of payment to the Notes, including the Revolving Credit Facility;
- rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- rank effectively senior to any existing and future indebtedness of the Issuer that is unsecured to the extent of the value of the Notes Collateral;
- be effectively subordinated to any existing or future indebtedness or obligation (including obligations to trade creditors) of the Issuer and its subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or 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 the Revolving Credit Facility and obligations to trade creditors.

Security, Enforcement of Security . . . . If the Offering closes prior to the consummation of the Gallo Investment, on the Issue Date, and prior to the Completion Date, the Notes will be secured by the Notes Issue Date Collateral.

On or following the Completion Date within the time periods specified herein, subject to certain agreed security principles, the Notes will be secured by the Notes Collateral.

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

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

The security interests in the Notes Collateral may be released under certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens.*"

Escrow of Proceeds; Special Mandatory Redemption . . . .

If the Offering closes prior to the consummation of the Gallo Investment, pending consummation thereof, the Initial Purchasers will, concurrently with the issuance of the Notes on the Issue Date, deposit the gross proceeds from the Offering into the Escrow Account in the name of the Issuer. The Escrow Account will be controlled by the Escrow Agent and pledged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Notes.

Following delivery to the Trustee and the Escrow Agent of an officer's certificate confirming that the conditions to the release of the proceeds from escrow have been met or will be satisfied, the escrow proceeds will be released to the Issuer and utilized as described in "*The Transactions,*" "*Use of Proceeds*" and "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*" These conditions will include, among other things, the closing of the Gallo Investment on the terms set forth in the Gallo Investment Agreement promptly following release of the escrow proceeds. The consummation of the Gallo Investment is subject to the satisfaction of certain conditions, including regulatory approval.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) in the reasonable judgment of the Issuer, the Gallo Investment will not be consummated by the Escrow Longstop Date, (c) the Issuer notifies the Escrow Agent and the Trustee that the Gallo Investment Agreement has been terminated at any time on or prior to the Escrow Longstop Date, (d) the Initial Investors (as defined in "*Description of the Notes*") cease to

	beneficially own and control a majority of the issued and outstanding capital stock of the Issuer or (e) certain insolvency events of default of the Issuer occur on or prior to the Escrow Longstop Date, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be equal to 100% of the aggregate initial issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to such special mandatory redemption date. Pursuant to the Contribution Agreement to be entered into between the Issuer and Sisal Group S.p.A., Sisal Group S.p.A. 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.
Use of Proceeds	Upon issuance, or if the Offering closes prior to the consummation of the Gallo Investment, upon release from escrow, the gross proceeds from the Offering will be used to (i) partially fund the Gallo Investment and (ii) pay estimated transaction costs associated with the Transactions, including Initial Purchaser discounts, commitment and financial advisory fees and other transaction costs and professional expenses. See "*Use of Proceeds.*"
Optional Redemption:	The Issuer may redeem all or part of the Notes at any time on or after December 17, 2020 at the redemption prices as described under "*Description of the Notes—Optional Redemption.*" At any time prior to December 17, 2020, the Issuer may redeem all or part of 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 the Notes—Optional Redemption.*"
Additional Amounts	Any payments made by or on behalf of the Issuer or any Guarantor in respect of the Notes or with respect to any Guarantee will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the Issuer, any Guarantor or the paying agent is required by law to withhold or deduct such taxes with respect to a payment on any Note, such Issuer or Guarantor will pay the additional amounts necessary so that the net amount received by each holder after such withholding is not less than the amount that would have been received in the absence of the withholding. 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 the Notes—Withholding Taxes,*" 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 Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) ("**Decree No. 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 (as the same may be amended or supplemented from time to time) ("**Decree No. 461**"), except, in the case of Decree No. 239 and Decree No. 461, where the procedures required under Decree No. 239 or Decree No. 461, as applicable, in order to benefit from an exemption have not been complied with due to solely the actions or omissions of the Issuer or its agents. See "*Description of the Notes—Withholding Taxes.*"

	Although we believe that, under current law, Italian substitute tax will not be imposed under Decree No. 239 or Decree No. 461 where a holder of Notes is resident for tax purposes in a country which allows for a satisfactory exchange of information with Italy included in the list provided for by Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or, as from the tax year in which the Ministerial Decree to be issued under Article 11, paragraph 4, let. c) of Decree No. 239 is effective, included in the list therein provided (the "**White List**") and such holder of 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 Decree No. 461 after the date hereof, including any change in the white list countries. See "*Description of the Notes—Withholding Taxes*." Prospective purchasers of Notes should consult their tax advisors as to the overall tax consequences of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional or local tax laws of any country or territory.
Tax Redemption	If certain changes in the law of any relevant taxing jurisdiction are announced and become effective on or after the issuance of the Notes that would require the Issuer or the Guarantors (if any) to pay additional amounts (as defined in "*Description of the Notes—Withholding Taxes*"), the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.
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 their 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 consolidated net leverage ratio is not exceeded in connection with such event. See "*Description of the Notes—Change of Control.*"
Certain Covenants	The Indenture, among other things, will restrict the ability of the Issuer and its restricted subsidiaries to: • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends, redeem capital stock and make certain investments; • make certain other restricted payments; • create or permit to exist certain liens; • impose restrictions on the ability of the Issuer's subsidiaries to pay dividends; • transfer or sell certain assets; • merge or consolidate with other entities; • enter into certain transactions with affiliates; and • impair the security interests for the benefit of the holders of the Notes. Certain of the covenants will be suspended if the relevant Notes obtain and maintain an investment-grade rating.

	Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants.*"
Transfer Restrictions	The Notes 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 "*Transfer Restrictions.*" We have not agreed to, or otherwise undertaken to, register the Notes under the securities laws in any jurisdiction (including by way of an exchange offer).
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 will be made to admit the Notes on the Official List of the Luxembourg Stock Exchange and to admit to trading on the Euro MTF Market in accordance with the rules thereof. In addition, application will be made to obtain listing of the Notes on the ExtraMOT Pro Segment of the Italian Stock Exchange (*Borsa Italiana*). There is no assurance that the Notes will be, or will remain, listed and admitted to trading on the Euro MTF Market or on the ExtraMOT Pro Segment of the Italian Stock Exchange (*Borsa Italiana*).
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 before making a decision whether to invest in the Notes.
Governing Law	The Indenture and the Notes will be governed by the laws of the State of New York. The Intercreditor Agreement and the Revolving Credit Facility 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	BNP Paribas Italian Branch.
Principal Paying Agent and Escrow Agent	Deutsche Bank AG, London Branch.
Registrar, Transfer Agent and Listing Agent	Deutsche Bank Luxembourg S.A.

SUMMARY UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present certain unaudited pro forma financial information of the Issuer derived from the Unaudited Pro Forma Consolidated Financial Information of the Issuer. The following Unaudited Pro Forma Consolidated Financial Information presents the unaudited pro forma consolidated statement of comprehensive income for the year ended December 31, 2018, the nine months ended September 30 2019 and the twelve months ended September 30, 2019 and the unaudited pro forma consolidated statement of financial position as of September 30, 2019. The Unaudited Pro Forma Consolidated Financial Information has been prepared as though the Transactions had occurred on September 30, 2019, for the purpose of the unaudited pro forma consolidated statement of financial position, as of January 1, 2018 for the purpose of the unaudited pro forma consolidated statement of comprehensive income for the year ended December 31, 2018, January 1, 2019 for the purpose of the unaudited pro forma consolidated statement of comprehensive income for the nine months ended September 30, 2019 and October 1, 2018, for the purpose of the unaudited pro forma consolidated statement of comprehensive income for the twelve months ended September 30, 2019. The Unaudited Pro Forma Consolidated Financial Information is based on our current estimates of, and good faith assumptions regarding, the adjustments arising from the Transactions.

The Unaudited Pro Forma Consolidated Financial Information is for informational purposes only and does not purport to represent or to be indicative of the consolidated results of operations or financial position that the SisalPay Group would have reported had the Transactions been completed as of the dates presented, and is not, and should not be taken as, representative of the SisalPay Group's future consolidated results of operations or financial position, nor does it purport to project the Group's financial position as of any future date or results of operations for any future period. Future results may vary significantly from the results reflected in the following tables because of various factors, including those discussed in "Risk Factors." The following tables should be read in conjunction with "Presentation of Financial and Other Information," "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Sisal Payments Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Banca 5 Payments Business," and "Description of the Notes."

Summary *pro forma* consolidated statement of comprehensive income

	For the year ended December 31, 2018	For the nine months ended September 30, 2019	For the twelve months ended September 30, 2019
(in Euro thousands)			
Revenues	323,360	256,514	339,872
Other income	1,694	3,117	3,961
Total revenues and income	**325,054**	**259,631**	**343,833**
Purchases of materials, consumables and merchandise	2,728	1,895	2,877
Cost for services	212,637	181,040	240,659
Cost for leased assets	3,395	2,061	3,026
Personnel costs	21,164	12,909	19,400
Other operating costs	3,425	1,346	2,308
Depreciation, amortization, impairments losses and reversals	26,317	22,078	28,439
Operating profit (loss) (EBIT)	**55,388**	**38,302**	**47,124**
Finance expenses and similar	49,615	37,211	49,615
Share of net profit of associates accounted for using equity method	—	228	228
Profit (loss) before income taxes	**5,773**	**863**	**(2,719)**
Income taxes	2,965	1,204	172
Profit (loss) for the year	**2,808**	**(341)**	**(2,891)**

(in Euro thousands)	For the year ended December 31, 2018	For the nine months ended September 30, 2019	For the twelve months ended September 30, 2019
Other comprehensive income:			
Actuarial gains (losses) on employees' defined benefit plans	—	—	—
Tax effect	—	—	—
Total comprehensive profit (loss) for the twelve months	**2,808**	**(341)**	**(2,891)**

Summary *pro forma* consolidated statement of financial position

(in Euro thousands)	As of September 30, 2019
Non-current assets	
Property, plant and equipment	60,624
Goodwill	545,579
Intangible assets	74,242
Investments accounted for using the equity method	3,202
Deferred tax assets	19
Other non-current assets	6,400
Total non-current assets	**690,066**
Current assets	
Inventories	1,950
Trade receivables	121,232
Taxes receivable	157
Restricted bank deposits	11,641
Cash and cash equivalents	471
Other current assets	16,670
Total current assets	**152,121**
Total Assets	**842,187**
Equity	
Net equity	(211,447)
Total net equity	**(211,447)**
Non-current liabilities	
Long-term financial debt	788,376
Provision for employee severance indemnities	2,304
Deferred tax liabilities	9,540
Provisions for risks and charges	3,019
Total non-current liabilities	**803,239**
Current liabilities	
Trade and other payables	232,180
Short-term financial debt	2,500
Short-term portion of long-term financial debt	899
Tax payable	3,475
Other current liabilities	11,341
Total current liabilities	**250,395**
Total Liabilities and Equity	**842,187**

Other *Pro Forma* and Other Financial Information

	As of and for the twelve months ended September 30, 2019
	(in Euro millions, except ratios)
Pro forma net revenue(1)	143.4
Pro forma adjusted EBITDA(2)	90.5
Pro forma adjusted EBITDA margin(3)	63.1%
Combined adjusted *pro forma* EBITDA(4)	100.0
Pro forma adjusted operating free cash flow(5)	81.6
Pro forma adjusted operating free cash flow conversion(6)	90.2%
Pro forma adjusted total financial debt(7)	535.8
Adjusted *pro forma* cash and cash equivalents(8)	5.0
Pro forma adjusted net financial debt(9)	530.8
Pro forma cash interest expense(10)	21.5
Ratio of *pro forma* adjusted net financial debt to combined adjusted *pro forma* EBITDA(4)(9)	5.3x
Ratio of combined adjusted *pro forma* EBITDA to *pro forma* cash interest expense(4)(10)	4.6x

(1) The following table shows the calculation of *pro forma* net revenue:

	For the twelve months ended September 30, 2019
	(in Euro millions)
Revenue Sisal Payments Business	205.5
Supply chain/other revenues Sisal Payments Business	(99.4)
Revenue Banca 5 Payments Business	134.4
Costs for services for Banca 5 Payments Business services sales channel	(97.1)
***Pro forma* net revenue**	**143.4**

(2) The following table shows the calculation of *pro forma* adjusted EBITDA:

	For the twelve months ended September 30, 2019
	(in Euro millions)
Adjusted EBITDA Sisal Group Payments Business(a)	68.8
Adjusted EBITDA Banca 5 Payments Business(b)	21.7
***Pro forma* adjusted EBITDA**	**90.5**

(a) See "*Summary Carve-out Financial Information of the Sisal Payments Business—Other Carve-out Financial and Operating Information of the Sisal Payments Business.*"

(b) See "*Summary Carve-out Financial Information of the Banca 5 Payments Business—Other Carve-out Financial and Operating Information of the Banca 5 Payments Business.*"

Pro forma adjusted EBITDA is not defined under IFRS or any other generally accepted accounting standards and therefore may not be comparable with other similar titled measures reported by other companies. The criteria for determining *pro forma* adjusted EBITDA applied by us might not be the same as the criteria adopted by other companies and, therefore, the figures presented by us might not be comparable with those presented by such other companies. See "*Presentation of Financial Information and Other Information—Use of Non-IFRS Financial Measures.*"

(3) We define *pro forma* adjusted EBITDA margin as *pro forma* adjusted EBITDA divided by *pro forma* net revenue. *Pro forma* adjusted EBITDA margin is not defined under IFRS or any other generally accepted accounting standards and therefore may not be comparable with other similar titled measures reported by other companies. The criteria for determining *pro forma* adjusted EBITDA margin applied by us might not be the same as the criteria adopted by other companies and, therefore, the figures presented by us might not be comparable with those presented by such other companies. See "*Presentation of Financial Information and Other Information—Use of Non-IFRS Financial Measures.*"

(4) The following table shows a calculation of combined adjusted *pro forma* EBITDA:

	For the twelve months ended September 30, 2019
	(in Euro millions)
***Pro forma* adjusted EBITDA**	**90.5**
Incremental G&A[(a)]	(3.2)
Bill payments processing platform change[(b)]	14.7
Network optimization[(c)]	2.5
Impact of the Banca 5 PostePay contract loss[(d)]	(4.5)
Combined adjusted *pro forma* EBITDA	**100.0**

(a) Represents incremental G&A spending to support the combined business, particularly in respect of IT and finance.

(b) Represents cost savings for the combined business resulting from the Banca 5 Payments Business's transition from a third-party platform for which it currently pays an additional commission to the proprietary SisalPay platform. Banca 5 has already begun the rollout of this processing platform change.

(c) Represents €1.5 million of cost savings and €1.0 million of other non-cost benefits from network optimization that we expect to realize from the elimination of duplicate terminals and the strategic redeployment and relocation of certain PoS terminals.

(d) Represents the full-period impact of the reduction in EBITDA to reflect the non-renewal by PostePay in October 2019 of its contract with Banca 5 for the provision of top-up services for the PostePay prepaid card on the Banca 5 network. SisalPay lost a similar contract in October 2018, which accounted for €3.9 million of SisalPay's EBITDA for the 12 months ended September 30, 2019 for which we have not adjusted any financial metrics herein, as SisalPay has reacted to this contract loss by focusing on new business development in its bill payments segment. These new business initiatives include: winning the ACI (Automobile Club d'Italia) contract, launching its *Bollettini premarcati* program and marketing efforts that have led to new regions adopting pagoPA. Following the implementation of these new business initiatives, for the nine months ended September 30, 2019, revenues for SisalPay's Bill Payments segment have grown 16.0%, as compared to the nine months ended September 30, 2018.

Combined adjusted *pro forma* EBITDA is not defined under IFRS or any other generally accepted accounting standards and therefore may not be comparable with other similar titled measures reported by other companies. The criteria for determining combined adjusted *pro forma* EBITDA applied by us might not be the same as the criteria adopted by other companies and, therefore, the figures presented by us might not be comparable with those presented by such other companies. See "*Presentation of Financial Information and Other Information—Use of Non-IFRS Financial Measures*."

(5) The following table shows a calculation of *pro forma* adjusted operating free cash flow:

	For the twelve months ended September 30, 2019
	***Pro forma* and combined numbers (in Euro millions)**
***Pro forma* adjusted EBITDA**	**90.5**
Sisal Group Payments Business Recurring capital expenditures	(7.4)
Banca 5 Payments Business Recurring capital expenditures	(1.5)
***Pro forma* adjusted operating free cash flow**	**81.6**

Pro forma adjusted operating free cash flow is not defined under IFRS or any other generally accepted accounting standards and therefore may not be comparable with other similar titled measures reported by other companies. The criteria for determining *pro forma* adjusted operating free cash flow applied by us might not be the same as the criteria adopted by other companies and, therefore, the figures presented by us might not be comparable with those presented by such other companies. There are limits to *pro forma* adjusted operating free cash flow as it combines *pro forma* figures with arithmetic aggregations of historical figures from the Sisal Payments Business and the Banca 5 Payments Business for the periods indicated. This information does not constitute a measure of financial performance under IFRS or any other auditing standard and has been prepared and is presented for illustrative purposes only. See "*Presentation of Financial Information and Other Information—Non-IFRS Financial Measures and other ratios*."

(6) *Pro forma* adjusted operating free cash flow conversion is defined as *pro forma* adjusted operating free cash flow divided by *pro forma* adjusted EBITDA.

(7) *Pro forma* adjusted total financial debt is defined as *pro forma* total long-term financial debt, *pro forma* short-term financial debt, and *pro forma* short-term portion of long-term financial debt, gross of transaction costs and excluding the DPP. *Pro forma* adjusted total financial debt is not defined under IFRS or any other generally accepted accounting standards and therefore may not be comparable with other similar titled measures reported by other companies. The criteria for determining *pro forma* adjusted total financial debt applied by us might not be the same as the criteria adopted by other companies and, therefore, the figures presented by us might not be comparable with those presented by such other companies. See "*Presentation of Financial Information and Other Information—Use of Non-IFRS Financial Measures and other ratios*."

(8) Adjusted *pro forma* cash and cash equivalents is defined as *pro forma* cash and cash equivalents (€0.50 million), as adjusted for an anticipated transfer of cash by Sisal Group to the Issuer for general corporate purposes such that the Issuer will have at least €5.0 million of cash on balance sheet on the Completion Date.

(9) *Pro forma* adjusted net financial debt is defined as *pro forma* adjusted total financial debt net of *pro forma* cash and cash equivalents. *Pro forma* adjusted net financial debt is not defined under IFRS or any other generally accepted accounting standards and therefore may not be comparable with other similar titled measures reported by other companies. The criteria for determining *pro forma* adjusted net financial debt applied by us might not be the same as the criteria adopted by other companies and, therefore, the figures presented by us might not be comparable with those presented by such other companies. See "*Presentation of Financial Information and Other Information—Non-IFRS Financial Measures*."

(10) *Pro forma* cash interest expense reflects the estimated cash out for interest expense for the twelve-month period ended September 30, 2019 as if the Transactions had occurred on October 1, 2018. *Pro forma* cash interest expense excludes certain non-cash interest expense relating to the amortization of debt issuance costs. This estimate reflects the issuance of €530.0 million Notes issued at 100.000% and carrying an interest rate of EURIBOR plus 3.875% (assuming a EURIBOR rate of 0.0% in effect for the period). *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 CARVE-OUT FINANCIAL INFORMATION OF THE SISAL PAYMENTS BUSINESS

The following summary carve-out financial information for the Sisal Payments Business as of and for the years ended December 31, 2016, 2017 and 2018 has been derived from the Sisal Payments Business Annual Carve-out Financial Statements. Summary carve-out financial information as of September 30, 2019 and for the nine months September 30, 2018 and 2019 has been derived from the Sisal Payments Business Interim Carve-out Financial Statements. The Sisal Payments Business Annual Carve-out Financial Statements were prepared in accordance with IFRS and were audited by PricewaterhouseCoopers S.p.A. The Sisal Payments Business Interim Carve-out Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting." Interim results are not necessarily indicative of the results that may be expected for any other interim period nor are they indicative of results for a full year.

This Summary Sisal Payments Business Carve-Out Financial Information should be read in conjunction with the Sisal Payments Business Carve-out Financial Statements included elsewhere in this offering memorandum and the notes thereto and the information set forth in "Presentation of Financial and other Information," "Summary," "Business," "Use of Proceeds," "Capitalization," "Selected Carve-out Financial Information of the Sisal Payments Business," "Unaudited Pro Forma Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Sisal Payments Business."

Summary Carve-out Statement of Comprehensive Income of the Sisal Payments Business

	For the Year Ended December 31,		Total Year Ended December 31,	Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2016	2019	2018	2019(*)
	(in Euro millions)					
Revenues	190.4	182.9	180.1	154.8	139.7	205.5
Other income	0.4	0.2	-	2.0	-	2.4
Total revenues and income	**190.8**	**183.1**	**180.1**	**156.8**	**139.7**	**207.9**
Purchases of materials, consumables and merchandise	2.5	2.3	2.1	1.8	1.6	2.7
Costs for services	107.2	99.7	102.8	101.1	73.2	135.1
Lease and rent expenses	1.6	1.5	1.4	0.1	1.2	0.5
Personnel costs	13.0	11.1	10.4	7.0	8.4	11.6
Other operating costs	3.4	2.5	2.7	1.3	2.5	2.2
Depreciation, amortization, impairments and reversals	21.7	14.9	10.8	18.1	16.6	23.2
Operating profit (loss)	**41.4**	**51.1**	**49.9**	**27.4**	**36.2**	**32.6**
Finance income and similar	-	-	-	-	-	-
Finance expenses and similar	-	-	-	-	-	-
Share of net profit of associates accounted for using equity method	-	-	-	0.3	-	0.3
Profit (loss) before taxes	**41.4**	**51.1**	**49.9**	**27.1**	**36.2**	**32.3**
Income taxes	10.6	13.7	13.8	7.0	9.6	8.0
Profit (loss) for the year/period	**30.8**	**37.4**	**36.1**	**20.1**	**26.6**	**24.3**

(*) Calculated by taking the nine months ended September 30, 2019 and adding to it the difference between the full year ended December 31, 2018 and the nine months ended September 30, 2018.

Summary Carve-out Statement of Financial Position of the Sisal Payments Business

	As of December 31,			As of September 30,
	2018	2017	2016	2019
	(in Euro millions)			
Non-current assets				
Property, plant and equipment	33.1	21.9	8.6	33.1
Goodwill	308.4	308.4	308.4	308.4
Intangible assets	74.4	73.8	74.1	74.0
Investments accounted for using the equity method	—	—	—	3.2
Other non-current assets	4.4	5.0	4.2	6.4
Total non-current assets	**420.3**	**409.1**	**395.3**	**425.1**
Current assets				
Inventories	6.3	4.8	3.0	2.0
Trade receivables	103.0	125.5	110.2	121.2
Taxes receivables	—	—	—	0.2
Restricted bank deposits	34.7	—	—	11.6
Cash and cash equivalent	—	—	—	0.4
Other current assets	5.6	1.5	1.0	6.1
Total current assets	**149.6**	**131.8**	**114.2**	**141.5**
TOTAL ASSETS	569.9	540.9	509.5	566.6
EQUITY				
Net equity	297.7	259.5	275.4	324.5
Total equity	**297.7**	**259.5**	**275.4**	**324.5**
Non-current liabilities				
Long-term financial debt	—	—	—	2.4
Provision for employee severance indemnities	1.2	1.1	1.1	1.1
Deferred tax liabilities	13.4	15.2	16.2	9.5
Provisions for risks and charges	3.0	2.5	1.4	3.0
Total non-current liabilities	**17.6**	**18.8**	**18.7**	**16.0**
Current liabilities				
Trade and other payables	249.6	259.1	211.4	214.9
Short-term financial debt	—	—	—	0.3
Short-term portion of long-term financial debt	—	—	—	0.9
Other current liabilities	5.0	3.5	4.0	10.0
Total current liabilities	**254.6**	**262.6**	**215.4**	**226.1**
TOTAL LIABILITIES AND EQUITY	**569.9**	**540.9**	**509.5**	**566.6**

Summary Carve-out Statement of Cash Flows of the Sisal Payments Business

	For the Year Ended December 31,		Total Year Ended December 31,	Nine Months Ended September 30,	
	2018	2017	2016	2019	2018
			(in Euro millions)		
Cash flows (used) generated by operating activities	54.5	75.5	30.3	(17.3)	(35.6)
Cash flows (used) generated by investment activities	(61.9)	(22.3)	(3.5)	10.8	(11.9)
of which non-recurring cash flows reclassified for the first implementation of PSD II[(1)]	(34.7)	—	—	26.1	(2.1)
Cash flows (used) generated by financing activities	7.4	(53.2)	(26.8)	6.9	47.5
Increase (decrease) in cash and cash equivalents	**—**	**—**	**—**	**0.4**	**—**

(1) PSD II, in effect from the first quarter of 2018, requires companies to segregate cash deriving from funds received from customers. As such, starting from 2018, in the preparation of financial statements such cash is isolated from ordinary cash and cash equivalents.

Other Carve-out Financial and Operating Information of the Sisal Payments Business

	For the Year Ended December 31,		Total Year Ended December 31,	Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2016	2019(*)	2018	2019(**)
	(in Euro millions except percentages)					
Net Revenues(1)	113.1	109.8	103.3	77.8	84.8	106.1
Adjusted EBITDA(2)	74.3	71.7	65.4	52.8	58.3	68.8
Adjusted EBITDA Margin(3)	65.7%	65.3%	63.3%	67.9%	68.8%	64.8%
Changes in net working capital(4)	3.7	24.2	(15.5)	(52.8)	(77.5)	28.4
Capital expenditures(5)	27.6	22.9	4.1	13.4	9.8	31.2
Operating free cash flow(6)	70.3	66.0	61.3	48.0	56.9	61.4
Operating free cash flow conversion(7)	94.6%	92.1%	93.7%	90.9%	97.6%	89.2%
Operating cash flow(8)	61.6	75.5	30.9	(13.0)	(31.5)	80.1
Cash flow(9)	38.0	58.3	30.9	(21.6)	(39.9)	56.3

(*) Comparability between the nine months ended September 30, 2019 and the nine months ended September 30, 2018 is limited, given the discontinuation of the PostePay contract. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations of the Sisal Payments Business."*

(**) Calculated by taking the nine months ended September 30, 2019 and adding to it the difference between the full year ended December 31, 2018 and the nine months ended September 30, 2018.

(1) Net revenues is defined revenues that are net of revenues paid back to the supply chain.

(2) EBITDA is defined as profit (or loss) for the year/period adjusted for: (i) Amortization, depreciation, provisions and impairment losses and reversals; (ii) Finance income and similar; (iii) Finance expenses and similar; (iv) Income taxes; and (v) Share of net profit of associated accounted for using equity method. EBITDA is a non-IFRS measure. The following is a calculation of EBITDA:

	For the Year Ended December 31,		Total Year Ended December 31,	Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2016	2019	2018	2019
	(in Euro millions, except percentages)					
Profit (loss) for the year /period	30.8	37.4	36.1	20.1	26.6	24.3
Income taxes	10.6	13.7	13.8	7.0	9.6	8.0
Share of net profit of associates accounted for using equity method	—	—	—	0.3	—	0.3
Finance expenses and similar	—	—	—	—	—	—
Finance income and similar	—	—	—	—	—	—
Amortization, depreciation, provisions and impairment losses and reversals	21.7	14.9	10.8	18.1	16.6	23.2
EBITDA	63.1	66.0	60.7	45.5	52.8	55.8
Non recurring income in relation to Project Gallo	—	—	—	(1.8)	—	(1.8)
Reorganization costs	0.5	0.2	0.1	—	—	0.5
Cost for Acquisition	—	—	1.2	—	—	—
Non recurring costs in relation to M&A Transactions (Project Gallo) and others	—	—	—	3.5	—	3.5
Costs for start-up of digital payments and other	5.4	—	—	3.6	2.4	6.6
Segregation costs	3.5	2.9	—	—	1.8	1.7
Depreciation/amortization of shared assets owned by Sisal Group	1.5	2.4	3.2	1.9	1.2	2.2
Other nonrecurring cost	0.3	0.2	0.2	0.1	0.1	0.3
Adjusted EBITDA	**74.3**	**71.7**	**65.4**	**52.8**	**58.3**	**68.8**

(3) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by net revenues.

(4) The following is a calculation of changes in net working capital as extracted from the statement of cash flow.

	For the Year Ended December 31,		Total Year Ended December 31,	Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2016	2019	2018	2019
	(in Euro millions)					
Change in trade receivables	16.9	(19.4)	(30.5)	(21.1)	3.3	(7.5)
Change in inventories	(1.5)	(1.8)	1.9	4.4	1.8	1.1
Change in trade payables	(9.6)	47.8	12.7	(37.0)	(84.9)	38.3
Change in other assets and liabilities	(2.1)	(2.4)	0.4	0.9	2.3	(3.5)
Changes in Net working capital	**3.7**	**24.2**	**(15.5)**	**(52.8)**	**(77.5)**	**28.4**

(5) Capital expenditures consist of investments for the period in property, plant and equipment and intangible assets as extracted from the statement of cash flows.

	For the Year Ended December 31,		Total Year Ended December 31,	Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2016	2019	2018	2019
	(in Euro millions)					
Property, plant and equipment	17.6	16.9	2.0	6.0	4.0	19.6
Intangible assets	10.0	6.0	2.1	7.4	5.8	11.6
Capital expenditure	**27.6**	**22.9**	**4.1**	**13.4**	**9.8**	**31.2**

(6) Operating free cash flow is defined as the sum of Adjusted EBITDA and recurring capital expenditures. Operating free cash flow is a non-IFRS measure.

The following is a calculation of Operating free cash flow:

	For the Year Ended December 31,		Total Year Ended December 31,	Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2016	2019	2018	2019
	(in Euro millions, except percentages)					
Adjusted EBITDA	74.3	71.7	65.4	52.8	58.3	68.8
Recurring Capital expenditures	(4.0)	(5.7)	(4.1)	(4.8)	(1.4)	(7.4)
Operating free cash flow	**70.3**	**66.0**	**61.3**	**48.0**	**56.9**	**61.4**

(7) Operating free cash flow conversion is defined as Operating free cash flow divided by Adjusted EBITDA. Operating free cash flow conversion is a non-IFRS measure.

(8) Operating cash flow is defined as the sum of Operating free cash flow, changes in net working capital and taxes as extracted from the statement of cash flow. Operating cash flow is a non-IFRS measure.

The following is a calculation of Operating cash flow:

	Successor			Successor		Successor
	For the Year Ended December 31,		Total Year Ended December 31,	Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2016	2019	2018	2019
	(in Euro millions, except percentages)					
Operating free cash flow	70.3	66.0	61.3	48.0	56.9	61.4
Changes in net working capital	3.7	24.2	(15.5)	(52.8)	(77.5)	28.4
Taxes	(12.4)	(14.7)	(14.9)	(8.2)	(10.9)	(9.7)
Operating cash flow	**61.6**	**75.5**	**30.9**	**(13.0)**	**(31.5)**	**80.1**

(9) Cash flow is defined as the sum of Operating cash flow and non-recurring capital expenditures. Cash flow is a non-IFRS measure.

The following is a calculation of Cash flow:

	For the Year Ended December 31,		Total Year Ended December 31,	Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2016	2019	2018	2019
	(in Euro millions, except percentages)					
Operating cash flow	61.6	75.5	30.9	(13.0)	(31.5)	80.1
Non-recurring Capital expenditures	(23.6)	(17.2)	—	(8.6)	(8.4)	(23.8)
Cash flow	**38.0**	**58.3**	**30.9**	**(21.6)**	**(39.9)**	**56.3**

SUMMARY CARVE-OUT FINANCIAL INFORMATION OF THE BANCA 5 PAYMENTS BUSINESS

The following summary carve-out financial information for the Banca 5 Payments Business as of and for the year ended December 31, 2017 and 2018 has been derived from the Banca 5 Payments Business Annual Carve-out Financial Statements. Summary carve-out financial information as of September 30, 2019 and for the nine months September 30, 2018 and 2019 has been derived from the Banca 5 Payments Business Condensed Carve-Financial Statements. The Banca 5 Payments Business Annual Carve-out Financial Statements were prepared in accordance with IFRS. The Banca 5 Payments Business Condensed Carve-out Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting." Interim results are not necessarily indicative of the results that may be expected for any other interim period nor are they indicative of results for a full year.

This Summary Banca 5 Payments Business Carve-out Financial Information should be read in conjunction with the Banca 5 Payments Business Carve-out Financial Statements included elsewhere in this offering memorandum and the notes thereto and the information set forth in "Presentation of Financial and other Information," "Summary," "Business," "Use of Proceeds," "Capitalization," "Selected Carve-out Financial Information of the Banca 5 Payments Business," "Unaudited Pro Forma Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Banca 5 Payments Business."

Summary Carve-out Statement of Comprehensive Income of the Banca 5 Payments Business

	For the Year Ended December 31,		Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	**2017**	**2019**	**2018**	**2019(*)**
			(in Euro millions)		
Revenues	133.0	144.3	101.7	100.3	134.4
Other income	1.2	1.3	1.1	0.9	1.4
Total revenues and other income	**134.2**	**145.6**	**102.8**	**101.2**	**135.8**
Purchases of materials, consumables and merchandise	0.2	0.4	0.1	0.2	0.1
Costs for services	105.4	111.1	80.0	79.9	105.5
Cost for leased assets	1.8	1.0	1.9	1.2	2.5
Personnel costs	8.2	7.3	5.9	6.3	7.8
Depreciation of property, plant and equipment and amortization of intangible assets	4.6	3.4	4.0	3.3	5.3
Operating profit (loss)(EBIT)	**14.0**	**22.4**	**10.9**	**10.3**	**14.6**
Profit (loss) before income taxes	**14.0**	**22.4**	**10.9**	**10.3**	**14.6**
Income taxes	4.5	7.4	3.4	3.3	4.6
Profit (loss) for the year/period	**9.5**	**15.0**	**7.5**	**7.0**	**10.0**
Total comprehensive profit (loss) for the period	**9.5**	**15.0**	**7.5**	**7.0**	**10.0**

(*) Calculated by taking the nine months ended September 30, 2019 and adding to it the difference between the full year ended December 31, 2018 and the nine months ended September 30, 2018.

Summary Carve-out Statement of Financial Position of the Banca 5 Payments Business

	As of December 31, 2018	As of December 31, 2017	As of September 30, 2019
	(in Euro millions)		
Non-current assets			
Property, plant and equipment	30.9	27.3	27.5
Intangible assets	0.3	—	0.3
Deferred tax assets	—	0.1	—
Total non-current assets	**31.2**	**27.4**	**27.8**
Current assets			
Cash and cash equivalents	1.4	1.5	
Other current assets	5.2	6.7	10.5
Total current assets	**6.6**	**8.2**	**10.5**
Total Assets	**37.8**	**35.6**	**38.3**
Equity—Net Investment			
Owners net equity—net investment	12.8	12.8	12.8
Total equity—net investment	**12.8**	**12.8**	**12.8**
Non-current liabilities			
Provision for employee severance indemnities	1.0	1.0	1.2
Total non-current liabilities	**1.0**	**1.0**	**1.2**
Current liabilities			
Trade and other payables	13.0	7.5	17.3
Short term debts	4.5	5.0	2.2
Tax payables	4.6	7.5	3.5
Other current liabilities	1.9	1.8	1.3
Total current liabilities	**24.0**	**21.8**	**24.3**
Total Liabilities and Equity—Net Investment	**37.8**	**35.6**	**38.3**

Summary Carve-out Statement of Cash Flows of the Banca 5 Payments Business

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
	(in Euro millions)			
Cash flows (used) generated by operating activities	18.3	28.4	10.3	7.4
Cash flows (used) generated by investing activities	(8.5)	(6.4)	(0.6)	(3.2)
Cash flows (used) generated by financing activities	(9.9)	(20.5)	(9.7)	(4.3)
Increase (decrease) in cash and cash equivalents	**(0.1)**	**1.5**	**0.0**	**(0.1)**

Other Carve-out Financial Information of the Banca 5 Payments Business

	For the Year Ended December 31,		Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2019	2018	2019(*)
	(in Euro millions, except percentages)				
Net revenues(1)	37.8	40.0	28.1	28.6	37.3
Adjusted EBITDA(2)	19.5	26.2	16.5	14.3	21.7
Adjusted EBITDA Margin(3)	51.6%	65.5%	58.7%	50.0%	58.2%
Changes in net working capital(4)	7.1	2.6	(0.3)	1.2	5.6
Capital expenditures(5)	8.5	6.4	0.6	3.2	5.9
Adjusted operating free cash flow(6)	15.9	22.5	15.9	11.6	20.2
Adjusted operating free cash flow conversion(7)	81.5%	85.9%	96.4%	81.1%	93.1%
Operating cash flow(8)	15.6	25.1	11.1	5.3	21.4
Cash flow(9)	10.7	22.4	11.1	4.8	17.0

(*) Calculated by taking the nine months ended September 30, 2019 and adding to it the difference between the full year ended December 31, 2018 and the nine months ended September 30, 2018

(1) Net revenues are net of cost for services for the payment services sales channel

(2) EBITDA is defined as profit (or loss) for the period adjusted for: (i) depreciation of property, plant and equipment and amortization of intangible assets; and (ii) Income taxes. EBITDA is a non-IFRS measure. The following is a calculation of EBITDA:

	For the Year Ended December 31,		Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2019	2018	2019
			(in Euro millions)		
Profit (loss) for the year/period	**9.5**	**15.0**	**7.5**	**7.0**	**10.0**
Income taxes	4.5	7.4	3.4	3.3	4.6
Depreciation of property, plant and equipment and amortization of intangible assets	4.6	3.4	4.0	3.3	5.3
EBITDA	**18.6**	**25.8**	**14.9**	**13.6**	**19.9**
Leasing cost for shared assets owned by Banca 5	0.9	0.4	1.6	0.7	1.8
Adjusted EBITDA	**19.5**	**26.2**	**16.5**	**14.3**	**21.7**

(3) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by Net revenues.

(4) The following is a calculation of changes in net working capital as extracted from the statement of cash flow.

	For the year ended December 31,		Nine months ended September 30,		Twelve months ended September 30,
	2018	2017	2019	2018	2019
			(in Euro millions)		
Change in trade payables	5.5	7.5	4.2	0.6	9.1
Change in other assets and liabilities	1.6	(4.9)	(4.5)	0.6	(3.5)
Changes in Net working capital	**7.1**	**2.6**	**(0.3)**	**1.2**	**5.6**

(5) Capital expenditures consist of investments for the period in property, plant and equipment and intangible assets as extracted from the statement of cash flows.

	For the Year Ended December 31,		Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2019	2018	2019
			(in Euro millions)		
Investment in property, plant and equipment	8.2	6.4	0.6	3.2	5.6
Investment in intangible assets	0.3	—			0.3
Capital expenditure	**8.5**	**6.4**	**0.6**	**3.2**	**5.9**

(6) Adjusted operating free cash flow is defined as the sum of Adjusted EBITDA and recurring capital expenditures. Adjusted operating free cash flow is a non-IFRS measure.

The following is a calculation of Adjusted operating free cash flow:

	For the Year Ended December 31,		Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2019	2018	2019
	(in Euro millions)				
Adjusted EBITDA	**19.5**	**26.2**	**16.5**	**14.3**	**21.7**
Recurring Capital expenditures	(3.6)	(3.7)	(0.6)	(2.7)	(1.5)
Adjusted operating free cash flow	**15.9**	**22.5**	**15.9**	**11.6**	**20.2**

(7) Adjusted operating free cash flow conversion is defined as Adjusted operating free cash flow divided by Adjusted EBITDA. Adjusted operating free cash flow conversion is a non-IFRS measure.

(8) Adjusted operating cash flow is defined as the sum of Adjusted operating free cash flow, changes in net working capital and taxes as extracted from the statement of cash flow. Operating cash flow is a non-IFRS measure.

The following is a calculation of Operating cash flow:

	For the Year Ended December 31,		Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2019	2018	2019
	(in Euro millions)				
Adjusted operating free cash flow	**15.9**	**22.5**	**15.9**	**11.6**	**20.2**
Changes in net working capital	7.1	2.6	(0.3)	1.2	5.6
Taxes	(7.4)	—	(4.5)	(7.5)	(4.4)
Operating cash flow	**15.6**	**25.1**	**11.1**	**5.3**	**21.4**

(9) Cash flow is defined as the sum of Operating cash flow and non-recurring capital expenditures. Cash flow is a non-IFRS measure.

The following is a calculation of Cash flow:

	For the Year Ended December 31,		Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2017	2019	2018	2019
	(in Euro millions)				
Operating cash flow	**15.6**	**25.1**	**11.1**	**5.3**	**21.4**
Non-recurring Capital expenditures	(4.9)	(2.7)	(0.0)	(0.5)	(4.4)
Cash flow	**10.7**	**22.4**	**11.1**	**4.8**	**17.0**

RISK FACTORS

This Offering involves a high degree of risk. You should carefully consider the risks described below as well as other information and data contained in this offering memorandum before making an investment decision. If any of the events described in the risk factors below occur, our business, financial condition and results of operations could be materially adversely affected, which in turn could materially adversely affect our ability to repay the Notes. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, operating results or prospects. In any such case, you may lose all or part of your investment in the Notes.

Risks Related to Our Business and Industry

We operate in a highly and increasingly competitive industry, with particularly strong competition from online and international players, and if we are unable to effectively respond to competition, we may lose market share, fail to gain market share or face downward pricing pressure.

The markets in which we operate (the Italian Payments Products and Services market, the Italian Banking Products and Services market and the Italian Merchant Services market) are highly competitive and are characterized by rapidly changing technology, evolving customer demand, developing industry standards and the frequent introduction of new and disruptive products and services. As online and offline payments continue to converge, the pace of change is also expected to increase, which would in turn intensify competitive pressure for all players in these markets. We may not be able to sustain our competitive position generally or, more specifically, the attractiveness of our products and services offering or the size of our PoS network for a wide variety of reasons.

Our primary competitors are banks, Lottomatica and the Italian post office, each of which offers the ability to make certain payments that we also offer and provide products and other services, such as prepaid debit cards and top ups, that are similar to our products and services offering. We face pricing pressure from other merchant service providers that may seek to gain market share by offering lower prices than we are able to offer and we may not be able to sustain margins for our Merchant Services. We are also facing new competitive pressure from international firms, such as Google, Apple and Facebook, which may compete with one or more of the payments and financial products and services that we provide. These companies have significant financial resources and robust networks and are often highly regarded by consumers. Furthermore, some of our competitors may enter into corporate partnerships or joint ventures to compete with our newly combined business. If these companies continue to gain market share, cause downward pricing pressure or if we are unable to successfully react to changes in the industry spurred by the entry of these new market participants, it could have a material adverse effect on our business, results of operations and financial condition.

If we are unable to respond effectively to competition from both traditional and newer players, demand for our services may not grow in line with our strategy and may even materially decrease, which could result in a temporary or permanent loss of our market share or downward pricing pressure on the products and services we offer. We may face increased competition in the future as new local and international companies enter our markets and existing competitors expand their services. Some competitors may have or develop lower-cost business models, which we may not be able to match. Some of our competitors may offer a wider range of products and services than we do and may have a greater ability to devote financial and operational resources to research, development, marketing and acquisitions of new products and services. If competitors are better able to exploit these advantages than we are, we may not be able to attract or retain customers, which could have a material adverse effect on our business, results of operations and financial condition.

We operate in a highly regulated industry and any failure to comply with applicable laws and regulations or to adapt to laws and regulation as and when they change, may have a material adverse effect on our business, results of operation and financial condition.

We are subject to a wide variety of complex Italian and EU laws and regulations applicable to companies supplying payments and banking services and issuing electronic money as well as to ordinary course laws and regulations that govern the conduct of business. Regulators oversee a number of areas of our business, including transparency and propriety in dealings with customers, reporting and registration obligations, money laundering and corruption prevention and data protection. The payment and electronic money services we offer are regulated activities reserved for payment and electronic money institutions that are authorized by the Bank of Italy and are enrolled in the register held by the supervisory authority. In order to obtain and maintain licenses to operate as a payment institution and an electronic money institution, required compliance includes, among other things: (i) the segregation of assets relating to payments and services from assets relating to other corporate activities of the business, (ii) regulatory capital requirements, (iii) rules relating to the conduct of business and (iv) anti-money laundering rules and regulations. Compliance with these rules may be burdensome and costly and any changes to payment and financial services regulations or to their scope may make it difficult for us to comply with such rules and regulations. Should we fail to comply with applicable rules and regulations, we and our directors may be subject to administrative, civil or criminal penalties, our authorization to operate as a payments or electronic money institution may be either temporarily or permanently revoked and we may lose customers' confidence as a result. Compliance and non-compliance with these rules and regulations could thus have a material adverse effect on our business, results of operations and financial condition and, in the case of non-compliance, our reputation. In the past, we have been subject to administrative review that has led to minor monetary fines for failure to report certain transactions to the authorities. Additionally, liberalization or other changes in the regulatory framework to which we are subject may increase the number of competitors we face. International competitors may be subject to less stringent legal and regulatory regimes and may as a result have a competitive advantage over us, both in terms of the services and products they are able to offer as well as the commercial success they may be able to achieve as a result of being subject to less burdensome regulations, even though the second Payment Services Directive (Directive (EU) 2015/2366) ("**PSD II**") harmonized the legislation at the European level. Finally, we are required to comply with rules aimed at protecting competition and freedom of the market and any violation of such rules could subject us to penalties and require us to pay compensation that, in turn, could result in material adverse effects on our business, results of operations and financial condition.

PSD II

PSD II is an EU directive that aims to improve digital payment services throughout the EU by improving the ease and security of internet payment services, protecting consumers from fraud, abuse and payment problems, promoting innovative mobile and internet payment services, strengthening consumer rights and strengthening the role of the European Banking Authority. PSD II is intended to create a "level playing field" for participants in the payments ecosystem and to promote usage of account-based payments.

PSD II was implemented in Italy by Legislative Decree No. 218 of December 15, 2017, which came into force on January 13, 2018. PSD II facilitates third parties' direct access to bank accounts and, accordingly, provides opportunities for increased competition among system participants. We incur system and compliance costs as a result of PSD II requirements, including in respect of:

- <u>Information security reporting</u>. In accordance with PSD II, payment and electronic money institutions are required to report to the relevant competent authority certain security related data, such as statistical data in connection with fraudulent payments, on an annual basis. We may incur compliance costs relating to the reporting requirements under PSD II and failure to comply with these reporting requirements could expose us to the risk of sanctions or force us to incur significant additional costs or to undertake substantial changes to our reporting systems.
- <u>Interoperability of systems</u>. PSD II includes requirements in relation to the interoperability among account servicing payment providers such as us, on the one hand, and payment initiation services and account information services providers, on the other hand. We may incur compliance costs relating to the interoperability requirements under PSD II and failure to comply with these interoperability requirements could expose us to the risk of sanctions or force us to incur significant additional costs or to undertake substantial changes to our information technology infrastructure and systems.
- <u>Safeguarding of funds</u>. PSD II requires payment service providers to safeguard all funds that have been received from users of the payment service or through another payment service provider for the execution of payment transactions, by adhering to certain requirements regarding segregation of funds. We may incur compliance costs relating to the safeguard requirements under PSD II and failure to comply with these safeguard requirements could expose us to the risk of sanctions or force us to incur significant additional costs or to undertake substantial changes to our systems.

The EU Interchange Fee Regulation

We are also required to comply with the EU Interchange Fee Regulation (Regulation (EU) 2015/751) (the "**IFR**"). The IFR regulates card issuer compensation fees, known as "interchange fees" in the EU. The implementation of IFR in Italy is monitored by the Ministry of Economy and Finance in cooperation with the Bank of Italy and the Italian Competition Authority. The IFR imposes a cap on interchange fees charged in connection with the use of European cards used at European merchants. When a customer pays for a purchase using a credit or debit card, the organization that serves the merchant (known as the "acquirer") pays a fee to the organization that issued the payment card to the shopper (known as the "issuer"). This "interchange fee" is then passed on to the merchant and absorbed into the merchant commission rate or card acceptance fee and is often a considerable part of merchants' total costs.

We offer acquiring services to our merchant customers. Interchange fees affect the operations of acquirers in terms of client billing, pricing and contracting. Certain merchants have obtained reductions in their merchant service charges and our commission fees have been reduced as a result and, if in the future we are unable to agree to price reductions with our merchant customers, our business may be affected and we may lose some of our merchant customers. Complying with the EU Interchange Fee Regulation, which has been subject to a number of modifications in recent years, could result in increased costs, additional operational and commercial complexity, and disrupt our systems and operations. This could have a material adverse effect on our business, financial condition and results of operations.

The Payment Account Directive

The Payment Account Directive (Directive (EU) 2014/92) ("**PAD**"), which was implemented in Italy through Legislative Decree No. 37 of March 15, 2017, is an EU directive that regulates the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features. The law provides that legal residents of the EU have the right to open a payment account with basic features in any EU country. A basic payment account includes various services such as cash withdrawals at a bank counter or cash machines and the execution of payment transactions such as direct debits or credit transfers within the EU. Furthermore, the law provides for several tools to make fees clearer for consumers. For example, it requires that there be at least one independent website for each EU country that compares payment account fees that are charged by different banks. PAD establishes a quick procedure for consumers who want to switch their account from one bank to another within the same EU country. When a consumer wants to switch accounts between two EU countries, the bank hosting the account to be closed must assist in the process. Complying with PAD imposes additional compliance costs on our business, which could have a material adverse effect on our business, financial condition and results of operation.

The Electronic Money Directive

We are also required to comply with the Electronic Money Directive (Directive (EU) 2009/110) ("**EMD II**"), which was implemented in Italy through Legislative Decree No. 45 of April 16, 2012. In general, EMD II aims to: (i) facilitate the emergence of new, innovative and secure e-money services; (ii) provide market access to new companies and (iii) encourage effective competition between all market participants. In October 2015, with the adoption of the PSD II, EMD II was amended to improve security, widen consumer choice and keep pace with innovation. EMD II specifically modernizes EU rules on e-money and brings the prudential regime for e-money institutions in line with the requirements for payment institutions in the first Payment Services Directive. We may incur costs in connection with EMD II compliance, which could have a material adverse effect on our business, financial condition and results of operation.

Anti-Money Laundering

The EU's Fourth Anti-Money Laundering Directive ("**MLD4**") was enacted on May 20, 2015 and on May 25, 2017, legislative decree no. 90 came into effect to implement MLD4 in Italy. MLD4 requires the implementation of procedures and tools in relation to different aspects of anti-money laundering, including customer identification and know-your-customer checks. We incur costs in connection with our controls and procedures for reviewing due diligence, completing the onboarding processes and enhancing our general compliance with anti-money laundering and terrorist financing requirements with respect to local and alternative payment methods such as electronic money. Non-compliance with MLD4 can be costly, as MLD4 includes certain minimum requirements for sanctions, such as pecuniary sanctions of at least twice the amount of the benefit derived from the breach where that benefit can be determined or at least EUR 1 million. In addition, EU anti-money laundering regulations are constantly evolving: in June 2018, the EU published the Fifth Anti-Money Laundering Directive ("**MLD5**"), which amended MLD4 and imposed stricter requirements on businesses. EU member states are required to transpose MLD5 by January 2020. One of the key purposes of MLD5 is to limit the anonymity related to and amounts permitted for prepaid cards: prepaid cards are an important part of our business and any changes to how they are regulated could force us to incur increased costs in order to comply with such regulations.

Data Protection

Our databases contain personal data of our consumers, and our ability to obtain, retain and process such data is governed by data protection and privacy regulations and guidance issued by, among others, the EU under the Data Protection Directive (Directive 95/46/EC) and the EU General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**"). GDPR came into force on May 25, 2018 and imposes significantly increased obligations in connection with data privacy protection in the EU. Any unauthorized access to information stored by us or by a third-party provider used by us, whether intentional or not, and failure to detect such access or to notify the affected data subjects in a timely manner, may cause damage to our reputation, constitute infringement of administrative and criminal law and grant the affected persons a right to damage claims against us. See "*—We and our customers, partners and others who use our services, obtain and process a large amount of sensitive data.*"

Compliance, and monitoring of such compliance, with the laws and regulations that are applicable to our business is difficult, time consuming and costly. Further, these laws and regulations and their interpretation and application changes from time to time, and such changes could impose new burdens and expose us to further liability, either of which could have a material adverse effect on our reputation, business, results of operations and financial condition. For a further description of the regulatory frameworks that are applicable to our business, see "*Regulation.*"

Our business is closely tied to consumer sentiment and, as a result, we may be materially adversely affected by economic or political change and uncertainty, globally and particularly in the EU and Italy.

We operate in Italy, making us vulnerable to risks associated with the economic and political situation in Italy, as well as in the EU and the wider world. The revenue we generate is a function of how successfully we sell our products and services which, in turn, is tied to overall levels of consumer and business spending in Italy. General economic conditions affect discretionary income, as well as consumer confidence and spending. Economic conditions may change unexpectedly as the result of a large number of factors over which we have no control, including general government policy, monetary and fiscal policy and overall economic conditions. A sustained deterioration in general economic conditions in Italy may adversely affect our financial performance by reducing the number of payment transactions that we process or reducing spend per transaction, among other things. Our ability to quickly adjust costs and respond to changes in our business and the economy may be limited. In light of all of the above, a reduction in consumer spending could result in a decrease of our revenue and profits and could have a material adverse effect on our business, results of operations and financial condition.

Global economic activity underwent a sharp downturn after the 2008 financial crisis and recovery has been inconsistent and slower than anticipated, particularly in Italy. During the 2008 financial crisis, global credit and capital markets have experienced volatility and disruption and business credit and liquidity tightened. Credit also contracted in a number of major markets, including Italy. Economists, observers and market participants have expressed concern regarding the sustainability of the European Union and its common currency, the euro, in their current form. These economic and political developments have had a negative impact on Italy's growth, and linger in certain areas of the Italian economy, and continued uncertainty could lead to further deterioration of investor and market confidence. We only operate in Italy and therefore are likely to be more affected by economic weakness or uncertainty in Italy than our competitors with international operations. It is difficult to determine the breadth and duration of economic and financial market problems and their potential effects on demand for our products and our suppliers. A renewal of these difficult financial and macroeconomic conditions could materially adversely affect our business, results of operations and financial condition.

Consumer spending in Italy is generally correlated to macroeconomic and political developments. In the past, macroeconomic and political events have had a negative effect on the country's growth, and continued uncertainty could lead to deterioration of investor and consumer confidence. In August 2019, Fitch confirmed Italy's sovereign credit rating at BBB while indicating a negative outlook and in October 2018, Moody's downgraded Italy's sovereign credit rating to Baa3 from Baa2 while indicating a stable outlook, mainly driven by concerns around political uncertainty, the government's expansionary fiscal and economic policy plans and high debt levels, which targets higher budget deficits for the coming years than previously assumed, with negative implications for Italy's medium-term growth.

Italy's government is, at present, characterized by general and widespread political uncertainty, with several major events having taken place in the last eighteen months. In September 2019, a new coalition government was sworn in, composed of the center-left Democratic party and the anti-establishment Five Star Movement: it is unknown how long this potentially unstable coalition will last. The current coalition government is a result of the 2018 general election in which no party won an outright majority, resulting in a hung parliament and leading to protracted negotiations to form a new government. These negotiations were finally concluded with the creation of a coalition government, created by the Five Star Movement and Matteo Salvini's Northern League, which then collapsed in August 2019. The consequent uncertainty regarding the priorities and governing mandate of the new government make it difficult to make progress in achieving certain macroeconomic goals, including to reduce the ratio of government debt to GDP, write down non-performing loans and reduce unemployment (which is high by OECD standards) and could therefore have a material adverse effect on the environment in which we operate, in particular on consumer spending in Italy. Continuation or further worsening of these economic and political conditions could have a material adverse effect on our business, results of operations and financial condition.

Legal, political and economic uncertainty surrounding the stability and standing of the European Union as a single market as a result of the pending exit of the United Kingdom from the European Union may also have a negative effect on global economic conditions, financial markets and our business. On June 23, 2016, a majority of voters in the United Kingdom elected to withdraw from the EU in a national referendum ("**Brexit**"). On March 29, 2017, the United Kingdom tendered its formal notice to withdraw from the EU pursuant to Article 50 of the Treaty on European Union, thereby initiating the Brexit process by notifying the European Council of its intention to withdraw from the EU. This withdrawal will take effect on the effective date of the withdrawal agreement, or, unless a further extension is granted, on January 31, 2020 if no agreement is reached by then. The effects of Brexit are uncertain, and Brexit has and may continue to contribute to volatility in product demand and pricing. An extension of the January 31, 2020 deadline, a second referendum or any other unexpected development may result in additional volatility in the markets. The resulting political and economic uncertainty could also lead to a departure, or heighten the risk of departure, from the Economic and Monetary Union of the EU by one or more Eurozone countries or the abandonment of the euro as a currency. This heightened uncertainty, and the consequences of a withdrawal, particularly in case of a "no-deal Brexit" could have a significant negative effect on consumer and market confidence. Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal, including financial laws and regulations, tax and free trade agreements, immigration laws, and employment laws, could increase our costs, depress economic activity and restrict our access to capital. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other European Union member states pursue withdrawal, barrier free access between the United Kingdom and other European Union member states or among the European Economic Area overall could be diminished or eliminated. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Changes in consumer preferences and behavior, including any decline in the use of the types of products we offer as payment mechanisms, could have a material adverse effect on our business, results of operation and financial condition.

If consumers do not continue to use our PoS network, make bill payments using our products and services, use our prepaid cards or online and app payments as a payment mechanism for their transactions at current rates or if there is a change in the mix of payments between PoS payment terminal, cash, prepaid cards, credit cards, debit cards and online and app payment systems, our business could be materially adversely affected. Likewise, if consumer usage trends do not increase as we expect, our business may be materially adversely affected. In particular, in the event that our customers adopt online or mobile payment methods for bill payments, pre-paid card top-ups or mobile telephone top-ups more rapidly than we expect, then it is likely that our results of operations would be materially adversely affected due to lower usage of our physical PoS network to conduct such transactions. Such changes in consumer sentiment could be driven by a number of factors: for example, consumer credit risk may make it more difficult or expensive for consumers to gain access to credit facilities such as credit cards and regulatory changes may result in financial institutions seeking to charge their customers additional fees for use of credit or debit cards and such changes may result in stagnating or decreased use of these cards by consumers. We believe future growth in the various products we offer will be driven by the cost, ease-of-use and quality of services offered to consumers and businesses. In order to maintain and increase our profitability, consumers and businesses must continue to use the Payments Products and Services we offer and any decline in such use could have a material adverse effect on our business, results of operations and financial condition.

Most of our operations are dependent on third parties that we do not control and whose actions could negatively affect us, and we are exposed to credit risk and fraud in respect of counterparties, at both the merchant and the consumer level.

In nearly all aspects of our business, we rely on third parties, including payment networks, banks and payment gateways (which link us to the card and bank clearing networks to process transactions) and third-party software providers. The third parties that we rely on to process transactions may refuse or fail to process transactions adequately, in a timely manner or at all, and may breach their agreements, refuse to renew agreements on commercially reasonable terms, take actions that degrade the functionality of their services, impose additional costs or requirements, give preferential treatment to our competitors or experience system outages, any of which could disrupt our operations and materially adversely affect our reputation with our customers, as well as our business, results of operations and financial condition.

Furthermore, with respect to our Merchant Services segment, we are subject to credit risk from our merchant customers for the amount we collect from merchants for transactions where goods or services have not yet been provided by the merchant to the consumer, or in card transactions that could be disputed by the cardholder. In the event that a dispute between a cardholder and a merchant is not resolved in favor of the merchant, the transaction is normally "charged back" to the merchant and the purchase price is credited or otherwise refunded to the cardholder. If we are unable to collect such amounts from the merchant's account, or if the merchant refuses or is unable, due to closure, bankruptcy or any other reason, to reimburse us for a chargeback, we may bear the loss for the amount of the refund paid to the cardholder. Any increase in the rate of chargebacks not paid by our merchants or customer defaults on any other obligations could have a material adverse effect on our business, results of operations and financial condition.

Our business prospects and future success rely upon the real and perceived integrity of our employees, executives, merchants and partners and the security of the systems we have in place and we may incur liabilities for the actions of our directors, employees, agents, representatives and intermediaries.

In addition, our business prospects and future success rely upon the real and perceived integrity of our employees, executives, merchants and partners and the security of the systems we have in place, and we may incur liabilities for the actions of our directors, employees, agents, representatives and intermediaries. Conducting our business in an ethically acceptable manner is important to our reputation, status with regulators and business prospects. Any contact by our directors, employees, agents or partners with the public administration involves, under certain circumstances, risks associated with, among others, fraud, bribery, corruption, incorrect use of public contribution and other fraudulent activities by our employees and related investigations. Additionally, our business activities may also involve risks related to possible accidents, which may be due to our employees' activities or mistakes and may consist of crimes such as breach of security measures or damages to third parties. We are also exposed to the risk that our directors, employees or agents could commit IT-related crimes, which may consist of violating the IT systems of our competitors, unlawful access to banking data (including that of our customers) and damages to our own IT systems and documents. The above examples are not comprehensive: there is a wide variety of other means by which our directors, employees, agents, representatives and intermediaries could expose us to liability, some of which we may be unable to foresee.

Although we will maintain internal monitoring systems aimed, among other things, at preventing direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, fraud, deception, tax evasion, environmental crimes and any other illegal or otherwise unethical conduct, we may be unable to detect or prevent every instance of such conduct involving our directors, employees, consultants, partners, agents and third party agents representatives and intermediaries and our monitoring systems (including our internal controls and procedures, policies and our risk management system) may not be sufficient to prevent, detect and identify inadequate practices and violation of law by such individuals. Any of the foregoing circumstances (including our failure to adequately implement and update such monitoring systems) may expose us to civil and administrative penalties, as well as to reputational damage as a result of such occurrences and could have a material adverse effect on our business, results of operations and financial condition.

Our business depends on our brand and reputation and any failure to successfully maintain, protect and enhance our brands and reputation could materially adversely affect our business.

Our success is dependent in part on the strength of and trust placed in our brands. We believe that we have established, trusted and widely recognized brands and reputation in Italy, based on the historic business of SisalPay and Banca 5, and that our brands represent a competitive advantage in the development of our payments and banking services business. We also believe that our success is dependent on maintaining and enhancing the strength of our brand by expanding our PoS network and complementary digital offerings, to promote customer loyalty. Maintaining, protecting and enhancing our brand is also critical to expanding our base of customers and third-party partners, as well as increasing engagement with our products and services. The success of our branding strategy will depend largely on our ability to maintain trust, be a technology leader and continue to provide high-quality and in-demand secure products and services. Any negative publicity about our industry generally, us specifically, us, SisalPay or Banca 5 more generally, the quality and reliability of our products and services, our risk management processes, changes to our products and services, our ability to effectively manage and resolve seller and buyer complaints, our privacy and security practices, litigation, regulatory activity and user experience of our products and services, could materially adversely affect our reputation and the confidence in and use of our products and services. We cannot assure you that any of our brand management initiatives, will be successful. If we are unable to enhance or maintain the strength of our brand, then our ability to expand or retain our customer base may be impaired, and our business, results of operations and financial condition may be materially adversely affected.

We and our customers, partners and others who use our services, obtain and process a large amount of sensitive data.

Our operations involve the storage and transmission of sensitive personal data. In our capacity as a payment service provider, we act as an intermediary between merchants, customers purchasing from these merchants and entities controlling the payment methods that the customer chooses to use, such as Visa or MasterCard. In the context of these services, we receive personal data, including payment transaction data such as customer names and payment method details. This payment data is processed by us and passed on to the payment networks solely for the purpose of facilitating the payment. Any real or perceived privacy breaches or improper use of, disclosure of, or access to such data could harm our reputation with both consumers and merchants as a trusted brand, as well as have a material adverse effect on our business, results of operations and financial condition.

We are subject to complex and evolving European laws, rules, regulations, orders and directives (referred to in this section as "privacy laws") relating to the collection, use, retention, security, processing and transfer (referred to in this section as "process") of personally identifiable information about our merchants, customers, third parties and others and their transactions (referred to in this section as "personal data"). In particular, GDPR imposes more stringent data protection obligations than under the previous directive, resulting in higher compliance burdens for market players like us. GDPR requires us to demonstrate compliance with certain data protection principles and increases sanctions for data protection compliance violations of up to the higher of €20,000,000 or 4% of our global net turnover. If we fail to comply with these regulations, we may face administrative and/or civil sanctions, criminal penalties and/or reputational damage, which may have a material adverse effect on our business, results of operations and financial condition. Evolving regulation relating to privacy, information security and data protection could increase our costs and affect or limit how we collect and/or use personal information and could as a result limit our business opportunities.

Any failure, or perceived failure, by us to comply with privacy policies or with any applicable privacy laws could result in proceedings or actions against us by governmental entities or others, significant fines, penalties, judgments and reputational damages to our business, requiring us to change business practices and increasing the costs and complexity of compliance, any of which could materially adversely affect our business, results of operations and financial condition. Data protection, privacy and information security have become the subject of increasing public, media and legislative concern. In addition, we are also subject to the possibility of security breaches, which themselves may result in a violation of these privacy laws. See "*—Our business is reliant on electronic systems and our products and services may not function as intended due to errors in our software, hardware and processing systems or due to security breaches (including hacker intrusions, malicious viruses and other cybercrime attacks) or human error and any disruption of our information and communication technology systems, whether widespread or localized, may adversely affect our business and expose us to significant liability*." Any failure of by us, our merchants, partners or others who use our services to adequately protect sensitive data could have a material adverse effect on our business, results of operations and financial condition.

Our business is dependent on rapidly changing technology and it may be costly, difficult or impossible for us to keep pace with new developments in our industry and market disruptive technologies or services.

We operate in an industry that is driven by constant technological advancement, developing industry standards and changing customer needs and preferences. We strive to maintain strong technology capabilities in order to remain at the forefront of our industry and the process of developing new, high-technology products and services and enhancing existing products and services is complex, costly and uncertain, and any failure by us to accurately anticipate customers' changing needs or emerging technological trends could significantly harm our market share and results of operations. The markets in which we operate are being reshaped and it is vital for our future success to develop digital innovation as a core competence. We must anticipate and respond to these developments in order to remain competitive within our markets, including taking advantage of e-commerce growth and mobile wallet innovations. We may make capital expenditures in order to develop new technologies before knowing whether our predictions will accurately reflect customer preferences and, if we are unable to develop the necessary technologies internally, we may have to spend money in an attempt to license or acquire technologies and other assets from third parties.

We believe that future growth in the payments and financial services market will be driven by a combination of factors including speed, cost, ease-of-use, security and the quality of products and services offered to consumers and businesses. However, we may be unable to develop or commercialize technological advances and introduce new products and services in a manner and to an extent sufficient for us to remain competitive within our industry. We may, among other things, lack capacity to invest the required level of human and financial resources necessary to develop these products, commit errors or misjudgments in our planning in these areas or experience difficulties in implementing rollouts. In addition, we may not be able to meet our development and delivery schedules as a consequence of unforeseen problems during the design, development or manufacturing phases of new products and services. Delays in development may also lead to a need for greater investments in research and development. If we encounter increased costs associated with new product development and product enhancements for which we are unable to realize sufficient revenues, the costs of the related new product development may not be recoverable. The increase in costs of, or the decrease in revenues from, newly developed products and services, could have a material adverse effect on our business, results of operations and financial condition. Our competitors may be able to innovate or adjust to new regulations faster than we can, and new technologies may increase competitive pressure by enabling our competitors to offer more efficient or lower-cost services. If we are unable to continue to keep pace with our competitors, manage the shift to mobile, device-based and multi-channel commerce or improve the quality of our customers' experience, our business, results of operations and financial condition could be materially adversely affected.

Innovations in payment solutions could also materially reduce our transaction levels and revenues in our cash withdrawal and bank transfers business. Rapid, significant and disruptive technological changes impact the industries in which we operate, including developments in payment card tokenization, cryptocurrencies, mobile, social commerce (i.e., ecommerce through social networks), authentication, virtual currencies (including distributed ledger and blockchain technologies) and other proximity payment technology, any of which could result in a loss of our market share and may materially reduce our transaction levels and revenues in our cash withdrawal and bank transfers business. We expect new services and technologies to continue to emerge and evolve, and we cannot predict the effects of technological changes on our business. Our success will depend on our ability to develop and incorporate new technologies and adapt to technological changes and evolving industry standards; if we are unable to do so in a timely or cost-effective manner, our business, results of operations and financial condition could be materially adversely affected.

Our business is reliant on electronic systems, and our products and services may not function as intended due to errors in our software, hardware and processing systems or due to security breaches (including hacker intrusions, malicious viruses and other cybercrime attacks) or human error, and any disruption of our information and communication technology systems, whether widespread or localized, may adversely affect our business and expose us to significant liability.

The integrity, reliability and operational performance of our physical and digital infrastructure and our technology network are critical to our operations and reputation. The services we deliver are designed to securely and reliably process complex transactions—often in real time—and provide reports and other information on those transactions, all at high volumes and processing speeds. Our systems may contain undetected errors that could materially adversely affect our business, particularly to the extent such errors are not detected and remedied quickly. In addition, we provide frequent incremental releases of product and service updates and functional enhancements, which increases the possibility of errors. Since our merchant customers use our services for important aspects of their businesses, any errors, defects, disruptions in services or other performance problems with our services reputation and damage our merchant customers' businesses and, as a result, hurt our reputation.

Our business relies on software and system infrastructure to manage high volumes of transactions. Software and system errors, or human error, could delay or inhibit settlement of payments, cause reporting errors, result in the loss of transaction or system outages. In the past we have experienced a number of software and system errors, including errors that prevented transactions from being settled, errors relating to the forwarding of transactions to an inter-banking clearing house, with delays in transaction clearance and telecommunication errors, caused by both internal and telecommunication providers, resulting in the interruption of normal business operations. Furthermore, as we are an Electronic Money Institution subject to European Banking Authority regulation, our systems are subject to period external audit. Any errors in our software systems could lead to regulatory inquiries and investigations and result in lawsuits and other liabilities and losses. Any failure to deliver an effective and secure service or performance issues that result in significant processing or reporting errors or service outages, whether due to planned IT changes, inefficient system monitoring or other reasons, could impact a potentially large number of users, which could in turn materially adversely affect our reputation, business, results of operations and financial condition.

Additionally, our employees could cause significant operational breakdowns or failures, either as a result of human error, ineffective segregation of duties and access with respect to management of our systems or deliberate sabotage or fraudulent manipulation of its operations or systems. Furthermore, the computer systems, software servers and data centers or on which we rely may be vulnerable to physical and electronic breaches, computer viruses and other attacks by cyber-criminals, internet fraudsters, employees or others, which could lead to, among other things, a leakage of consumer data, damage related to incursions, destruction of documents, inability or delays in processing transactions and unauthorized transactions. Any actual or perceived breach of our security could interrupt operations, result in its systems or services being unavailable, result in improper disclosure of data, materially harm our reputation and brands, result in significant legal and financial exposure, lead to loss of consumer confidence in, or decreased use of, our products and services, and adversely affect its business and results of operations. See "—*We and our customers, partners and others who use our services, obtain and process a large amount of sensitive data.*" Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

We are dependent on card payment service providers and other financial institutions to process payments and handle cash generated by our business and in connection with our clearing activities.

Our settlement and clearing activities are dependent on the financial institutions that participate in the settlement and clearing network. Although Directive 98/26/EC of the European Parliament and of the Council of May 19, 1998 on settlement finality in payment and securities settlement systems, as well as certain international standards, provides regulatory guidance to avoid a failure of this network in the event of technological or system failures or any other form of institutional distress, a technical malfunction by any participant is still possible and could lead to us facing difficulty in processing payments and finalizing settlements. Due to the immediacy of real-time clearing, the impact of such a technical malfunction would be more pronounced as to real-time clearing than it would for other clearing, including intraday. Such difficulties could cause significant reputational damage to us and could have a material adverse effect on our business, results of operations and financial condition.

Failure to renew agreements with customers or merchants on acceptable terms or termination of such agreements by customers or merchants could harm our business.

Failure to renew or rejection of the terms of our contracts by existing network customers and merchants and failure to sign sufficient numbers of new contracts could prevent us from maintaining or growing our PoS network, which could negatively impact our business, results of operations and financial condition. Certain contracts with customers, including, but not limited to, certain B2B partners, are subject to change of control provisions that may grant the respective counterparties the right to terminate the relevant contracts as a result of a change of control, which in certain but not all contracts may shorten the termination or contract period originally contemplated under the contract. We may lose certain of our contracts with our partners due to issues in transferring contracts from the Sisal Group or Banca 5 to the NewCos or due to disagreements about the fees we charge for use of our PoS and other services. Additionally, the combined business may have a competitive position which some B2B partners may view as unfavorable or competitive with their own business, which could also lead to contract termination. If we lose any of our key partners or customers, or fail to win new contracts and customers, our revenues and earnings could be materially adversely affected, and our ability to expand our network, sell our products and services and implement our strategy could be significantly hindered. Certain of our customer contracts, including those in our distribution network, contain provisions that allow such customers to terminate such contracts unilaterally. For example, SisalPay lost its PostePay contract with Poste Italiane S.p.A in October 2018, with effect from January 2019, which accounted for €3.9 million of SisalPay's EBITDA for the twelve months ended September 30, 2019. We anticipate that this will continue to negatively impact our results in the short term. In addition, in September 2019, a Banca 5 PostePay contract was not renewed (with effect from January 2020). This contract, accounted for €4.5 million of Banca 5's EBITDA for the twelve months ended September 30, 2019. We anticipate that this will negatively impact our results in the short term. Banca 5 continues to have a contract with PostePay for bill payments. We cannot assure you that we will be able to maintain this contract.

Throughout this offering memorandum, we provide various historical financial metrics that include the results of both of the PostePay contracts that have been lost. Unless otherwise specified, we have not adjusted any of these figures for the loss of these contracts, including, for the avoidance of doubt, in the case of the SisalPay PostePay contract, the calculation of Combined adjusted *pro forma* EBITDA. Additionally, the loss of the PostePay contract has affected the comparability of the Sisal Payments Business's results for the nine months ended September 30, 2019 and 2018 and will affect the comparability of our historical and future results.

In addition, we rely on our distribution network for the management of transactions with customers and for the fees paid by PoS for the services we provide. From time to time, we change economic conditions, discount policies, compliance requirements and, more generally, the contractual terms and conditions of our PoS contracts, which may result in loss of customers. Customers may also seek price reductions when seeking to renew or extend contracts or otherwise contest our assessment of fees. Any failure to collect fees from our PoS network or any termination of PoS contracts, or if we are unsuccessful in retaining high renewal rates on terms that are favorable or acceptable to us, our business financial condition and results of operations may be materially adversely affected.

Changes to payment card industry standards and card scheme rules could require significant costs to ensure compliance or may require additional investments in our PoS terminals or replacement of such terminals.

The security standards established by payment card industry ("**PCI**") bodies, such as the PCI Data Security Standards ("**PCI DSS**"), are designed to enhance card payment data security by promoting the broadest possible dissemination and implementation of specific standards relating to the various components of card payment transactions. These standards require that stored consumer data and sensitive transaction data are always processed in a fully secure manner by systems and databases that are structured to properly safeguard such information. Such industry standards entail, among other things, a certification process and precise compliance with technical requirements. Updates to these standards involving changes to existing requirements are managed by the founding members of the PCI Security Standards Council (Visa, MasterCard, JCB, American Express and Discover), together with stakeholders from across the digital payment industry (e.g., hardware industry stakeholders, regulators, merchants, banking associations and banks transaction processors). Changes to the PCI DSS may require changes to our processes, hardware, products, embedded software, networks or servers, which could require significant capital expenditure and, in the event of frequent changes to PCI DSS, may be difficult to implement on a timely basis. Even upon receipt of PCI DSS certification, there is a risk that once in use, certain of our products and services might reveal defects that could subsequently prompt loss of PCI DSS certification. In the event of a withdrawal of PCI DSS certification, we may experience reputational damage, loss of customers and consequent loss of revenues and earnings. In addition, we are subject to card scheme requirements. The card schemes can change (and have in the past changed) their rules, including changes to technology system requirements, with little notice to their members, frequently in response to (or in anticipation of) regulatory changes. Compliance with such requirements could entail significant costs and any failure to comply with these standards could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to scrutiny under antitrust and competition laws.

We are exposed to competition law risks in connection with the markets in which we operate. In particular, contractual conditions and price arrangements in agreements that we use in our operations may be subject to restrictions under such competition laws. Competition authorities have the power to initiate procedures pursuant to regulations and can enjoin a party from applying contractual terms and prices that are found to be anti-competitive. Sanctions include fines and other sanctions. Any action by competition law authorities may be accompanied or followed by lawsuits brought by civil plaintiffs and we may be exposed to significant civil damages as a consequence. Potential fines and damages claims could have a material adverse effect on our business, results of operations and financial condition. Significant market power may result in regulatory restrictions on our ability to act freely in these markets, price our products and services, maintain existing operations and grow through acquisitions, which could have a material adverse effect on our business, financial condition and results of operations.

Our risk detection, mitigation and management policies and procedures may not be fully effective in mitigating our risk exposure and our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase.

Our business, particularly our physical and digital infrastructure, is vulnerable to natural and man-made incidents and disasters, including floods and fires, power loss, telecommunications failures, data security breach and computer and network malfunction, sabotage, criminal activity, fraud, theft and employee error, as well as other accidents and emergencies which we may not foresee. Our redundancy and backup plans for our key infrastructure may not function as planned in the event of an emergency. See "*—Our business is reliant on electronic systems and our products and services may not function as intended due to errors in our software, hardware and processing systems or due to security breaches (including hacker intrusions, malicious viruses and other cybercrime attacks) or human error and any disruption of our information and communication technology systems, whether widespread or localized, may adversely affect our business and expose us to significant liability*." Our risk detection, mitigation and management policies and procedures may not be effective in identifying, monitoring and managing the risks we face. Some of our risk evaluation methods depend on information provided by third parties and on public information regarding markets, customers or other matters, which we do not independently verify. Such information may not be accurate, complete or up-to-date. If such policies and procedures are not fully effective or if we are not always successful in capturing all risks to which we are or may be exposed, we may suffer harm to our reputation or be subject to litigation, regulatory actions and civil and/or criminal penalties, any of which could have a material adverse effect on our business, results of operations and financial condition and, in addition, or insurance coverage may not be sufficient to cover any, a portion or all of the costs associated with the risks we may face.

We are subject to litigation, claims, disputes, regulatory proceedings and investigations from time to time and we may in future be subject to unfavorable outcomes with respect to these matters which could result in substantial damages including but not limited to financial, administrative and criminal sanctions.

From time to time, we are involved in various litigation matters, claims, disputes, regulatory proceedings and investigations, prosecutions or similar matters arising from the conduct of our business and, in some cases, the actions of third parties. For example, we are subject to pending litigation relating the use of our bill app, whereby the plaintiff is seeking to enjoin us from using the app as part of our product offering. An adverse outcome in this proceeding could result in the removal of the bill app from the market, as well as cause us to incur costs relating to the creation of a suitable alternative, which may have a material adverse effect on our business and results of operations. For further information, see "*Business—Legal Proceedings*." There is no guarantee that we will be successful in defending ourselves in our current known or future unknown litigation or similar matters under various laws. A negative outcome in one or more of these proceedings could require us to pay substantial monetary damages or penalties and could have a material adverse effect on our business, results of operations and financial condition.

Our insurance or indemnities or amounts we have included as provisions may not cover claims asserted against us. See "*—Our risk detection, mitigation and management policies and procedures may not be fully effective in mitigating our risk exposure and our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase.*" Furthermore, there is no guarantee that we will be successful in defending ourselves in pending or future litigation or similar matters. Any of these matters could have a material adverse effect on our business, results of operations and financial condition and, regardless of merit or eventual outcome, such matters may materially damage our reputation.

Third parties could infringe on our intellectual property rights and we may likewise be subject to claims that we have infringed on the intellectual property rights of third parties.

We regard our copyright, trademarks, domain names, trade secrets, customer databases and similar intellectual property as critical to our success. We rely on a combination of copyright and trademark laws, trade secret protection, confidentiality and non-disclosure agreements and other contractual provisions and legal arrangements in order to protect our intellectual property. These efforts may not be adequate and third parties may infringe upon or misappropriate our proprietary rights. For example, consultants, vendors, former employees and current employees may breach their obligations regarding non-disclosure and restrictions on use. We may not succeed in detecting such infringement or misappropriation, in good time or at all, and we may not be successful in defending out intellectual property where we contest its use by a third party. Intellectual property laws in Italy and other jurisdictions where we may either be forced to bring suit or where claims may be filed against us may afford limited protection, may not prevent our competitors from using our intellectual property, duplicating our brands or products or gaining access to our proprietary information and technology. Any third party could seek to challenge, invalidate, circumvent or render unenforceable any of our intellectual property rights. Such claims, whether or not meritorious or successful, could require us to spend significant sums in litigation, damages, re-branding or re-engineering services and acquiring licenses for third-party intellectual property and could require significant management attention. Additionally, third parties may bring claims against us alleging that we have infringed on their intellectual property rights, which may result in sanctions or restrictions on our products. Similarly, we depend on our ability to license intellectual property from third parties, who may become unwilling to license intellectual property that is necessary to our business on terms that are acceptable to us. As a result, we may find that we are unable to continue to offer the products and services upon which our business depends. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

We are subject to tax investigations and proceedings from time to time that may expose us to liability and changes to taxation or the interpretation or application of tax laws could have a material adverse effect on our results of operations and financial condition.

We are subject to Italian tax law. Any such future increases in the levels of taxation, or the implementation of any new taxes to which our operations will be subject, could have a material adverse effect on our business, results of operations and financial condition.

In addition, Italian tax law and administration is complex and often requires us to make subjective determinations about whether, and calculations about to what extent, we owe amounts to the relevant tax authorities. We often rely on generally available interpretations of applicable tax laws and regulations. There cannot be certainty that the relevant tax authorities are in agreement with our interpretation of these laws. We are from time to time subject to tax audits and investigations by the tax authorities, which include investigations with respect to the direct tax and indirect tax regime applicable to our transactions.

If our tax positions are challenged by relevant tax authorities, the imposition of additional taxes, penalties and accrued interest, could require us to pay amounts that we currently do not collect or pay or increase the costs of our services to track and collect such amounts, which could increase our costs of operations or our effective tax rate and have a negative effect on our business, results of operations and financial condition. For example, following the contribution of the Sisal Payments Business, in the absence of any change in respect of the method applied by Sisal S.p.A. for the calculation of the pro-rata VAT deduction based on turnover derived from the distribution of prepaid cards related to telecommunication and TV services, the Italian Tax Authorities ("**ITA**") may challenge such calculation (as made in the past against the transferor). See "*—Risks Related to the Transactions—Upon the contribution of the Sisal Payments Business and the Banca 5 Payments Business to the NewCos subject to certain conditions and limitations, the NewCos will be jointly liable along with the Sisal Entities and Banca 5 for certain taxes and penalties accruing in this and prior years*."

It may be necessary to defend our tax filings in court if a reasonable settlement cannot be reached with the relevant tax authorities and such ensuing litigation could be costly and distract management from the other affairs of our business. Tax audits and investigations by the competent tax authorities may generate negative publicity that could harm our reputation with customers, suppliers and counterparties.

Furthermore, because we have opted to adopt a VAT group regime as from 2019 together with TelCo, Sisal Group and its subsidiaries (with PayCo being expected to opt in as from 2020), pursuant to applicable tax rules regarding VAT groups, we will be jointly liable with Sisal Group for any VAT liability related to the VAT group.

The occurrence of any of the foregoing tax risks or liabilities could have a material adverse effect on our business, results of operations and financial condition.

Our use of open source software may generate particular risks relating to our IT systems.

We use open source software in our IT systems and intend to continue doing so in the future. The licenses applicable to our use of open source software may require that the source code that is developed using open source software be made available to the public and that any modifications or derivative works to certain open source software continue to be licensed under open source licenses. From time to time, we may face claims from third parties claiming infringement of their intellectual property rights or seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to purchase a costly license, publicly release the affected portions of our source code, be limited in or cease using the implicated software unless and until we can re-engineer such software to avoid infringement or change the use of, or remove, the implicated open source software. The use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties, indemnities or other contractual protections with respect to the software (for example, non-infringement or functionality). Our use of open source software may also present additional security risks because the source code for open source software is publicly available, which may make it easier for hackers and other third parties to determine how to breach our website and systems that rely on open source software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a material adverse effect on our business, results of operations and financial condition.

Our business depends on certain key persons and the loss of such persons or difficulties attracting and retaining qualified personnel may affect our business and ability to implement our strategy.

Our success depends in large part upon the continued contribution of our board of directors, key senior management and technical, financial and operations personnel. Management of our growth will require, among other things, stringent control of financial systems and operations, the continued development of our management control, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, sufficient internal succession planning for key roles and the presence of adequate supervision. The personal connections and relationships of our board of directors and key management are also important to the conduct of our business. If we were to lose one or more members of our key management or fail to maintain one or more of the strategic relationships of our key management team, our business and results of operations could be materially adversely affected. In particular, the success of our business depends on our ability to successfully adapt to rapidly changing technological, social, economic and regulatory developments. This necessitates a range of specialist personnel, particularly in the areas of engineering, IT, technical support, finance and controls, sales, administration and operations and requires us to retain, recruit and develop the necessary personnel who can provide the needed expertise across the entire spectrum of our business and operations. The market for qualified personnel is competitive and we may not succeed in retaining our key personnel, recruiting additional personnel, or we may fail to replace departing personnel with suitable successors. There may be a limited number of persons with the requisite skills to fill vacant positions in our business and we cannot assure you that we will be able to identify or employ qualified internal or external candidates within a reasonable timeframe. Our efforts to retain and develop personnel may also result in additional expenses, which could materially adversely affect our profitability. Such failures could have a material adverse effect on our business, results of operations and financial condition.

We have recorded a significant amount of goodwill and we may not realize the full value thereof.

We record a significant amount of goodwill on our balance sheet. Total *pro forma* goodwill, which represents the excess of the *pro forma* cost of acquisitions over our interest in the *pro forma* net fair value of the assets acquired and liabilities and contingent liabilities assumed, was €545.6 million as of September 30, 2019, or 64.8% of our *pro forma* total assets. Goodwill is recorded on the date of acquisition and, in accordance with IFRS, is tested for impairment annually and whenever there is any indication of impairment. Impairment may result from, among other things, deterioration in our performance, a decline in expected future cash flows, adverse market conditions, adverse changes in applicable laws and regulations and a variety of other factors. The amount of any impairment must be expensed immediately as a charge to our income statement. We recorded *pro forma* goodwill impairment charges in an amount of nil for the nine months ended September 30, 2019. Any future impairment of goodwill may result in material reductions of our income and equity under IFRS.

We may make acquisitions, strategic investments or enter into joint ventures or other commercial partnerships from time to time that may prove unsuccessful or strain our resources.

As part of our growth strategy, we may evaluate opportunities for acquiring complementary businesses or entering into commercial partnerships to supplement our organic growth. However, there can be no assurance that we will be able to identify and purchase suitable businesses or assets or partner with suitable co-ventures in the future, or that such acquisitions or partnerships will be successful. Any acquisition, commercial partnership or other strategic transaction we may undertake in the future could result in the incurrence of debt and contingent liabilities and an increase in interest expenses and amortization expenses related to goodwill and other intangible assets or in the use by us of available cash on hand to finance any such acquisitions or commercial partnerships. Such transactions may also disrupt our relationships with current and new employees, customers and suppliers. In addition, the success of any acquisition or commercial partnership depends in part on our ability to integrate the acquired company or commercial partnership, which may involve unforeseen difficulties and may require a disproportionate amount of our management's attention and our financial and other resources. Although we typically conduct due diligence investigations prior to each acquisition, commercial partnership or other strategic transaction, there can be no assurance that we will discover all operational deficiencies or material liabilities of an acquired business or commercial partnership for which we may be responsible as a successor owner or operator, and actual developments may differ significantly from our expectations. Moreover, our competitors may also follow similar acquisition or commercial partnership strategies and may have greater financial resources available for investments or may be willing to accept less-favorable terms than we can accept, which may prevent us from acquiring the businesses that we target to the benefit of our competitors. Furthermore, acquisitions of or commercial partnerships involving diversified payments companies may require the approval of governmental or regulatory antitrust or competition authorities (either at the national or EU-level), which can block, impose conditions on, or delay the process which could result in a failure on our part to proceed with announced transactions on a timely basis or at all, thus hampering our opportunities for growth. In addition, our debt may increase if we borrow funds to finance any future acquisition or commercial partnership, which could have a negative impact on our cash flows and our ability to finance our overall operations. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

Our business requires periodic funding to manage working capital needs and we are subject to substantial penalties if we fail to perform under our convenience payment services agreements and are often required to post sizeable performance bonds.

We must have sufficient funding in order to manage our working capital needs. For example, our clearing-related balances comprise the aggregate of receivables from card issuing banks and settlement assets less the aggregate of receivables from merchant creditors, settlement obligations. We experience working capital outflow when, for example, we become liable to merchants for transactions that have been processed but that have not yet settled. Settlement obligations are generally settled after the incoming settlement receivables. Clearing working capital typically has a positive effect; however, there are a few days in the year, for example in December and during the summer peak and Easter periods, where we experience higher transaction volumes due to the increase in consumer shopping volume during peak holiday periods and, accordingly, there can be greater need for funding to manage fluctuations in working capital. We have credit lines available that we believe are sufficient to cover any short-term need for funding our clearing services. Any failure by the SisalPay Group to secure adequate funding on reasonable terms could have a material adverse effect on our business, results of operations and financial condition. Additionally, our payments and services agreements contractually require us to issue performance bonds that guarantee payment of the amounts collected from, for example, utility bill payments and mobile phone top-ups, net of our commission. A claim under these performance bonds could require us to pay liquidated damages in a substantial amount. While we have not been in the past subject to claims under performance bonds, these bonds and penalties present an ongoing potential for substantial cash outflows. If claims are made under our performance bonds, the payment of liquidated damages could individually or in the aggregate have a material adverse effect on our business, results of operations and financial condition. In addition, we may not be able to renew our outstanding performance bonds on commercially favorable terms or at all. As a result, extending the maturity of our existing performance bonds in the future could be significantly more expensive. Furthermore, new regulations may impose stricter requirements on cash management, which may reduce our cash sources or working capital and have a material adverse effect on our business. See "*—We operate in a highly regulated industry and any failure to comply with applicable laws and regulations or to adapt to laws and regulation as and when they change, may have a material adverse effect on our business, results of operation and financial condition—PSD II*."

We and our customers may be subject to sales reporting and record-keeping obligations.

A number of EU countries, including Italy, have implemented or are in the process of implementing reporting or record-keeping obligations on companies that engage in or facilitate e-commerce in order to improve tax compliance. We have modified our software to meet known requirements and expect that further modifications will be required to comply with future requirements, which may change our merchant experience and increase our operational costs. Any failure to comply with these and similar reporting and recordkeeping obligations could result in substantial monetary penalties and other sanctions, impact our ability to do business in certain jurisdictions and materially adversely affect our business, results of operations and financial condition.

Risks Related to Our Financing Arrangements

Our leverage and debt service obligations could materially adversely affect our business.

Upon consummation of the Transactions, we will be highly leveraged and will have significant debt service obligations. As of September 30, 2019, after giving *pro forma* effect to the Transactions, the principal amount of our financial indebtedness would have been €535.8 million (excluding the DPP). As of the same date, after giving *pro forma* effect to the Transactions, we would have had €92.5 million available for borrowing under our Revolving Credit Facility. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*." We anticipate that our high leverage will continue for the foreseeable future and could have material consequences for the holders of the Notes, including:

- making it more difficult for us to satisfy our debt obligations, including under the Notes;
- increasing our vulnerability to a downturn in our business or economic and industry conditions;
- limiting our ability to obtain additional financing to fund future working capital requirements, capital expenditures, business opportunities and other corporate requirements;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- requiring us to dedicate a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, reducing the availability of cash flow to fund our operations and for other corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business, competitive environment and industry;
- delays in product development if we do not have the funds available to complete development projects; and
- restricting us from investing in customer acquisitions, growing our business, pursuing strategic acquisitions and exploiting certain business opportunities.

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 refinancings or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of our debt instruments.

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

Subject to restrictions in the Indenture and restrictions in the Revolving Credit Facility Agreement, we may incur additional indebtedness, which could increase the risks associated with our already substantial indebtedness. We have the ability to borrow up to €92.5 million under our Revolving Credit Facility, which borrowings and indebtedness are secured on a super senior basis and guaranteed by TelCo and PayCo, which do not guarantee the Notes. The terms of the Indenture permit us to incur additional debt. Our subsidiaries may also be able to incur substantial additional indebtedness in the future, further increasing the risks associated with our substantial leverage. If any of the subsidiaries of the Issuer that do not guarantee the Notes incur additional indebtedness, the holders of that debt will be entitled to share ahead of you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of such subsidiaries. As of the Issue Date and the Completion Date the Notes will not be guaranteed. See "*—Risk Factors Relating to the Notes, the Notes Collateral and any Future Notes Guarantees—The Notes will be structurally subordinated to all indebtedness of the Issuer's existing and future subsidiaries that do not guarantee the Notes, including any indebtedness under the Revolving Credit Facility. None of the Issuer's subsidiaries will guarantee the Notes upon Completion of the Gallo Investment.*" and "*Description of Certain Financing Arrangements*." If we incur additional indebtedness, the related risks that we currently face as described above and elsewhere in these "*Risk Factors*" could intensify.

We are subject to restrictive covenants under the Revolving Credit Facility Agreement and the Indenture, which could impair our ability to run our business.

Restrictive covenants under the Revolving Credit Facility Agreement and the Indenture may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control, could result in an event of default that could materially adversely affect our financial condition and results of operations. The Revolving Credit Facility Agreement and the Indenture will contain negative covenants restricting, among other things, our ability to:

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

The restrictions that will be included in the Revolving Credit Facility Agreement and the Indenture could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could materially adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Revolving Credit Facility Agreement or the Indenture.

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

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

Our ability to make interest payments on the Notes and to meet our other debt service obligations, including under the Revolving Credit Facility Agreement and the Indenture, or to refinance our debt, depends on our future operating and financial performance, which in turn depends on our ability to successfully implement our business strategy as well as general economic, financial, competitive, regulatory and other factors that are beyond our control. If we cannot generate sufficient cash to meet our debt service requirements, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing, delay planned capital expenditures or investments or sell material assets. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including the Notes. If we are also unable to satisfy our obligations on other financing arrangements, we could be in default under the Revolving Credit Facility Agreement, the Indenture and other relevant financing agreements which we may enter into in the future. In the event of a default under the Revolving Credit Facility Agreement or certain other defaults under any other agreement, the lenders under the respective facilities or financing instruments could take certain actions, including terminating their commitments and declaring all amounts that we have borrowed under our credit facilities and other indebtedness to be due and payable, together with accrued and unpaid interest. Such a default, or a failure to make interest payments on the Notes, could mean that borrowings under other debt instruments that contain cross-acceleration or cross-default provisions, including the Notes and the Revolving Credit Facility, may as a result also be accelerated and become due and payable. If the debt under the Revolving Credit Facility or the Notes or any other material financing arrangement that we have entered into or will subsequently enter into were to be accelerated, our assets may be insufficient to repay the Notes in full. Any such actions could force us into bankruptcy or liquidation, and we might not be able to repay our obligations under the Notes in such an event. Also, any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. 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 condition and results of operations. See “*Description of Certain Financing Arrangements*” and “*Description of the Notes*.”

Our corporate and financing structure may expose us to potentially adverse tax consequences.

We are subject to taxation in, and to the tax laws and regulations of Italy. We are also subject to intercompany pricing laws, including those relating to the flow of funds among our companies and related parties. Adverse developments in these laws or regulations, or any change in position or interpretation by the relevant Italian authority regarding the application, administration or interpretation of these 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, the tax authorities in Italy may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of our indebtedness, including the Notes, and future intercompany loans and guarantees or the deduction of interest expenses. We could also fail, whether inadvertently or through reasons beyond our control, to comply with tax laws and regulations relating to the tax treatment of our various financing arrangements, which could result in unfavorable tax treatment for such arrangements. If the Italian tax authorities were to successfully challenge the tax treatment or characterization of any of our loans, indebtedness or similar transactions, it could result in the disallowance of deductions, the limitation of our ability to deduct interest expenses, the imposition of withholding taxes, the application of significant penalties and/or accrued interest on loans or internal deemed transfers or other consequences that could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

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 (“**Decree No. 917**”), as recently amended by Legislative Decree No. 142 of 29 November 2018) allows for the full tax deductibility of interest expense incurred by a company in each fiscal year up to the amount of the interest income of the same fiscal year or carried forward from previous fiscal years. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of the EBITDA of the company (*i.e., risultato operativo lordo della gestione caratteristica* or “**ROL**”) to be quantified on the basis of the relevant tax values assumed from the perspective of the Italian corporate income tax (*i.e.* considering the tax adjustments applied for corporate income tax purposes to items included in the ROL computed from an accounting perspective). 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 five fiscal years. 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. In the case of a tax group, interest expense not deducted by an entity in the tax group due to lack of ROL can be deducted at the tax unity level, within the limit of the excess of ROL of the other companies within the tax group.

However, according to Article 96 (12) of Decree No. 917 a special rule applies to "financial intermediaries" (as defined by Article 162-*bis* of Decree No. 917), whose interest expenses are in any case fully deductible. In light of the above, the mentioned ROL rules providing for the 30% threshold in respect of interest expense deductions apply to TelCo, while the special rule provided for financial intermediaries applies to PayCo as it is an Italian IMEL which qualifies as a financial intermediary under Article 162-*bis*(1)(a)(1) of Decree No. 917.

With reference to the Issuer, the special rule provided for financial intermediaries applies to the extent that its shareholdings held in financial intermediaries (PayCo) and other assets connected to such financial intermediaries represent more than 50% of its total assets, with the consequence of full deductibility of interest expenses. Should the Issuer fail to meet this requirement, it would be subject to the above ROL rules.

Any future changes in Italian tax laws or in their interpretation, including any future limitation on the use of the ROL of the subsidiaries of the Issuer included in the tax group, if any, 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 may result in our inability to fully deduct our interest expenses and application of withholding taxes, which may have a material adverse effect on our financial condition. Furthermore, if the Italian tax authorities were to successfully challenge the tax treatment or characterization of any of the Transactions, including the issue of 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 may 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.

We may require additional capital in the future, which may not be available to us on commercially favorable terms or at all.

In the future, we may require additional capital to respond to business opportunities, refinancing needs, regulatory requirements, acquisitions or unforeseen circumstances and may decide to engage in equity or debt financings or enter into credit facilities for other reasons, and we may not be able to secure any such debt or equity financing or refinancing on favorable terms, in a timely manner, or at all. Any debt financing obtained by us in the future could also involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions.

If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing shareholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences, and privileges senior to those of holders. If we unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited which may materially adversely affect our business, results of operations and financial condition.

Risks Related to the Transactions

We may not be able to execute the integration of the two businesses through the NewCos or to successfully develop our business in accordance with our business strategy.

The success of the Gallo Investment will depend, in large part, on the ability of the combined company to realize anticipated benefits from combining the Sisal Payments Business and the Banca 5 Payments Business. Failure to successfully integrate the two businesses and manage the challenges presented by the integration process may prevent us from achieving some or all of our strategic goals and from realizing the anticipated benefits of the Transactions, which may have a material adverse effect on our business, results of operations and financial condition. Potential difficulties that we may encounter in the integration process include, but are not limited to, the following:

- potential disruption of, or the loss of momentum in, the Sisal Payments Business and the Banca 5 Payments Business;
- barriers to using the NewCos' assets efficiently to develop our business and pursue our strategy;
- potential unknown or currently unquantifiable liabilities;
- potential unknown and unforeseen expenses and delays associated with the integration of the two businesses, as well as the possibility that planned integration costs may be materially greater than anticipated;

- performance shortfalls as a result of the diversion of management's attention caused by the integration process;
- complexities associated with managing the combined business, including difficulties meeting customer needs and addressing possible differences in corporate cultures and management philosophies;
- significant increases in our operating expenses; and
- additional business, financial and operating risks we have yet to identify.

There are no assurances that the Gallo Investment will ultimately result in the realization of the anticipated economic benefits and other expected synergies. The anticipated economic benefits and other expected synergies may take longer than excepted to be realized. We may be unable to fully realize the expected benefits of the Gallo Investment on a timely basis, or at all, and we may be required to in the future impair some or all of the goodwill associated with the Transactions, which may have a material adverse effect on our business, results of operations and financial condition.

The Gallo Investment is subject to significant uncertainties and risks

On July 30, 2019, Sisal Group, as majority shareholder and Banca 5, as minority shareholder, entered into the Gallo Investment Agreement with Sisal S.p.A. and Sisal Point S.p.A., in each case as sellers, relating to the creation of the Gallo Investment. The closing of the Gallo Investment is subject to clearance by the Italian antitrust authority (*Autorità Garante della Concorrenza e del Mercato*) and the Bank of Italy. We will not consummate the Gallo Investment until such clearances are received, which may extend past the Escrow Longstop Date. Either of the mentioned authorities may prevent the Gallo Investment from taking place. Alternatively, either of the authorities may permit the Gallo Investment but demand that we implement certain measures or modify certain terms as a condition to the completion of the Gallo Investment, for example by divesting certain assets. Accordingly, we may not be permitted to undertake the Gallo Investment in a timely fashion, without further measures or modification to its terms or at all. Any such measures or modifications, or changes to the timing for completion, may make the Gallo Investment less attractive. Completion of the Gallo Investment promptly following the Release is one of the conditions to the Release. If the Gallo Investment is 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 the terms of the special mandatory redemption provided under the Indenture, 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 Gallo Investment will not be consummated by the Escrow Longstop Date. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

The Issuer does not currently control the NewCos and will not control the NewCos until completion of the Gallo Investment.

The NewCos are currently owned 100% by Sisal Group, and the businesses to be contributed to them are currently owned by Sisal Group and its subsidiaries and by Banca 5. The Issuer will not obtain control of the NewCos or the businesses to be contributed thereto until completion of the Gallo Investment. The Sisal Group or Banca 5 may not operate the businesses to be contributed to the NewCos during the interim period in the same way that we would. Furthermore, the Transactions themselves have required, and will likely continue to require, substantial time and focus from Sisal Group and Banca 5 management, which could materially adversely affect their ability to operate the business. In addition, prior to the Completion Date, neither of the NewCos will be subject to the covenants described in "*Description of the Notes*" to be included in the Indenture. As such, we cannot assure you that, prior to such date, the NewCos will not take an action that would otherwise have been prohibited by the Indenture had such covenants been applicable.

If the Offering closes prior to the consummation of the Gallo Investment, if certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem its Notes, which means that you may not obtain the return you expect on the Notes.

If the Offering closes prior to the consummation of the Gallo Investment, the gross proceeds from the Offering will be held in the Escrow Account pending the satisfaction of certain conditions, some of which are outside of our control. If the Gallo Investment does 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 the Notes—Escrow of Proceeds; Special Mandatory Redemption*" and you may not obtain the return you expect to receive on the Notes. The escrow funds will be initially limited to the gross proceeds from the Offering and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to, but excluding, the date of special mandatory redemption.

Under the Contribution Agreement to be entered into on or about the Issue Date, Sisal Group S.p.A. will agree with the Issuer to contribute to each escrow account an amount necessary to, among other things, fund the accrued and unpaid interest accrued on the Notes and additional amounts, if any, from the Issue Date to, but excluding, the special mandatory redemption date. 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 Acquisition 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 Gallo Investment Agreement may have adverse consequences for holders of the Notes.

The Gallo Investment is expected to be consummated in accordance with the terms of the Gallo Investment Agreement. However, the Gallo 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 Gallo Investment Agreement may make the Gallo Investment less attractive. Any amendment made to the Gallo Investment Agreement may be materially adverse to holders of the Notes, which, in turn, may have a material adverse effect on the return they expect to receive on the Notes.

Upon the Demerger of Sisal Group and the subsequent Merger of SG2 with the Issuer, the Issuer will be jointly liable with Sisal Group for the tax liabilities of the latter.

Pursuant to Articles 2506-*bis*(3) and 2506-*quater*(3) of the Italian Civil Code the beneficiary entity of a demerger is jointly liable with the demerged company for all liabilities (including tax liabilities) incurred before the demerger, limited to the fair value of the net equity received upon the demerger. With specific reference to tax liabilities, however, the Italian Constitutional Court ruled in decision No. 90 of April, 26 2018 that pursuant to the special tax rules provided for in Article 173(12) and (13) of Presidential Decree No. 917/1986 and Article 15(2) of Legislative Decree No. 472/1997, the beneficiary is jointly liable for the full amount of the tax liabilities related to taxes and penalties, even if it exceeds the fair value of the net equity transferred to the beneficiary. Should the entity resulting from the Merger between SG2 and the Issuer be held responsible for the liabilities incurred by Sisal Group before the Demerger, we may have difficulty making required payments on the Notes. We may be held responsible for tax liabilities concerning the following tax litigation involving Sisal Group:

- Between 2011 and 2018, the ITA served Sisal Entertainment and Sisal Group, as jointly liable, with several assessment notices relating to the 2006 to 2013 financial years. The ITA challenged the depreciation rate used by Sisal Entertainment for accounting and tax purposes, in relation to certain tangible assets, alleging that the correct tax depreciation rate should have been 15% instead of 20% (the "**Tax Depreciation Claim**"). Sisal Entertainment has made provisions of €0.5 million for these potential tax liabilities. Sisal Entertainment and Sisal Group settled the claims in question by paying the assessed taxes (plus accrued interest) and reduced penalties for the 2012 and 2013 financial years.

  Sisal Entertainment continues to apply the same tax depreciation rate to the tangible assets mentioned, therefore it is reasonable to anticipate that the ITA may issue similar assessment notices in respect of the 2014 to 2019 financial years, asking for the payment of certain amounts by way of IRES, accrued interest and penalties.

Upon the contribution of the Sisal Payments Business and the Banca 5 Payments Business to the NewCos subject to certain conditions and limitations, the NewCos will be jointly liable along with the Sisal Entities and Banca 5 for certain taxes and penalties accruing in this and prior years.

With reference to the contribution of the Sisal Payments Business and Banca 5 Payments Business to the NewCos, pursuant to Article 14 of Legislative Decree No. 472/1997, in the case of transfer of a business unit, the transferee is jointly and severally liable with the transferor, (i.e., after the tax collection has been priory performed over the transferor), for any taxes and penalties connected to violations related: (i) to the year in which the asset deal occurs and the previous two years; and (ii) to any preceding tax years that have been already assessed in the same timeframe; within the following limitations:

- within the value of the business unit transferred; and

- within the limits of the liabilities resulting from a tax certificate issued by the ITA upon request attesting (i) the tax violations challenged at the date of the transaction and (ii) the tax liabilities that have not been honored by the transferor in relation to assessments already settled at the same date (the "**Tax Certificate**").

It is also provided, however, that the responsibility of the transferee is not subject to the above limitations if the assignment is implemented in fraud of tax credits. Therefore, should either or both of the NewCos be held responsible for the liabilities incurred by the Sisal Entities and Banca 5 before the respective contribution, their ability to pay dividends or make other payments to us mat be affected and, consequently, we may have difficulty making required payments on the Notes.

Set out below are the tax liabilities related to the entities that have contributed business units to the NewCos resulting from the relevant Tax Certificates:

- Tax liabilities concerning Sisal S.p.A. refer to the tax litigation started on September 2015, when the ITA served Sisal S.p.A. with a tax audit report challenging the calculation of the pro-rata VAT deduction based on a turnover derived from the distribution of prepaid cards, related to telecommunication and TV services. Sisal S.p.A. argued that the deduction should be computed based on the face value of prepaid cards unless the agreements involve an effective "buy-sell" of prepaid cards, with an assumption of the pertaining risks. The ITA argued that the pro-rata deduction had to be computed considering only the margin in respect of agency agreements, including certain contractual agreements that are substantially structured as agency agreements.

  The ITA, in line with the above findings, issued the following assessment notices:

  - For the financial year ended December 31, 2010, a claim for non-deductible VAT equal to approximately €1.8 million (plus accrued interest);
  - For the financial year ended December 31, 2011, a claim for non-deductible VAT equal to approximately €1.2 million (plus accrued interest);
  - For the financial year ended December 31, 2012, a claim for non-deductible VAT equal to approximately €0.9 million (plus accrued interest); and
  - For the financial year ended December 31, 2013, a claim for non-deductible VAT equal to approximately €0.7 million (plus accrued interest).

  Penalties related to the 2010 to 2013 financial years have been quantified by the ITA to amount to approximately €3.9 million.

  Sisal S.p.A. has appealed these assessment notices before the Provincial Tax Court of Milan and has made provisional payments for a total amount of approximately €1.1 million and provisions in its financial statements for a total amount of approximately €2.6 million. A hearing was held on September 9, 2019 and a judgment has not yet been filed. In this respect, the Tax Certificate issued by the ITA in November 2019, with reference to Sisal, refers only to the assessment notices related to financial year ended December 30, 2012 and 2013. Therefore, the NewCos will be considered jointly and severally liable only with reference to the aforementioned tax liabilities arising from such assessment notices.

  Sisal S.p.A. has continued to apply the same approach to the calculation of VAT in the following years and therefore it is reasonable to anticipate that the ITA may issue similar assessment notices in respect of the 2014 to 2019 financial years, with the consequence that the NewCos may be held responsible for such tax liabilities to the extent they would result from the Tax Certificate that would be issued after the Completion Date.

  If TelCo's approach to the calculation of VAT remains the same going forward, it is reasonable to anticipate further ITA challenges.

- The joint tax liabilities inherited by the NewCos as a consequence of the contribution of business units by Sisal Group are those related to the Tax Depreciation Claim referred to under "*—Upon the Demerger of Sisal Group and the subsequent Merger of SG2 with the Issuer, the Issuer will be jointly liable with Sisal Group for the tax liabilities of the latter*" to the extent they would result from the Tax Certificate that would be issued after the Completion Date. The joint and several liability deriving from the transfer of the business units provides an alternative means by which the Issuer could be held responsible for these tax liabilities in addition to the possibility that liabilities will be inherited as a consequence of the Demerger. See "*—Upon the Demerger of Sisal Group and the subsequent Merger of SG2 with the Issuer, the Issuer will be jointly liable with Sisal Group for the tax liabilities of the latter.*"

The interests of our principal shareholders may conflict with the interests of the holders of the Notes.

After the Completion Date, Sisal Group, indirectly owned by CVC Fund VI, and Banca 5, directly controlled by Intesa Sanpaolo, will respectively own 70% and 30% of the share capital of the Issuer. See "*Principal Shareholders.*" As a result, CVC Fund VI and Intesa Sanpaolo will have, directly or indirectly, the power to affect, among other things, our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve other changes to our operations. In addition, for compliance with certain restrictive covenants, we will depend upon the cooperation of our principal shareholders who have the power to effect compliance with such covenants. For example, CVC Fund VI or Intesa Sanpaolo, through Sisal Group (or another holding company) and Banca 5, respectively, could vote to cause the SisalPay Group to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Indenture and the Revolving Credit Facility so permit. In certain circumstances, the interests of our ultimate shareholders could conflict with your interests, particularly if we encounter financial difficulties or are unable to pay our debts when due. The incurrence of additional indebtedness would increase the SisalPay Group's debt service obligations and the sale of certain assets could reduce the SisalPay Group's ability to generate revenue, each of which could adversely affect holders of the Notes.

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

Intesa Sanpaolo is in the business of deposit-taking and the carrying-on of all forms of lending activities as well as providing a comprehensive range of banking and financial products and services to both households and businesses, including through its subsidiaries, even though such transactions might involve risks to you as holders of the Notes to may carry on other business that compete, directly or indirectly, with us.

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

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

Upon completion of the Gallo Investment, 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 NewCos. As a result, the Issuer will be dependent upon the cash flow from its subsidiaries in the form of dividends, intercompany loans or otherwise to make payments on the Notes. The Issuer's operating subsidiaries may not generate cash flow sufficient to enable the Issuer to meet its payment obligations under the Notes. In addition, the Issuer's subsidiaries may be restricted from providing funds to the Issuer under some circumstances. These circumstances could include, among others, restrictions under Italian corporate law which require a company to retain at least 5% of its annual unconsolidated net income until such reserve reaches at least 20% of the value of the company's share capital, and future contractual restrictions, including restrictions in credit facilities and other indebtedness, that may affect the ability of the Issuer's subsidiaries to pay dividends or make other payments to the Issuer. In addition, applicable tax laws may also subject such payments to taxation.

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

The Notes will be structurally subordinated to all indebtedness of the Issuer's existing and future subsidiaries that do not guarantee the Notes, including any indebtedness under the Revolving Credit Facility. None of the Issuer's subsidiaries will guarantee the Notes upon Completion of the Gallo Investment.

On the Issue Date and upon the Completion of the Gallo Investment, the Notes will not be guaranteed. The Issuer's subsidiaries will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or otherwise. As such, the claims of creditors of our subsidiaries, including trade creditors and claims of preference shareholders (if any), will have priority with respect to the assets and earnings of the subsidiary over the claims of the creditors of the Issuer, including claims by the holders of the Notes. After giving *pro forma* effect to the Transactions, the subsidiaries of the Issuer that will not guarantee the Notes would have had €5.8 million of financial indebtedness outstanding as of September 30, 2019. After giving *pro forma* effect to the Transactions, the Issuer's subsidiaries represented 100% of our aggregated total revenues and income, EBITDA and total assets, respectively, as of and for the twelve months ended September 30, 2019.

No later than the date which is 90 days after the Completion Date, certain of the Issuer's operating subsidiaries that satisfy the relevant requirements under the Revolving Credit Facility will provide guarantees under the Revolving Credit Facility, and the Notes will be structurally subordinated to these guarantees. The Notes will not benefit from such guarantees. Additionally, subject to restrictions in the Indenture and the Revolving Credit Facility, we may incur additional indebtedness, including at the level of our subsidiaries. See "*—Risks Related to our Financing Arrangements—We may incur additional indebtedness, including at the level of our subsidiaries, which could increase our risk exposure from debt and could decrease your share in any proceeds.*"

The Issuer is incorporated in Italy, and Italian insolvency laws may not be as favorable to holders of the Notes as insolvency laws in other jurisdictions with which they may be familiar.

The Issuer is organized and is likely to have its center of main interests under the laws of Italy. The insolvency laws of Italy may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you may be familiar, including in respect of creditors' reorganization, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes to the extent exceeding the limitations arising under other insolvency laws. In the event that the Issuer or any future subsidiary of the Issuer experiences financial difficulty, it is not possible to predict with certainty the outcome of such proceedings. In particular, the insolvency and other laws of Italy may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding. The application of these laws could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights against the Notes Collateral in Italy and limit any amounts that you may receive. For an overview of certain insolvency laws and enforceability issues as they relate to the Issuer, see "*Limitations on Validity and Enforceability of any Future Notes Guarantees and the Notes Collateral and Certain Insolvency Law Considerations.*"

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

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

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

On or following the Completion Date within the time periods specified herein, subject to certain agreed security principles, the Notes will be secured on a first-ranking basis by the Notes Collateral. The Notes Collateral comprises, (i) all of the issued capital stock of the Issuer, (ii) material structural intercompany receivables of the Issuer (if any) and (iii) within 20 business days following the Completion Date, all the issued Capital Stock of each of the NewCos. The Notes Collateral will also secure on a first-ranking basis our obligations under the Revolving Credit Facility and certain hedging agreements. The Notes Collateral may also secure additional debt to the extent permitted by the terms of the Indenture, the Revolving Credit Facility and the Intercreditor Agreement. The rights of holders of the Notes to the Notes Collateral may be diluted by any increase in the first-priority debt secured by the Notes Collateral.

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

It may be difficult to realize the value of the Notes Collateral, and an enforcement action may result in the termination of licenses.

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

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

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

Furthermore, due consideration should be given by investors to the circumstance that enforcement procedures and timing for obtaining judicial decisions in Italy may be materially more complex and time-consuming than in equivalent situations in jurisdictions with which investors may be familiar. Moreover, the fact that the pledge on the Issuer's shares is provided by two separate shareholders might complicate the enforcement process and the recovery might occur, if at all, over a prolonged period of time.

In addition, our business requires a variety of licenses. The continued operation of the SisalPay Group depends on the maintenance of such licenses. Under some of our licenses, public authorities impose restrictions on the transfers of the ownership of the license holder, including a change of control clause, which prohibits the transfer of the ownership of the license holder without the prior approval of the authority. In the event of an enforcement action under the terms of the Notes which resulted in the transfer of ownership of the Issuer or its subsidiaries, or a change in the shareholding of the SisalPay Group for other reasons, the authorities may attempt to cancel our licenses. In addition, the uncertainty concerning the transferability of such licenses themselves could significantly reduce the value placed on the licenses by third parties and ultimately reduce the amount recovered in the event of an enforcement action. The applicable governmental authorities may not consent to the transfer of any of such licenses. If the regulatory approvals required for such transfers are not obtained, are delayed or are economically prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the Notes Collateral may be significantly decreased.

The Notes Collateral and any future guarantees of the Notes 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 Italian corporate benefit and financial assistance regulatory regime makes it unlikely that the subsidiaries of the Issuer will guarantee the Notes. However, if such guarantees were to be granted, the obligations of any future guarantor of the Notes (a "**Guarantor**"), 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 Notes Collateral will be limited to the maximum amount that can be guaranteed by such Guarantor or provided by the relevant grantor of security under the applicable laws of Italy, including a limitation to the extent that the granting of such pledge of security is not in the relevant Guarantor's or pledgor's corporate interests, or otherwise would result in violations of laws related to corporate benefit, capitalization, capital preservation, financial assistance or transactions under value. See "*Limitations on Validity and Enforceability of any Future Notes Guarantees and the Notes Collateral and Certain Insolvency Law Considerations.*" Accordingly, enforcement of any such Notes Guarantee or Notes Collateral against the relevant Guarantor or pledgor would be subject to certain defenses available to Guarantors or pledgors generally or, in some cases, to limitations contained in the terms of the Notes Guarantees or pledge 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. Following the Completion Date, the Notes and the Revolving Credit Facility will share the same security. However, the Revolving Credit Facility will benefit from guarantees provided by the Issuer's operating subsidiaries that the Notes will not benefit from. See "*—Risks Related to the Notes, the Notes Collateral and any Future Notes Guarantees—The Notes will be structurally subordinated to all indebtedness of the Issuer's existing and future subsidiaries that do not guarantee the Notes.*" Further, the lenders under the Revolving Credit Facility may be granted the benefit of additional security or guarantees which are not otherwise permitted to be granted in favor of holders of the Notes due to the application of Italian financial assistance and corporate benefit rules. Accordingly, in such circumstances you 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. It is possible that a Guarantor or pledgor of security, or a Guarantor or a creditor of 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 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 Notes 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 "*Limitations on Validity and Enforceability of any Future Notes Guarantees and the Notes Collateral and Certain Insolvency Law Considerations.*"

The security interests in the Notes 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 certain of the Notes Collateral may be restricted by Italian law.

The security interests in the Notes 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 Notes Collateral are taken, including the Republic of Italy. 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). In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of security interests and the enforceability of such security interests, the Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the Security Agent ("**Parallel Debt**") mirroring the obligations of the Issuer owed to holders of the Notes under or in connection with the Indenture, as applicable ("**Principal Obligations**"), but in jurisdictions such as Italy, these Parallel Debt provisions would not be applicable as Italian law does not provide for such a construct. All or part of the pledges and other security interests in jurisdictions utilizing the Parallel Debt construct will be granted to the Security Agent as security interests for the Parallel Debt and will not directly secure the Principal Obligations. Under the provisions of the Intercreditor Agreement, the Parallel Debt will be at all times in the same amount and payable at the same time as the Principal Obligations and any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. In respect of the security interests granted to secure the Parallel Debt, the holders of the Notes will not have direct security interests and will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent. Therefore, the holders of the Notes will bear the risk of insolvency or bankruptcy of the Security Agent. In addition, the Parallel Debt construct in financing transactions, including credit facilities and bond issuances, has not been tested under law in certain of these jurisdictions, including under Italian law, and to the extent that the security interests in the Notes Collateral created 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 Notes Collateral. See "*Limitations on Validity and Enforceability of any Future Notes Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*."

Moreover, in Italy the Notes 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 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 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 interests and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf of the holders of the Notes which are neither directly parties to the Notes 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 Notes Collateral governed by Italian law which is granted after the Offering, including the Notes Collateral that is granted on or after the Completion Date.

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

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

The Intercreditor Agreement will provide that a common Security Agent, who will also serve as the security agent for the lenders under Revolving Credit Facility Agreement, the hedging obligations which are permitted by the Indenture to be secured on the Notes Collateral, and any additional debt secured by the Notes Collateral permitted to be incurred by the Indenture, will act only as provided for in the Intercreditor Agreement. The Intercreditor Agreement will regulate 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 by an Instructing Group (as defined below under "*Description of Certain Financing Arrangements—Intercreditor Agreement*") that comprises (i) creditors holding more than 66 2/3% of the indebtedness and commitments under the Revolving Credit Facility, any other Credit Facility and certain priority hedging obligations (the "**Super Majority Super Senior Creditors**") and (ii) creditors holding more than 50% of the indebtedness under the Notes and indebtedness ranking pari passu with the Notes with respect to the proceeds of enforcement of security (the "**Majority Senior Secured Creditors**") (in each case acting through their respective creditor representative). If, however, before the discharge of all obligations to the lenders under the Revolving Credit Facility and any other Credit Facility and so long as no insolvency event has occurred, the Security Agent has received conflicting enforcement instructions from the creditor representatives (and for these purposes, the failure to give instructions is deemed to be a conflicting instruction) then, to the extent the instructions from the Majority Senior Secured Creditors (to the extent given) comply with the initial consultation requirements and the security enforcement principles (one of which states that the primary and overriding objective of an enforcement of security over the Notes Collateral is the maximization, so far as is consistent with prompt and expeditious realization of value, of recoveries by the Super Senior Creditors (as defined below under "*Description of Certain Financing Arrangements—Intercreditor Agreement*"), the holders of the Notes and certain creditors ranking pari passu with the holders of the Notes with respect to the proceeds of enforcement of security) each as set forth in the Intercreditor Agreement, the Security Agent will comply with the instructions from the Majority Senior Secured Creditors, provided that if the super senior liabilities have not been fully discharged within six months, or no enforcement action has been taken by the Security Agent within three months, of the date on which the initial consultation period expires (or where no consultation is required, of the Majority Senior Secured Creditors providing a specified notice), or at any time after the occurrence of an insolvency event with respect to certain members of the SisalPay Group, then the instructions of the Super Majority Super Senior Creditors will prevail. To the extent the SisalPay Group incurs additional indebtedness that is secured on a pari passu basis with the Notes with respect to the proceeds of enforcement of security, your voting interest in an instructing group will be diluted commensurately with the amount of indebtedness the SisalPay Group incurs.

The lenders under the Revolving Credit Facility Agreement, any Credit Facility and creditors in respect of certain hedging obligations 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 Notes Collateral comprising the shares of the Issuer or any of its holding companies or subsidiaries as a result of an enforcement action or other distressed disposal in accordance with the Intercreditor Agreement, claims under the Notes against, and the liens over any other assets of, such entities and any subsidiaries of such entity securing the Notes may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens.*"

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

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

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

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

- subject to the immediately following sub-paragraph below, in connection with any sale or other disposition of property or assets constituting Notes Collateral, if the sale or other disposition does not violate the covenant described under "*Description of the Notes—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant or other applicable provisions under the Indenture and is to a person that is not a Parent (as defined under "*Description of the Notes—Definitions*"), the Issuer or a Restricted Subsidiary (as defined under "*Description of the Notes—Definitions*");
- any release of a security Interest in respect of the capital stock of the Issuer pursuant to the preceding bullet will only be permitted if such capital stock is subject to a Lien of at least equivalent ranking (in the good faith judgment of the Issuer) in favor of the note holders as soon as reasonably practicable after such release;

- in the case of a future guarantor that is released from its notes guarantee pursuant to the terms of the Indenture, the release of the property and assets, and capital stock, of such future guarantor as described under "*Description of the Notes—Amendments and Waivers*";
- if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary (as defined under "*Description of the Notes—Definitions*") in accordance with the applicable provisions of the Indenture, only with respect to the property and assets, and capital stock, of such Unrestricted Subsidiary;
- in respect of a Restricted Subsidiary that is not a Significant Subsidiary (as defined under "*Description of the Notes—Definitions*"), following the release of any liens granted in favor of the Revolving Credit Facility, so long as no Event of Default (as defined under "*Description of the Notes—Definitions*") has occurred and is continuing, only in respect of the property, assets and Capital Stock of such Restricted Subsidiary; *provided* that there is no other Indebtedness secured by a Lien on the assets of such Restricted Subsidiary that would result in the requirement under the Indenture for the Notes to be secured on such property, assets or capital stock pursuant to the covenant described under "*Description of the Notes—Certain Covenants—Liens*" or the covenant described under "*Description of the Notes—Certain Covenants—Additional Notes Guarantees*";
- only with respect to the security interest in respect of all of the shares of the Issuer, to facilitate an initial public offering of the Issuer;
- in connection with a Permitted Reorganization as defined under "*Description of the Notes—Definitions*";
- upon payment in full of principal, interest and all other obligations of the Notes or defeasance or discharge of the Notes, as provided under "*Description of the Notes—Defeasance*" and "*Description of the Notes—Satisfaction and Discharge*"; and
- in accordance with the Intercreditor Agreement or as otherwise permitted in accordance with the Indenture.

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

- for consideration of which all or substantially all of which is in the form of cash; and
- pursuant to a public auction, or if a fairness opinion has been obtained from an internationally recognized investment bank or international accounting firm or other reputable third party professional firm.

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

See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes.*"

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

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

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

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

The granting of new security interests in connection with the issuance of the Notes may create hardening periods for such security interests in Italy and the relevant regime for hardening periods may be less favorable if the secured debt (or part thereof) is pre-existing to the granting of the security interest, which is the case for Notes Collateral granted on or after the Completion Date. In addition, the granting of shared security interests to secure future permitted debt may restart or reopen such hardening periods. The applicable hardening period for these new security interests will run from the moment each new security interest has been granted, perfected or recreated. In each instance, if the security interest granted, perfected or recreated were to be enforced before the end of the relevant hardening period applicable in Italy, such security interest may be declared void and/or it may not be possible to enforce it. In addition, the granting of a shared security interest to secure future indebtedness or the transfer or the assignment of the security interest may restart or reopen hardening periods. The applicable hardening period for each new security may run from the moment such new security is amended, transferred, assigned, granted or perfected. At each time, if the security interest granted were to be enforced before the end of the respective applicable hardening period, it may be declared void or ineffective and/or it may not be possible to enforce it. See "*Limitations on Validity and Enforceability of any Future Notes Guarantees and the Notes Collateral and Certain Insolvency Law Considerations.*"

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

You may face interest rate risks by investing in the Notes, as certain of our borrowings bear, and the Notes will bear, interest at floating rates that could be impacted by applicable regulation and that could rise significantly, increasing our interest cost and reducing cash flow.

A substantial part of our indebtedness, including borrowings under the Revolving Credit Facility and the Notes, bears or will bear interest at per annum rates equal to EURIBOR (subject to a 0.0% floor), in each case adjusted periodically, plus a spread. These interest rates could rise significantly in the future, thereby increasing our interest expenses associated with these obligations, reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes. Although we currently intend to hedge the interest rate with respect to the Notes, we may not be able to obtain such hedges, or replace such hedges, on terms that are acceptable to us, and any such hedge may not be fully effective, which would expose us to interest rate risk.

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 and a subsequent speech by the Director of Markets and Wholesale Policy at the FCA on January 28, 2019 indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed, and market participants should not rely on its publication, 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. 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 SisalPay Group's ability to service debt that bears interest at floating rates of interest. The Indenture will provide a mechanism whereby, if the Issuer determines that EURIBOR is no longer being calculated or administered, among other circumstances, the Issuer could cause an independent financial advisor to determine an appropriate successor rate (or, if not reasonably practicable to appoint such independent financial advisor, the Issuer would determine such successor benchmark rate), and make certain adjustments to such rate, including applying a spread thereon to make such successor rate to reduce or eliminate any economic benefit or prejudice to holders of the Notes as a result of the replacement of EURIBOR, which upon certification by the Issuer to each of the Trustee, the Calculation Agent and the Paying Agent will be used to calculate the interest rate in relation to the Notes without any further action or consent by the noteholders or the Trustee. This means that interest on the Notes would be determined on the basis of a benchmark rate, together with adjustments, that was not contemplated at the time you purchased the Notes issued on the Issue Date. See "*Description of the Notes—Interest.*" In addition, due to the uncertainty concerning the availability of an appropriate successor rate and the involvement of an independent financial advisor, the Indenture's successor rate mechanism may not operate as intended at the relevant time. Any elimination of the EURIBOR benchmark, or changes in the manner of administration of EURIBOR, could require an adjustment to the terms and conditions of our floating rate debt. Any such consequence could have a material adverse effect on the value of and return on any such floating rate debt. If EURIBOR were discontinued or otherwise unavailable, the rate of interest on our floating rate debt will be determined for the relevant period by the fallback provisions applicable to such debt. The application of these fallback provisions could result in the Notes becoming fixed rate instruments.

Future liquidity and cash flow difficulties could prevent us from repaying the Notes when due or repurchasing the Notes when we are required to do so pursuant to certain events constituting a change of control or otherwise, and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.

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

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

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, recapitalization 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. For example, it is possible that a third party could acquire the Permitted Holder (as defined under "*Description of the Notes—Definitions*") that, upon Completion of the Gallo Investment, will hold a minority share of the total voting power of the Voting Stock (as defined under "*Description of the Notes—Definitions*") of the Issuer, which would not constitute a change of control under the Indenture even if that Permitted Holder were to in the future acquire more than 50% of the total voting power of the Voting Stock of the Issuer. Except as described under "*Description of the Notes—Change of Control,*" the Indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes, respectively, in the event of a reorganization, restructuring, recapitalization or similar transaction.

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

The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all holders of the Notes with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes.

The Indenture will contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. As set forth in “*Description of the Notes—Meeting of Noteholders,*” the majority required to pass an extraordinary resolution at any meeting of holders of the Notes will be one or more persons holding or representing at least 75% of the aggregate principal amount of the outstanding Notes. These provisions permit defined majorities (50% or 75%), depending on the nature of the resolution, to bind all holders of the Notes, including holders of the Notes who did not attend and vote at the relevant meeting, and holders of the 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, to change the quorum requirements relating to meetings, to change the majority required to pass a resolution, and/or 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 being that the majority voting threshold may be reduced from 75% to 50%.

Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax for which holders may not receive additional amounts.

The Issuer will not be liable to pay any additional amounts in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as amended or supplemented) (“**Decree No. 239**”) and any related implementing regulations, and pursuant to Italian Legislative Decree No. 461 of November 21, 1997 (as amended or supplemented) (“**Decree No. 461**”) and any related implementing regulations, where the Notes are held by a person resident in a country that is not included on the White List and otherwise in the circumstances as described in “*Description of the Notes—Withholding Taxes.*” Investors resident in such countries or investors that are resident in a country included in the White List but that do not satisfy the conditions set forth by Decree No. 239 will only receive the net proceeds of their investment in the Notes. See “*Certain Tax Considerations—Certain Italian Tax Considerations*” and “*Description of the Notes—Withholding Taxes.*”

No assurance can be given that the procedural requirements provided by Decree No. 239 will be met by the relevant foreign intermediaries.

The exemption from withholding tax in principle granted to holders of the Notes—who are the beneficial owners of the Notes (or, if the holders are institutional investors not subject to tax, even if they are not the beneficial owners of the Notes) and are resident in countries included in the White List—applies if certain procedural requirements are met. No assurance can be given that all non-Italian resident investors will be eligible for the withholding tax exemption where the relevant foreign intermediary fails to provide sufficient information to the relevant Italian tax authorities under the procedures for applying the exemption regime. Should the procedural requirements not be met, Italian income substitute tax may apply on the payments made on the Notes to foreign investors resident in countries included on the White List. In such event, the Issuer will not be required to pay any additional amounts with respect to such withholding tax, unless such procedural requirements have not been complied with due solely to the actions or omissions of the Issuer or its agents.

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

The Notes will be new securities for which there is currently no existing market. Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit to trading on the Euro MTF Market in accordance with the rules and regulations of that exchange. In addition, application will be made to obtain listing of the Notes on the ExtraMOT Pro Segment of the Italian Stock Exchange (*Borsa Italiana*). We cannot assure you that the Notes will become or will remain listed. In addition, we cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which the holders of the Notes may be able to sell them. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations by securities analysts. Historically, the market for non-investment grade debt securities, such as the Notes, has been subject to disruptions that have caused substantial price volatility. If a market for the Notes were to develop, such a market may be subject to similar disruptions. We have been informed by the Initial Purchasers that they intend to make a market for the Notes after this Offering is completed. Nevertheless, the Initial Purchasers are not obligated to do so and may cease their market-making activity at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. 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.

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

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

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

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

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 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 bankruptcy receiver must prove that the creditor was aware of the state of insolvency of the relevant entity in order to enforce any clawback action. See "*Limitations on Validity and Enforceability of any Future Notes Guarantees and the Notes 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 bankrupt entity in the two-year period prior to insolvency. In addition, the EU Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

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

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

The Issuer and its subsidiaries are organized outside the United States, and our business is conducted entirely outside the United States. The directors and executive officers of the Issuer are nonresidents of the United States. Although the Issuer will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on these directors and executive officers. In addition, as all the assets of the Issuer and its subsidiaries and those of its directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer may not be subject to the civil liability provisions of the federal securities laws of the United States.

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

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

One or more independent credit rating agencies are expected to 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 assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency in the future if in its judgment circumstances so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could materially adversely affect the value and trading of the Notes.

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

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

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

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

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

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

The Notes may not become, or remain, listed on the Official List of the Luxembourg Stock Exchange or on the ExtraMOT Pro Segment of the Italian Stock Exchange (Borsa Italiana).

Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit to trading on the Euro MTF Market in accordance with the rules and regulations of that exchange. In addition, application will be made to obtain listing of the Notes on the ExtraMOT Pro Segment of the Italian Stock Exchange (*Borsa Italiana*). The Issuer cannot assure you that the Notes will become, or remain listed. If the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange or on the ExtraMOT Pro Segment of the Italian Stock Exchange (*Borsa Italiana*), and the Issuer can no longer maintain such listing or if it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of the Luxembourg Stock Exchange; provided, however, that it will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on another "recognized stock exchange," although there can be no assurance that the Issuer will be able to do so.

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

No assurance can be given that the Notes will be listed or that, once listed, such listing will be maintained or that such listing will satisfy the listing requirement of Italian Legislative Decree No. 239 of April 1, 1996.

No assurance can be given that the Notes will be listed or that, once listed, the listing will be maintained or that such listing will satisfy the listing requirement of Italian Legislative Decree No. 239 of April 1, 1996 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 have issued an interpretive circular relating to, among other things, the listing requirement of the aforementioned legislation in order for the Notes to be eligible to benefit from the exemption from withholding tax. According to a stringent 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 otherwise not satisfied, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax (*ritenuta a titolo di imposta o acconto*) currently at a rate of 26%, and we would be required to pay additional amounts with respect to such withholding taxes such that beneficial owners receive a net amount that is not less than the amount that they would have received in the absence of such withholding. We cannot assure you that the listing can be achieved by the Issue Date. However, we intend to achieve the required listing of the Notes on the Issue Date by obtaining a listing on the ExtraMOT Pro Segment of the Italian Stock Exchange (*Borsa Italiana*). The imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay additional amounts to noteholders could have a material adverse effect on our financial condition and results of operations.

THE TRANSACTIONS

The Gallo Investment

On July 30, 2019, Sisal Group, as majority shareholder and Banca 5, as minority shareholder entered into an investment agreement (the "**Gallo Investment Agreement**") with Sisal and Sisal Point (together with Sisal Group, the "**Sisal Entities**"), in each case as sellers, relating to the creation of the SisalPay Group, a corporate partnership in the payment services business (the "**Gallo Investment**"). Upon the completion of the Gallo Investment, (i) Sisal Group and Banca 5 will own 70% and 30% of the Issuer's share capital, respectively; and (ii) the Issuer will own the entire share capital of (a) TelCo to which the respective telco business of the Sisal Entities and Banca 5 will be contributed; and (b) PayCo, to which the respective payment business of the Sisal Entities and Banca 5 will be contributed.

Pursuant to the provisions of the Gallo Investment Agreement, the Gallo Investment will entail certain corporate steps, a brief summary of which is set forth below:

- The NewCos will receive by way of contribution the Sisal Payments Business. A portion of the shares issued following the contribution of the Sisal Payments Business to the NewCos will be in turn contributed to the Issuer in exchange for 70% of the share capital of the Issuer.
- The NewCos will receive by way of contribution the Banca 5 Payments Business. A portion of the shares issued following the contribution of the Banca 5 Payments Business to the NewCos will be in turn contributed and sold to the Issuer in exchange for 30% of the share capital of the Issuer.

Moreover it is currently envisaged that the Transactions may also include the following steps during a period of up to approximately six months:

- demerger of Sisal Group into a new holding company, SG2 (the "**Demerger**") at which point SG2 will directly hold 70% of the shares of the Issuer, while Sisal Group retains the Sisal Group DPP (as defined below) for a transitional period. Subsequently, Schumann Investments S.A. (a Luxembourg resident company indirectly owned by CVC Fund VI which holds 100% of SG2 and Sisal Group) will acquire the Sisal Group DPP from Sisal Group.
- merger by absorption of SG2 into the Issuer (the "**Merger**").
- at the completion of the Demerger and the Merger (which is anticipated to be within six months of the Demerger), Schumann Investments S.A. will directly hold (1) the 70% shareholding of the Issuer and (2) the Sisal Group DPP. See "*Summary Corporate and Financing Structure*".

The consummation of the Gallo Investment is subject to, among other customary conditions, obtaining unconditional clearances, approvals and consents from the Italian antitrust authority (*Autorità Garante della Concorrenza e del Mercato*) with respect to antitrust matters and from the Bank of Italy of any authorization, approval or clearance required under Italian law for the purpose of the Transactions. If the conditions precedent under the Gallo Investment Agreement, including the regulatory approvals discussed above, are not satisfied by May 30, 2020 (the "**Escrow Longstop Date**"), the Gallo Investment Agreement will terminate. See "*Risk Factors—Risks Related to the Transactions—The Gallo Investment is subject to significant uncertainties and risks*."

The Gallo Investment Agreement contains customary representations, warranties and indemnities, given by each of Sisal Group, Sisal, Sisal Point and Banca 5 as to, among other things, capacity, title, litigation, intellectual property, taxes and certain disclosure matters, as well as customary covenants given by each of the parties to the Gallo Investment Agreement regarding, among other things, the conduct of the business and the affairs of the Sisal Payments Business and the Banca 5 Payments Business. Each of the parties' liability for any breach of a representation or warranty is subject to certain thresholds and limitations. The Gallo Investment Agreement further provides that a portion of the shares in the NewCos received following the above-described contributions will be sold by Sisal Group and Banca 5 to the Issuer (the "**Gallo Sale**") and the remaining portion will be contributed to the Issuer by Sisal Group and Banca 5 through the Equity Contribution (as defined below). Upon completion of the Gallo Sale, €500.0 million of the consideration owed by the Issuer will be paid to Sisal Group (the "**Sisal Group Consideration**"), while the Sisal Group DPP (as defined below) and the Banca 5 DPP (as defined below) will remain outstanding. In connection with the Gallo Investment Agreement, Sisal Group and Banca 5 have agreed to enter into a shareholders' agreement and certain transitional and commercial agreements that are further described under "*Related Party Transactions*."

The Financing

Assuming the Completion Date occurs on or about December 19, 2019, we expect to finance the consideration owed in connection with the Gallo Investment as follows:

(i) Sisal Group and Banca 5 are expected to contribute equity to the Issuer on or about the Completion Date in an estimated aggregate amount of €214.0 million (the "**Equity Contribution**") comprised of (a) a portion of the share capital of TelCo and PayCo held by Banca 5 that will be contributed to the Issuer, having an estimated value of €64.0 million and (b) a portion of the share capital of TelCo held by Sisal Group that will be contributed to the Issuer, having an estimated value of €150.0 million;

(ii) deferred purchase price consideration comprised of (a) €100.0 million in deferred purchase price consideration owed to Sisal Group in connection with the sale to the Issuer of a portion of the share capital of TelCo and PayCo held by Sisal Group (the "**Sisal Group DPP**") and (b) €186.0 million in deferred purchase price consideration owed to Banca 5 in connection with the sale to the Issuer of a portion of the share capital of TelCo and PayCo held by Banca 5 (the "**Banca 5 DPP**" and, together with the Sisal Group DPP, the "**DPP**")); and

(iii) the offering of Notes by the Issuer in an aggregate principal amount of €530.0 million (the "**Offering**").

We refer to the Equity Contribution, the DPP and the Offering, collectively as the "**Financing**." In particular, the Offering will be used to:

- fund the Sisal Group Consideration payable under the Gallo Investment Agreement; and
- pay certain fees and expenses in connection with the Transactions, including estimated fees and expenses to be incurred in connection with the Offering.

On or prior to the Issue Date, the Issuer will enter into a €92.5 million super senior revolving credit facility (the "**Revolving Credit Facility**"), which will be made available to the Issuer and certain of its subsidiaries on the Completion Date. Borrowings under the Revolving Credit Facility will be available for general corporate and working capital purposes. For a more detailed description of the Revolving Credit Facility Agreement, see "*Description of Certain Financing Arrangements—Revolving Credit Facility*." We currently expect no amounts to be drawn in cash under the Revolving Credit Facility on the Completion Date. See "*Capitalization*."

We refer to the Gallo Investment, the Financing, the entry into the Revolving Credit Facility, the Demerger, the Merger and any actions or steps related thereto, collectively as the "*Transactions*." See "*Use of Proceeds*," "*Capitalization*" and "*Description of the Notes*."

USE OF PROCEEDS

The gross proceeds from the offering of the Notes will be €530.0 million. Pending the consummation of the Gallo Investment, an amount equal to the gross proceeds of the Offering will be deposited into the Escrow Account in the name of the Issuer but controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the Notes. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

Upon satisfaction of the conditions to the release of the amounts deposited in the Escrow Account, the gross proceeds from the offering of the Notes will be used to (i) partially fund the Gallo Investment and (ii) pay estimated transaction costs associated with the Transactions, including Initial Purchaser discounts, commitment and financial advisory fees and other transaction costs and professional expenses.

The following table illustrates the estimated sources and uses of funds relating to the Transactions assuming the Transactions will be consummated on or about December 19, 2019. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimate of fees and expenses and the timing of the Completion Date.

Sources of funds (in millions of Euros)		Uses of funds (in millions of Euros)	
Notes offered hereby[(1)]	530.0	Consideration in connection with the Gallo Investment[(4)]	1,000.0
Equity Contribution[(2)]	214.0		
Deferred purchase price consideration[(3)]	286.0	Estimated transaction costs[(5)]	30.0
Total sources	**1,030.0**	**Total uses**	**1,030.0**

(1) Represents €530.0 million aggregate principal amount due at maturity assuming the Notes are issued at par. If the Offering closes prior to the completion of the Gallo Investment, pursuant to the Escrow Agreement, we may fund the interest payments on the Notes prior to the Completion Date with the escrowed proceeds from the Offering.

(2) Represents the estimated aggregate amount of equity expected to be contributed by Sisal Group and Banca 5 to the Issuer comprised of (i) a portion of the share capital of TelCo and PayCo held by Banca 5 that will be contributed to the Issuer, having an estimated value of €64.0 million and (ii) a portion of the share capital of TelCo held by PayCo that will be contributed to the Issuer, having an estimated value of €150.0 million.

(3) Represents deferred purchase price consideration comprised of (i) €100.0 million represented by the Sisal Group DPP; and (ii) €186.0 million represented by the Banca 5 DPP.

(4) Represents the expected total consideration payable to Sisal Group and Banca 5 for the respective shares to be acquired under the Gallo Investment Agreement. The expected total consideration reflects a €750.0 million and €250.0 million valuation of the Sisal Payments Business and the Banca 5 Payments Business, respectively, and is based on the assumption that the Gallo Investment is consummated on or about December 19, 2019. In connection with the Gallo Investment, €500.0 million, representing the estimated net proceeds of the Offering, will be paid to the Sisal Group. In addition, Sisal Group will contribute sufficient cash to the Issuer such that the Issuer will have at least €5.0 million of cash on balance sheet on the Completion Date.

(5) Represents the estimated transaction costs associated with the Transactions, including Initial Purchaser discounts, commitment and financial advisory fees and other transaction costs and professional expenses.

CAPITALIZATION

The following table sets forth the cash and cash equivalents and consolidated capitalization as of September 30, 2019 of the Issuer (i) on an historical basis, and (ii) on a *proforma* basis after giving *pro forma* effect to the Transactions, including the offering of the Notes and the application of the proceeds therefrom.

This table should be read in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Sisal Payments Business*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Banca 5 Payments Business*," "*Description of Certain Financing Arrangements*," "*Description of the Notes*," "*Unaudited Pro Forma Consolidated Financial Information*," the Sisal Payments Business Carve-out Financial Statements and the Banca 5 Payments Business Carve-out Financial Statements and related notes included elsewhere in this offering memorandum.

	As of September 30, 2019	
	Historical	**As adjusted**
	(In millions of Euro)	
Pro forma Cash and cash equivalents	0.1	5.0(1)
Pro forma Debt		
Notes offered hereby(2)	—	530.0
Revolving Credit Facility(3)	—	—
Other debt(4)	—	5.8
Pro forma Shareholder funding		
Sisal DPP(5)	—	100.0
Banca 5 DPP(6)	—	186.0
Pro forma Equity		
Shareholders' equity(7)	0.0	(211.4)
Pro forma Total capitalization(8)	0.0	610.4

(1) Represents *pro forma* cash and cash equivalents (€0.5 million) as adjusted for an anticipated transfer of cash from Sisal Group to the Issuer for general corporate purposes such that the Issuer will have at least €5.0 million of cash on balance sheet on the Completion Date.

(2) Represents the estimated proceeds of the Offering, assuming the Notes are issued at par, gross of the €30.0 million in estimated costs related to the Transactions.

(3) Represents the €92.5 million super senior revolving credit facility, which is expected to be undrawn at the Completion Date. See "*Summary—The Transactions*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility*."

(4) Other debt represents short term borrowings and finance leases.

(5) Represents the €100.0 million in deferred purchase price consideration owed to Sisal Group in connection with the sale to the Issuer of a portion of the share capital of TelCo and PayCo held by Sisal Group. See "*Summary—The Transactions.*"

(6) Represents the €186.0 million in deferred purchase price consideration owed to Banca 5 in connection with the sale to the Issuer of a portion of the share capital of TelCo and PayCo held by Banca 5. See "*Summary—The Transactions.*"

(7) Reflects negative shareholders' equity due to the accounting treatment of the Gallo Investment. See "*Unaudited Pro Forma Consolidated Financial Information.*"

(8) Capitalization is calculated as the sum of *pro forma* debt, *pro forma* subordinated funding and *pro forma* equity.

SELECTED CARVE-OUT FINANCIAL INFORMATION OF THE SISAL PAYMENTS BUSINESS

The following selected unaudited carve-out consolidated statement of comprehensive income, unaudited carve-out statement of financial position and unaudited carve-out statement of cash flows as of September 30, 2019 and for the nine months ended September 30, 2019 and 2018 have been derived from the Sisal Payments Business Interim Carve-out Financial Statements. Interim results are not necessarily indicative of the results that may be expected for any other interim period nor are they indicative of results for a full year.

The following selected carve-out statement of comprehensive income, carve-out statement of financial position and carve-out statement of cash flows of the Sisal Payments Business as of and for the years ended December 31, 2016, 2017 and 2018 have been derived from the Sisal Payments Business Annual Carve-out Financial Statements.

This Selected Carve-out Financial Information should be read in conjunction with the SisalPay Interim Carve-out Financial Statements and the Sisal Payments Business Annual Carve-out Financial Statements included elsewhere in this offering memorandum and the information set forth in "Summary," "Business," "Use of Proceeds," "Capitalization," "Summary Carve-out Financial Information of the Sisal Payments Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Sisal Payments Business" and "Unaudited Pro Forma Condensed Consolidated Financial Information."

Selected Carve-out Income Statement of the Sisal Payments Business

	For the year ended December 31,		Total year ended December 31	Nine months ended September 30,	
	2018	**2017**	**2016**	**2019**	**2018**
			(in Euro millions)		
Total revenues and income	190.8	183.1	180.1	156.8	139.7
Total costs	127.7	117.1	119.4	111.3	86.9
Gross operating profit before amortization, depreciation, provisions and impairment losses and reversal	**63.1**	**66.0**	**60.7**	**45.5**	**52.8**
Amortization, depreciation, provisions, impairment losses and reversals	21.7	14.9	10.8	18.1	16.6
Net finance expenses and similar	—	—	—	—	—
Share of net profit of associates accounted for using equity method	—	—	—	0.3	—
Profit (loss) before income taxes	**41.4**	**51.1**	**49.9**	**27.1**	**36.2**
Income taxes	10.6	13.7	13.8	7.0	9.6
Profit (loss) for the year/period	**30.8**	**37.4**	**36.1**	**20.1**	**26.6**

Selected Carve-out Statement of Financial Position of the Sisal Payments Business

	As of December 31,			As of September 30, 2019
	2018	**2017**	**2016**	
		(in Euro millions)		
Non-current assets	420.3	409.1	395.3	425.1
Current asset	149.6	131.8	114.2	141.5
Total Assets	**569.9**	**540.9**	**509.5**	**566.6**
Non-current liabilities	17.6	18.8	18.7	16.0
Current liabilities	254.6	262.6	215.4	226.1
Total Liabilities	**272.2**	**281.4**	**234.1**	**242.1**
Total Equity	**297.7**	**259.5**	**275.4**	**324.5**
Total Liabilities and Equity	**569.9**	**540.9**	**509.5**	**566.6**

Selected Carve-out Statement of Cash Flow of the Sisal Payments Business

	For the year ended December 31,		Total Year Ended December 31,	Nine months ended September 30,	
	2018	**2017**	**2016**	**2019**	**2018**
			(in Euro millions)		
Cash flows (used) generated by operating activities	54.5	75.5	30.3	(17.3)	(35.6)
Cash flows (used) generated by investment activities	(61.9)	(22.3)	(3.5)	10.8	(11.9)
Cash flows (used) generated by financing activities	7.4	(53.2)	(26.8)	6.9	47.5
Increase (decrease) in cash and cash equivalents	**—**	**—**	**—**	**0.4**	**—**

SELECTED CARVE-OUT FINANCIAL INFORMATION OF THE BANCA 5 PAYMENTS BUSINESS

The following selected unaudited carve-out consolidated statement of comprehensive income, unaudited carve-out statement of financial position and unaudited carve-out statement of cash flows as of September 30, 2019 and for the nine months ended September 30, 2019 and 2018 have been derived from the Banca 5 Payments Business Condensed Carve-out Financial Statements. Interim results are not necessarily indicative of the results that may be expected for any other interim period nor are they indicative of results for a full year.

The following selected carve-out statement of comprehensive income, carve-out statement of financial position and carve-out statement of cash flows of the Banca 5 Payments Business as of and for the years ended December 31, 2017 and 2018 have been derived from the Banca 5 Payments Business Annual Carve-out Financial Statements.

This Selected Carve-out Financial Information should be read in conjunction with the Banca 5 Payments Business Condensed Carve-out Financial Statements and the Banca 5 Payments Business Annual Carve-out Financial Statements included elsewhere in this offering memorandum and the information set forth in "Summary," "Business," "Use of Proceeds," "Capitalization," "Summary Carve-out Financial Information of the Banca 5 Payments Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Banca 5 Payments Business" and "Unaudited Pro Forma Condensed Consolidated Financial Information."

Selected Carve-out Income Statement of the Banca 5 Payments Business

	For the year ended December 31,		Nine months ended September 30,	
	2018	2017	2019	2018
	(in Euro millions)			
Total revenues and other income	**134.2**	**145.6**	**102.8**	**101.2**
Total costs	115.6	119.8	87.9	87.6
Gross operating profit before depreciation of property plant and equipment and amortization of intangible assets	**18.6**	**25.8**	**14.9**	**13.6**
Depreciation of property, plant and equipment and amortization of intangible assets	4.6	3.4	4.0	3.3
Profit (loss) before income taxes	**14.0**	**22.4**	**10.9**	**10.3**
Income taxes	4.5	7.4	3.4	3.3
Profit (loss) for the year/period	**9.5**	**15.0**	**7.5**	**7.0**

Selected Carve-out Statement of Financial Position of the Banca 5 Payments Business

	As of December 31,		As of September 30,
	2018	2017	2019
	(in Euro millions)		
Non-current assets	31.2	27.4	27.8
Current asset	6.6	8.2	10.5
Total Assets	**37.8**	**35.6**	**38.3**
Non-current liabilities	1.0	1.0	1.2
Current liabilities	24.0	21.8	24.3
Total Liabilities	**25.0**	**22.8**	**25.5**
Total Equity—Net Investment	**12.8**	**12.8**	**12.8**
Total Liabilities and Equity—Net Investment	**37.8**	**35.6**	**38.3**

Selected Carve-out Statement of Cash Flow of the Banca 5 Payments Business

	For the year ended December 31,		Nine months ended September 30,	
	2018	2017	2019	2018
	(in Euro millions)			
Cash flows generated by operating activities	18.3	28.4	10.3	7.4
Cash flows used by investing activities	(8.5)	(6.4)	(0.6)	(3.2)
Cash flows used by financing activities	(9.9)	(20.5)	(9.7)	(4.3)
Increase (decrease) in cash and cash equivalents	**(0.1)**	**1.5**	**—**	**(0.1)**

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information of the Issuer (the "***Unaudited Pro Forma Consolidated Financial Information***") *has been derived from the Sisal Payments Business Carve-out Financial Statements and the Banca 5 Payments Business Carve-out Financial Statements and prepared for illustrative purposes only to give effect to the Transactions as if they had occurred on September 30, 2019 for the pro forma consolidated statement of financial position information and on January 1, 2018, January 1, 2019 and October 1, 2018 for the pro forma consolidated statement of comprehensive income for the twelve months ended December 31, 2018, the nine months ended September 30, 2019 and the twelve months ended September 30, 2019, respectively.*

The Unaudited Pro Forma Consolidated Financial Information for the twelve months ended September 30, 2019 has been derived by adding the unaudited pro forma condensed consolidated statement of comprehensive income financial information for the year ended December 31, 2018 to the unaudited pro forma condensed consolidated income statement financial information for the nine months ended September 30, 2019 and subtracting the unaudited pro forma condensed consolidated statement of comprehensive income financial information for the nine months ended September 30, 2018.

The Unaudited Pro Forma Consolidated Financial Information has been prepared in accordance with the accounting policies adopted by the SisalPay Group to represent the following pro forma effects of the Transactions. For further information on the Transactions, see "Presentation of Financial and Other Information," "The Transactions" and "Use of Proceeds."

The Unaudited Pro Forma Consolidated Financial Information is based on our current estimates of, and good faith assumptions regarding, the adjustments arising from the Transactions. The Unaudited Pro Forma Consolidated Financial Information is for informational purposes only and does not purport to represent or to be indicative of the consolidated results of operations or financial position that the SisalPay Group would have reported had the Transactions been completed as of the dates presented, and is not, and should not be taken as, representative of the SisalPay Group's future consolidated results of operations or financial position, nor does it purport to project the SisalPay Group's financial position as of any future date or results of operations for any future period.

The Unaudited Pro Forma Consolidated Financial Information was not prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Regulation or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting Unaudited Pro Forma Consolidated 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 consolidated financial position and the pro forma consolidated statement of comprehensive income, these documents should be read and interpreted without attempting to reconcile them.

The Unaudited Pro Forma Consolidated Financial Information should be read in conjunction with (i) "The Transactions," "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Sisal Payments Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Banca 5 Payments Business"; (ii) the Sisal Payments Business Annual Carve-out Financial Statements; (iii) the Banca 5 Payments Business Annual Carve-out Financial Statements; (iv) the Sisal Payments Business Interim Carve-out Financial Statements; and (v) the Banca 5 Payments Business Condensed Carve-out Financial Statements.

***Pro forma* consolidated statement of financial position as of September 30, 2019**

The following table shows the *pro forma* adjustments made in order to present the main potential effects of the Transactions on the consolidated statement of financial position of the Issuer as of September 30, 2019.

		Pro-forma Adjustments				
	Statement of financial position of the Issuer (A)	Statement of financial position of the Sisal Payments Business (B)	Statement of financial position of the Banca 5 Payments Business (C)	Offering (D)	Equity Contribution and Gallo Sale (E)	Pro-forma Statement of financial position of the Issuer
			(in Euro thousands)			
Non-current assets						
Property, plant and equipment	—	33,118	27,506	—	—	**60,624**
Goodwill	—	308,379	—	—	237,200	**545,579**
Intangible assets	—	73,975	267	—	—	**74,242**
Investments accounted for using the equity method	—	3,202	—	—	—	**3,202**
Deferred tax assets	—	—	19	—	—	**19**
Other non-current assets	—	6,400	—	—	—	**6,400**
Total non-current assets	**—**	**425,074**	**27,792**	**—**	**237,200**	**690,066**
Current assets						
Inventories	—	1,950	—	—	—	**1,950**
Trade receivables	—	121,232	—	—	—	**121,232**
Taxes receivable	—	157	—	—	—	**157**
Restricted bank deposits	—	11,641	—	—	—	**11,641**
Cash and cash equivalents	61	410	—	500,000	(500,000)	**471**
Other current assets	—	6,117	10,553	—	—	**16,670**
Total current assets	**61**	**141,507**	**10,553**	**500,000**	**(500,000)**	**152,121**
TOTAL ASSETS	**61**	**566,581**	**38,345**	**500,000**	**(262,800)**	**842,187**
EQUITY						
Net equity	39	324,514	12,800	—	(548,800)	**(211,447)**
Total equity	**39**	**324,514**	**12,800**	**—**	**(548,800)**	**(211,447)**
Non-current liabilities						
Long-term debt	—	2,376	—	500,000	286,000	**788,376**
Provision for employee severance indemnities	—	1,101	1,203	—	—	**2,304**
Deferred tax liabilities	—	9,540	—	—	—	**9,540**
Provisions for risks and charges	—	3,019	—	—	—	**3,019**
Total non-current liabilities	**—**	**16,036**	**1,203**	**500,000**	**286,000**	**803,239**
Current liabilities						
Trade and other payables	18	214,855	17,307	—	—	**232,180**
Short-term financial debt	—	258	2,242	—	—	**2,500**
Short term portion of long-term debt	—	899	—	—	—	**899**
Tax payable	—	—	3,475	—	—	**3,475**
Other current liabilities	4	10,019	1,318	—	—	**11,341**
Total current liabilities	**22**	**226,031**	**24,342**	**—**	**—**	**250,395**
TOTAL LIABILITIES AND EQUITY	**61**	**566,581**	**38,345**	**500,000**	**(262,800)**	**842,187**

Pro forma consolidated statement of comprehensive income for the year ended December 31, 2018

The following table shows the *pro forma* adjustments made in order to present the main potential effects of the Transactions on the consolidated statement of comprehensive income of the Issuer for the twelve months ended December 31, 2018.

		Pro-forma Adjustments			
	Statement of comprehensive income of the Issuer	Statement of comprehensive income of the Sisal Payments Business	Statement of comprehensive income of the Banca5 Payments Business	Offering, DPP and income tax surcharge	Pro-forma Statement of comprehensive income of the Issuer
	(A)	(B)	(C)	(D)	
			(in Euro thousands)		
Revenues	—	190,378	132,982	—	323,360
Other income	—	444	1,250	—	1,694
Total revenues and other income	**—**	**190,822**	**134,232**	**—**	**325,054**
Purchases of materials, consumables and merchandise	—	2,530	198	—	2,728
Cost for services	17	107,181	105,439	—	212,637
Cost for leased assets	—	1,652	1,743	—	3,395
Personnel costs	—	12,988	8,176	—	21,164
Other operating costs	1	3,389	35	—	3,425
Depreciation, amortization, impairments losses and reversals	—	21,678	4,639	—	26,317
Operating profit (loss) (EBIT)	**(18)**	**41,404**	**14,002**	**—**	**55,388**
Finance income and similar	—	—	—	49,615	49,615
Profit (loss) before income taxes	**(18)**	**41,404**	**14,002**	**(49,615)**	**5,773**
Income taxes	—	10,614	4,547	(12,196)	2,965
Profit (loss) for the year	**(18)**	**30,790**	**9,455**	**(37,419)**	**2,808**
Other comprehensive income:					
Actuarial gains (losses) on employees' defined benefit plans	—	—	—	—	—
Tax effect	—	—	—	—	—
Total comprehensive profit (loss) for the year	**(18)**	**30,790**	**9,455**	**(37,419)**	**2,808**

***Pro forma* consolidated statement of comprehensive income for the nine months ended September 30, 2019**

The following table shows the *pro forma* adjustments made in order to present the main potential effects of the Transactions on the consolidated statement of comprehensive income of the Issuer for the nine months ended September 30, 2019.

		Pro-forma Adjustments			
	Statement of comprehensive income of the Issuer	Statement of comprehensive income of the Sisal Payments Business	Statement of comprehensive income of the Banca 5 Payments Business	Offering, DPP and income tax surcharge	Pro-forma Statement of comprehensive income of the Issuer
	(A)	(B)	(C)	(D)	
			(in Euro thousands)		
Revenues	—	154,803	101,711	—	256,514
Other income	—	2,047	1,070	—	3,117
Total revenues and other income	**—**	**156,850**	**102,781**	**—**	**259,631**
Purchases of materials, consumables and merchandise	—	1,799	96	—	1,895
Cost for services	18	101,073	79,949	—	181,040
Cost for leased assets	—	117	1,944	—	2,061
Personnel costs	—	7,041	5,868	—	12,909
Other operating costs	5	1,306	35	—	1,346
Depreciation, amortization, impairments losses and reversals	—	18,126	3,952	—	22,078
Operating profit (loss) (EBIT)	**(23)**	**27,388**	**10,937**	**—**	**38,302**
Finance expenses and similar	—	—	—	37,211	37,211
Share of net profit of associates accounted for using equity method		228	—		228
Profit (loss) before income taxes	**(23)**	**27,160**	**10,937**	**(37,211)**	**863**
Income taxes	—	7,022	3,464	(9,282)	1,204
Profit (loss) for the year	**(23)**	**20,138**	**7,473**	**(27,929)**	**(341)**
Other comprehensive income:					
Actuarial gains (losses) on employees' defined benefit plans	—	—	—	—	—
Tax effect	—	—	—	—	—
Total comprehensive profit (loss) for the period	**(23)**	**20,138**	**7,473**	**(27,929)**	**(341)**

***Pro forma* consolidated statement of comprehensive income for the twelve months ended September 30, 2019**

The following table shows the *pro forma* adjustments made in order to present the main potential effects of the Transactions on the consolidated statement of comprehensive income of the Issuer for the twelve months ended September 30, 2019.

		Pro-forma Adjustments			
	Statement of comprehensive income of the Issuer	Statement of comprehensive income of the Sisal Payments Business	Statement of comprehensive income of the Banca5 Payments Business	Offering, DPP and income tax surcharge	Pro-forma Statement of comprehensive income of the Issuer
	(A)	(B)	(C)	(D)	
			(in Euro thousands)		
Revenues	—	205,488	134,384	—	339,872
Other income	—	2,491	1,470	—	3,961
Total revenues and other income	**—**	**207,979**	**135,854**	**—**	**343,833**
Purchases of materials, consumables and merchandise	—	2,711	166	—	2,877
Cost for services	18	135,104	105,537	—	240,659
Cost for leased assets	—	553	2,473	—	3,026
Personnel costs	—	11,619	7,781	—	19,400
Other operating costs	5	2,256	47	—	2,308
Depreciation, amortization, impairments losses and reversals	—	23,189	5,250	—	28,439
Operating profit (loss) (EBIT)	**(23)**	**32,547**	**14,600**	**—**	**47,124**
Finance expenses and similar	—	—	—	49,615	49,615
Share of net profit of associates accounted for using equity method	—	228	—	—	228
Profit (loss) before income taxes	**(23)**	**32,319**	**14,600**	**(49,615)**	**(2,719)**
Income taxes	—	8,023	4,663	(12,514)	172
Profit (loss) for the year	**(23)**	**24,296**	**9,937**	**(37,101)**	**(2,891)**
Other comprehensive income:					
Actuarial gains (losses) on employees' defined benefit plans	—	—	—	—	—
Tax effect	—	—	—	—	—
Total comprehensive profit (loss) for the twelve months	**(23)**	**24,296**	**9,937**	**(37,101)**	**(2,891)**

Explanatory notes of the Unaudited *Pro Forma* Consolidated Financial Information

Basis of preparation

The Unaudited *Pro Forma* Consolidated 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* Consolidated Financial Information are the same as those used to prepare the audited consolidated financial statements of Sisal Group, which were prepared in accordance with *International Financial Reporting Standards*, including "*International Accounting Standards*", "*International Financial Reporting Standards*" and interpretations of the "*IFRS Interpretations Committee*", previously known as the "*Standing Interpretations Committee*", as endorsed by the European Union (hereafter "**EU-IFRS**"). Unless otherwise indicated, all amounts set forth in the Unaudited *Pro Forma* Consolidated Financial Information are expressed in thousands of Euros.

Description of pro forma adjustments made in preparing the Unaudited Pro Forma Consolidated Financial Information

Pro Forma Consolidated Statement of Financial Position as of September 30, 2019

Note A—Statement of financial position of the Issuer

This column includes the stand-alone financial position of the Issuer as of September 30, 2019, derived from the unaudited accounting records of the Issuer.

Note B—Statement of financial position of the Sisal Payments Business

This column includes the statement of financial position of the Sisal Payments Business as of September 30, 2019, derived from the unaudited Sisal Payments Business Interim Carve-out Financial Statements.

Note C—Statement of financial position of the Banca 5 Payments Business

This column includes the statement of financial position of the Banca 5 Payments Business as of September 30, 2019, derived from the unaudited Banca 5 Payments Business Condensed Carve-out Financial Statements.

Note D—Offering

This column includes the *pro forma* adjustments to the statement of financial position derived from the proposed issuance of €530.0 million in aggregate principal amount of the Notes in the Offering, net of the estimated transaction costs for the Offering, estimated to be €30.0 million.

Note E—Equity Contribution and Gallo Sale

This column includes the estimated impact of the Equity Contribution and the Gallo Sale on statement of financial position. From an accounting standpoint, at the Issuer level, the Equity Contribution and the Gallo Sale is the combination of two transactions:

- a "capital reorganization", by which the Issuer will obtain control over the Sisal Payments Business ("**transaction (a)**") and
- a "business combination" with a third party (i.e. Banca 5), by which Sisal Group, through the Issuer, will obtain control over the Banca 5 Payments Business ("**transaction (b)**").

The Transaction (a) does not meet the definition of a "business combination" under IFRS 3—*Business combinations* ("**IFRS**") (paragraph B19 of Appendix B), as the Issuer is not a business. Rather, it qualifies as a "capital reorganization" in the Issuer's financial statements. The accounting treatment for "capital reorganizations" is not governed by EU-IFRS. Without specific guidance, in accordance with IAS 8, the Issuer must identify its own accounting policy (to be disclosed in the notes to the financial statements and applied consistently). In this regard, the document Assirevi Preliminary Guidelines on EU IFRS OPI 1 (revised)—*Trattamento Contabile delle "Business Combination under Common Control" nel bilancio d'esercizio e nel bilancio consolidato issued by ASSIREVI—Associazione Italiana Revisori Contabili* (hereinafter "**OPI 1**"), clarifies that the accounting treatment applicable to capital reorganizations is the "predecessor accounting" on the basis of which assets and liabilities of the acquired entity are stated at predecessor carrying values and fair value measurement is not required/allowed. OPI 1, in paragraph 1.1, provides that the principle of "predecessor accounting" can be achieved by referring to the carrying values resulting from either the stand-alone financial statements or the consolidated financial statements of the transferring company. As a consequence, with reference to transaction (a), any difference between the fair value of the consideration transferred from Sisal Group (the "**Sisal Group Total Consideration**") and the carrying values of the Sisal Payments Business, will be accounted for as a reduction of the Issuer's consolidated net equity.

The Transaction (b) qualifies as a business combination pursuant to which the Issuer will acquire control of the Banca 5 Payments Business (hereinafter the "**Banca 5 Acquisition**"). The accounting for the Banca 5 Acquisition is governed by IFRS 3, which provides that at the time of the Banca 5 Acquisition, which is the date on which the Issuer will obtain control over the Banca 5 Payments Business, the assets acquired, the liabilities and contingent liabilities assumed are recognized at their fair value, except for deferred tax assets and liabilities for employee benefits and assets held for sale, which are recognized on the basis of the relative accounting principles. The difference between the acquisition cost and the fair value of the assets and liabilities acquired, if positive, is recognized in intangible assets as goodwill, or, if negative, after reviewing the fair value measurements of the assets and liabilities acquired, is recognized directly in the income statement, as income. Transaction costs are recorded in the income statement when incurred.

In view of the fact that the fair value of the Banca 5 Payments Business's assets and liabilities is not currently available, in accordance with IFRS 3, paragraph 45, goodwill has been determined on a provisional basis as the difference between the consideration determined on the basis of the Investment Agreement and the book value of the Banca 5 Payments Business's net assets as of September 30, 2019, which is the latest financial information available at the date of preparing the Unaudited *Pro Forma* Consolidated Financial Information. In particular:

	(in Euro thousands)
Total purchase consideration (a)	**250,000**
of which:	
Fair value of the Banca 5 Equity Contribution	*64,000*
Banca 5 Total Consideration	*186,000*
Total net assets acquired (b)	**12,800**
Provisional goodwill (c) = (a)-(b)	**237,200**

In relation to the Banca 5 Acquisition, as described above, the Unaudited *Pro Forma* Consolidated Financial Information does not reflect any adjustments relating to the purchase price allocation as the exercise to determine the fair value of the net assets acquired has still to be completed and therefore the information is not available. Therefore, the difference between the acquisition price and the net assets acquired allocated as goodwill has been determined on a provisional basis. This approach is in accordance with Paragraph 45 of IFRS 3, which provides that if the fair value of the net assets acquired is not available at the date of preparation of the financial statements, goodwill should be determined on a provisional basis and the final purchase price allocation completed within 12 months from the acquisition date.

It should be noted that, as described above, the completion of the purchase price allocation in accordance with IFRS 3 will result in the recognition, at the date of acquisition, of all identifiable assets acquired and the liabilities or contingent liabilities assumed of the Banca 5 at fair value, including the relevant deferred tax, where applicable, with a corresponding adjustment to goodwill. Consequently, the Issuer's statement of comprehensive income may also be significantly affected, depending on the fair value allocated to Payments Business's assets and liabilities or contingent liabilities.

Based on the above, the impact of the two transactions on the Issuer's net equity is negative €211.5 million as summarized in the table below:

	(in Euro thousands)
Transaction (a)	
(-) Sisal Group Total Consideration	(600,000)
(+) Book value of the Sisal Payments Business	324,514
Impact on SisalPay's net equity from Transaction (a)	**(275,486)**
Transaction (b)	
(+) Fair value of PayCo and TelCo shares held by Banca 5 contributed to the Issuer	64,000
Impact on SisalPay's net equity from Transaction (b)	**64,000**
Total impact on SisalPay's net equity from Transaction (a) and Transaction (b)	**(211,486)**
(-) Elimination of Sisal Payments Business's net equity (column (B))	(324,514)
(-) Elimination of Banca 5 Payments Business's net equity (column (C))	(12,800)
Total adjustment in column "e"	**(548,800)**

Pro Forma Consolidated Statement of Comprehensive Income for the twelve months ended December 31, 2018

Note A—Statement of comprehensive income of the Issuer

This column includes the stand-alone statement of comprehensive income of the Issuer for the twelve months ended December 31, 2018, derived from the unaudited accounting records of the Issuer.

Note B—Statement of comprehensive income of the Sisal Payments Business

This column includes the statement of comprehensive income of the Sisal Payments Business for the twelve months ended December 31, 2018, derived from the Sisal Payments Business Annual Carve-out Financial Statements.

Note C—Statement of comprehensive income of the Banca 5 Payments Business

This column includes the statement of comprehensive income of the Banca 5 Payments Business for the twelve months ended December 31, 2018, derived from the Banca 5 Annual Carve-out Financial Statements.

Note D—Offering, DPP and income tax surcharge

This column represents the estimated finance costs related to the offering and DPP as well as the adjustment to income taxes to reflect the 3.5% IRES surcharge (hereinafter the "**IRES Surcharge**") applicable to banks and other financial entities only (as further explained below).

As previously indicated, the aggregate principal amount of the notes under the Offering has been estimated to be €530.0 for the sole purpose of the preparation of the Unaudited *Pro Forma* Consolidated Financial Information. The effective interest rate on the Notes has been preliminarily assumed to be 4.78%, based on the nominal interest rates applicable to the notes at the date of issue assumed to be 3.88% and also taking into account the expenses associated with the Offering, assumed to be €30.0 million or 0.9% considering the expected duration of the bond.

With regards to the DPP, the Sisal Group DPP and the Banca 5 DPP bear a fixed interest rate equal to 9% per annum.

The tax effects of the above adjustments have been calculated applying the tax rate 27.5% (IRES).

Furthermore, the income taxes have been adjusted to reflect the IRES Surcharge. In this regard, the IRES Surcharge did not historically apply to the Sisal Payments Business as part of the Sisal Group consolidated financial group. However, as a result of the Gallo Investment, the most part of the results of Sisal Payments Business will be subjected to such IRES Surcharge as the IRES Surcharge will apply to PayCo. For the purpose of the Unaudited *Pro Forma* Consolidated Financial Information a conservative adjustment equal to the Sisal Payments Business's profit before income taxes multiplied for the IRES Surcharge has been applied to the income taxes.

The above mentioned impacts are summarized in the table below:

	(in Euro thousands)
Finance expenses on the Offering (a)	**23,875**
Finance expenses on the DPP (b)	**25,740**
Total impact on Finance expenses and similar (c):(a)+(b)	**49,615**
Applicable tax rate (d)	27.5%
Income taxes reduction (e):(c)*(d)	**13,644**
IRES Surcharge (f)	**1,448**
Total impact on income taxes (g):(e)-(f)	**12,196**
Net impact on profit (c)-(g)	**37,419**

Pro Forma Consolidated Statement of Comprehensive Income for the nine months September 30, 2019

Note A—Statement of comprehensive income of the Issuer

This column includes the stand-alone statement of comprehensive income of the Issuer for the nine months ended September 30, 2019, derived from the unaudited accounting records of the Issuer.

Note B—Statement of comprehensive income of the Sisal Payments Business

This column includes the statement of comprehensive income of the Sisal Payments Business for the nine months ended September 30, 2019, derived from the Sisal Payments Business Interim Carve-out Financial Statements.

Note C—Statement of comprehensive income of the Banca 5 Payments Business

This column includes the consolidated statement of comprehensive income of the Banca 5 Payments Business for the nine months ended September 30, 2019, derived from the Banca 5 Payments Business Condensed Carve-out Financial Statements.

Note D—Offering and DPP and income tax surcharge

This column represents the finance costs related to the Offering and DPP as well as the adjustment to income taxes to reflect the IRES Surcharge. See also note D to the *pro forma* consolidated statement of comprehensive income for the twelve months ended December 31, 2018 for more details.

The above mentioned impacts are summarized in the table below:

	(in Euro thousands)
Finance expenses on the Offering (a)	**17,906**
Finance expenses on the DPP (b)	**19,305**
Total impact on Finance expenses and similar (c):(a)+(b)	**37,211**
Applicable tax rate (d)	27.5%
Income taxes reduction (e):(c)*(d)	**10,233**
IRES Surcharge (f)	**951**
Total impact on income taxes (g):(e)-(f)	**9,282**
Net impact on profit (c)-(g)	**27,929**

Pro Forma Consolidated Statement of Comprehensive Income for the twelve months ended September 30, 2019

Note A—Statement of comprehensive income of the Issuer

This column includes the stand-alone statement of comprehensive income of the Issuer for the twelve months ended September 30, 2019, calculated by taking the nine months ended September 30, 2019 and adding to it the difference between the full year ended December 31, 2018 and the nine months ended September 30, 2018:

	Statement of comprehensive income for the nine months ended September 30, 2019	Statement of comprehensive income for the twelve months ended December 31, 2018	Statement of comprehensive income for the nine months ended September 30, 2018	Statement of comprehensive income for the twelve months ended September 30, 2019
	(1)	(2)	(3)	(1)+(2)-(3)
	(in Euro thousands)			
Revenues	—	—	—	—
Other income	—	—	—	—
Total revenues and other income	**—**	**—**	**—**	**—**
Purchases of materials, consumables and merchandise	—	—	—	—
Cost for services	18	17	17	18
Cost for leased assets	—	—	—	—
Personnel costs	—	—	—	—
Other operating costs	5	1	1	5
Depreciation, amortization, impairments losses and reversals	—	—	—	—
Operating profit (loss) (EBIT)	**(23)**	**(18)**	**(18)**	**(23)**
Finance income and similar	—	—	—	—
Finance expenses and similar	—	—	—	—
Share of net profit of associates accounted for using equity method	—	—	—	—
Profit (loss) before income taxes	**(23)**	**(18)**	**(18)**	**(23)**
Income taxes	—	—	—	—
Profit (loss) for the year	**(23)**	**(18)**	**(18)**	**(23)**
Other comprehensive income:				
Actuarial gains (losses) on employees' defined benefit plans	—	—	—	—
Tax effect	—	—	—	—
Total comprehensive profit (loss) for the period/ year	**(23)**	**(18)**	**(18)**	**(23)**

Note B—Statement of comprehensive income of the Sisal Payments Business

This column includes the stand-alone statement of comprehensive income of the Sisal Payments Business for the twelve months ended September 30, 2019, calculated by taking the nine months ended September 30, 2019 and adding to it the difference between the full year ended December 31, 2018 and the nine months ended September 30, 2018:

	Statement of comprehensive income for the nine months ended September 30, 2019	**Statement of comprehensive income the for the twelve months ended December 31, 2018**	**Statement of comprehensive income for the nine months ended September 30, 2018**	**Statement of comprehensive income for the twelve months ended September 30, 2019**
	(1)	**(2)**	**(3)**	**(1)+(2)-(3)**
		(in Euro thousands)		
Revenues	154,803	190,378	139,693	205,488
Other income	2,047	444	—	2,491
Total revenues and other income	**156,850**	**190,822**	**139,693**	**207,979**
Purchases of materials, consumables and merchandise	1,799	2,530	1,618	2,711
Cost for services	101,073	107,181	73,150	135,104
Cost for leased assets	117	1,652	1,216	553
Personnel costs	7,041	12,988	8,410	11,619
Other operating costs	1,306	3,389	2,439	2,256
Depreciation, amortization, impairments losses and reversals	18,126	21,678	16,615	23,189
Operating profit (loss) (EBIT)	**27,388**	**41,404**	**36,245**	**32,547**
Finance income and similar	—	—	—	—
Finance expenses and similar	—	—	—	—
Share of net profit of associates accounted for using equity method	228	—	—	228
Profit (loss) before income taxes	**27,160**	**41,404**	**36,245**	**32,319**
Income taxes	7,022	10,614	9,613	8,023
Profit (loss) for the year	**20,138**	**30,790**	**26,632**	**24,296**
Other comprehensive income:				
Actuarial gains (losses) on employees' defined benefit plans	—	—	—	—
Tax effect	—	—	—	—
Total comprehensive profit (loss) for the period/ year	**20,138**	**30,790**	**26,632**	**24,296**

Note C—Statement of comprehensive income of the Banca 5 Payments Business

This column includes the stand-alone statement of comprehensive income of the Banca 5 Payments Business for the twelve months ended September 30, 2019, calculated by taking the nine months ended September 30, 2019 and adding to it the difference between the full year ended December 31, 2018 and the nine months ended September 30, 2018:

	Statement of comprehensive income for the nine months ended September 30, 2019	**Statement of comprehensive income for the twelve months ended December 31, 2018**	**Statement of comprehensive income for the nine months ended September 30, 2018**	**Statement of comprehensive income for the twelve months ended September 30, 2019**
	(1)	**(2)**	**(3)**	**(1)+(2)-(3)**
		(in Euro thousands)		
Revenues	101,711	132,982	100,309	134,384
Other income	1,070	1,250	850	1,470
Total revenues and income	**102,781**	**134,232**	**101,159**	**135,854**

	Statement of comprehensive income for the nine months ended September 30, 2019	Statement of comprehensive income for the twelve months ended December 31, 2018	Statement of comprehensive income for the nine months ended September 30, 2018	Statement of comprehensive income for the twelve months ended September 30, 2019
	(1)	(2)	(3)	(1)+(2)-(3)
	(in Euro thousands)			
Purchases of materials, consumables and merchandise	96	198	128	166
Cost for services	79,949	105,439	79,851	105,537
Cost for leased assets	1,944	1,743	1,214	2,473
Personnel costs	5,868	8,176	6,263	7,781
Other operating costs	35	35	23	47
Depreciation, amortization, impairments losses and reversals	3,952	4,639	3,341	5,250
Operating profit (loss) (EBIT)	**10,937**	**14,002**	**10,339**	**14,600**
Finance income and similar	—	—	—	—
Finance expenses and similar	—	—	—	—
Share of net profit of associates accounted for using equity method	—	—	—	—
Profit (loss) before income taxes	**10,937**	**14,002**	**10,339**	**14,600**
Income taxes	3,464	4,547	3,348	4,663
Profit (loss) for the year	**7,473**	**9,455**	**6,991**	**9,937**
Other comprehensive income:				
Actuarial gains (losses) on employees' defined benefit plans	—	—	—	—
Tax effect	—	—	—	—
Total comprehensive profit (loss) for the period/ year	**7,473**	**9,455**	**6,991**	**9,937**

Note D— Offering and DPP and income tax surcharge

This column represents the finance costs related to the Offering and DPP as well as the adjustment to income taxes to reflect the IRES Surcharge. See also note D to the *Pro forma* consolidated statement of comprehensive income for the twelve months ended December 31, 2018 for more details.

The above mentioned impacts are summarized in the table below:

	(in Euro thousands)
Finance expenses on the Offering (a)	**23,875**
Finance expenses on the DPP (b)	**25,740**
Total impact on Finance expenses and similar (c):(a)+(b)	**49,615**
Applicable tax rate (d)	27.5%
Income taxes (e):(c)*(d)	**13,644**
IRES Surcharge (f)	**1,131**
Total impact on income taxes (g):(e)-(f)	**12,514**
Net impact on profit (c)-(g)	**37,101**

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It should be noted that the *pro forma* consolidated statement of comprehensive income includes non-recurring costs of €9.7 million, €5.4 million and €10.8 million for the twelve months ended December 31, 2018, for the nine months ended September 30, 2019 and for the twelve months ended September 30, 2019, respectively, (of which €3.5 million are related to the Gallo Investment in both the nine months ended September 30, 2019 and the twelve months ended September 30, 2019), gross of the related tax effect, estimated at €3.0 million, €1.7 million and €3.3 million for the twelve months ended December 31, 2018, for the nine months ended September 30, 2019 and for the twelve months ended September 30, 2019, respectively.

Moreover, the *pro forma* consolidated statement of comprehensive income does not include certain net cost savings and network optimization synergies that are expected as a result of the Transactions, which are estimated to represent approximately €17.2 million of EBITDA per annum, and which are expected to be actioned within 18 months following the Completion Date and fully-realized within 24 months. The *pro forma* consolidated statement of comprehensive income also does not include €3.2 million in incremental G&A spending that will be needed to support the combined business, particularly in respect of IT and finance. See also "*Summary Unaudited Pro Forma Consolidated Financial and Other Information*."

The completion of the measurement process required by IFRS 3 has not yet been completed at the date of this document and may result in different values being attributed to the assets, liabilities and contingent liabilities acquired than those that are shown in this Unaudited *Pro Forma* Consolidated Financial Information. Any adjustments to the provisional values will be completed within twelve months from the acquisition date as allowed by IFRS 3. Since the process for this purchase price allocation has not been yet completed by SisalPay management, the difference between the given consideration and the net assets acquired, has been provisionally allocated to goodwill. Should such amount be allocated to assets with definite life in the purchase price allocation, the related effect would be recognized in the income statement. The *pro forma* consolidated statements of comprehensive income do not include any such effects.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE SISAL PAYMENTS BUSINESS

The following is a discussion and analysis of the Sisal Payments Business results of operations and financial condition as of September 30, 2019 and for the nine months ended September 30, 2019 and 2018, as derived from the Sisal Payments Business Interim Carve-out Financial Statements, and as of and for the years ended December 31, 2018, 2017 and 2016, as derived from the Sisal Payments Business Annual Carve-out Financial Statements. The Sisal Payments Business Interim Carve-out Financial Statements and the Sisal Payments Business Annual Carve-out Financial Statements are included elsewhere in this offering memorandum.

You should read this discussion in conjunction with the sections entitled "Presentation of Financial and Other Information", "Unaudited Pro Forma Consolidated Financial Information", "Summary Carve-out Financial Information of the Sisal Payments Business", "Selected Carve-out Financial Information of the Sisal Payments Business" and "Capitalization", which are included elsewhere in this offering memorandum.

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

Foreword

This offering memorandum contains unaudited aggregated financial information for the year ended December 31, 2016 which represents the sum, without any modifications, of the results of operations for (i) the period from January 1, 2016 to November 30, 2016 of Sisal Group S.p.A. (the "**Predecessor**") and (ii) the period from March 2, 2016 (the date of establishment of Schumann S.p.A.) to December 31, 2016 of Schumann S.p.A. (the "**Successor**"). Please note that for the period from March 2, 2016 to November 30, 2016, Schumann S.p.A. (subsequently merged into Sisal Group S.p.A.) did not report any significant costs and revenues, assets and liabilities in its income statement and statement of financial position. We refer to such information as the "total year ended December 31, 2016". The total year ended December 31, 2016 financial information has been presented for illustrative purposes only in order to present economic and financial data for a full year period that could be compared with the data for the years ended December 31, 2017 and 2018 and represents the financial information for a full year although the underlying data was generated by different management teams as a result of the Acquisition. As such, the financial information presented for the total year ended December 31, 2016 does not represent the actual historical financial data of the Sisal Payments Business.

For further information see "*Presentation of Financial and Other Information.*"

Key Factors Affecting the Sisal Payments Business' Financial Condition and Results of Operations

Market trends in Italy

In the periods covered by this offering memorandum, the Sisal Payments Business has been a leading provider of proximity Payments Products and Services in Italy, offering a full range of payment solutions, including the following products and services:

- Bill payments, which represents €107 billion in total market turnover for the year ended December 31, 2018;
- Prepaid cards, which represents €77 billion in total market turnover for the year ended December 31, 2018;
- Telco top-ups: which represents €10 billion in total market turnover for the year ended December 31, 2018.

The Sisal Payments Business generally generated revenues in the periods covered by this offering memorandum in the form of commission as follows:

- for the bill payments (which includes payment of telephone and utility bills, fines and taxes) and top-ups and issuances of prepaid cards (or, in the Sisal Payments Business' case, reloads of prepaid debit cards) the Sisal Payments Business receives a fee from the consumer, which is generally fixed, depending on the type of payment and the financial service provided;
- for top-ups and cards (which include top-up services for prepaid mobile and fixed-line telephone accounts and pay-per-view TV vouchers), the Sisal Payments Business receives a fee from the utility company or other partners, which is generally based on the size of the underlying transaction; and
- in addition, the Sisal Payments Business receives annual fees from merchants for the technology infrastructure and solutions provided to merchants to help them manage their everyday store needs.

The following tables set forth the net revenue (as defined below), for the nine-month periods ended September 30, 2019 and 2018, and for the years ended December 31, 2018, 2017 and 2016.

	Successor	
	Nine months ended September 30,	
	2019	2018
	Net revenue in Euro millions(1)	Net revenue in Euro millions(1)
	(Unaudited)	
Bill payments	32.7	28.2
Prepaid cards	2.0	14.0
Telco	10.4	10.9
Merchant Services	31.9	30.9
Other products	0.8	0.8
Total	**77.8**	**84.8**

(1) Revenues are net of revenues paid back to the supply chain.

	Successor Year Ended December 31,		Total Year Ended December 31,
	2018	2017	2016
	Net revenue in Euro millions(1)	Net revenue in Euro millions(1)	Net revenue in Euro millions(1)
	(Unaudited)		
Bill payments	38.3	34.9	33.7
Prepaid cards	18.7	18.2	14.2
Telco	14.4	16.4	17.4
Merchant Services	40.4	39.3	37.2
Other products	1.3	1.0	0.8
Total	**113.1**	**109.8**	**103.3**

(1) Revenues are net of revenues paid back to the supply chain.

Nine Months Ended September 30, 2019 and 2018

Net revenue decreased by €7.0 million, or 8.3%, from €84.8 million for the nine months ended September 30, 2018 to €77.8 million for the nine months ended September 30, 2019, primarily due to the termination of the contract with Poste Italiane S.p.A related to prepaid card top-ups (“**PostePay**”), partially offset by a significant increase in bill payments (including pagoPa) volumes.

On a like-for-like basis, excluding PostePay, net revenue would have increased by €5.0 million, or 6.9%, from €72.8 million for the nine months ended September 30, 2018 to €77.8 million for the nine months ended September 30, 2019, reflecting a general positive trend in revenue growth with respect to bill payments, prepaid cards and Merchant Services. The main driver of growth in bill payments revenue was the launch of *Bollettini premarcati*, pagoPA and ACI (Automobile Club d’Italia). See “*Business*”.

Years Ended December 31, 2018, 2017 and 2016

Net revenue increased by 6.3% from the total year ended December 31, 2016 to the year ended December 31, 2017 and by 3.0% from the year ended December 31, 2017 to the year ended December 31, 2018. The increase in net revenue was attributable to the combined effect of increasing demand for SisalPay’s of products and services as compared to traditional payment methods and the significant increase of these products and services rolled out by the Sisal Payments Business as well as an increase in the Sisal Payments Business’s PoS network size during the periods under review.

Changes in Italians’ preferences

The Sisal Payments Business results over the periods covered by this offering memorandum were significantly affected by the movement from traditional payment methods to new payment methods. In Italy, consumer payment solutions and retail banking services have traditionally been offered primarily at brick-and-mortar locations, such as bank branches, post offices and locations, such as Sisal Payments Business's PoS. The development of non-specialized PoS started at the beginning of the 2000s, due in large part to two market developments: the advent of prepaid telephone top-ups and the increasing availability of a widespread data transmission network for the distribution of lottery products at PoS, which could also be used for payments and top-ups. These non-specialized PoS are often preferred by consumers, as they provide a convenient "one stop-shop" service at close proximity to other consumer destinations, with longer operating hours, less queuing and wider availability, which results in a better customer experience than at a bank or post office. Furthermore, over the past few years, the product offering of these PoS has significantly expanded. For example, in 2018, the Sisal Payments Business launched the prefilled postal forms and the migration of public administration bill payments to pagoPA continued.

This growth trend in terms of PoS is expected to continue in the foreseeable future, which is expected to drive consumer traffic to digital solutions, such as those offered by Sisal Payments Business. As a consequence, we expect the bill payments component of the Italian Payments Products and Services market to continue growing moderately in the coming years, driven, by, among other things, the continued migration of public administration bill payments to pagoPA.

Non-recurring costs and discontinued products

During the period discussed in this offering memorandum, our results were affected by non-recurring costs. In particular:

- For the nine months ended September 30, 2019, the non-recurring costs were €7.2 million, mainly related to:
  - costs for services related to the development of the digital payments business;
  - costs for services related to M&A transactions; and
  - costs for services related to the launch of the new branded prepaid card.
- For the nine months ended September 30, 2018, the non-recurring costs amounted to €4.3 million, mainly related to costs for services relating to the launch of the new digital payments business and personnel costs relating to the payment business segregation as well as the launch of the new digital payments business;
- In 2018, the non-recurring costs were €9.7 million, mainly related to costs for services relating to the launch of the new digital payments business and personnel costs relating to the payment business segregation and the launch of the new digital payments business.
- In 2017, the non-recurring costs were €3.3 million, mainly related to personnel costs relating to the payment business segregation and the launch of the new digital payments business.
- In 2016, the non-recurring costs were €1.5 million, mainly related to the Acquisition.

In terms of discontinued products, starting from January 2019, Poste Italiane S.p.A terminated the agreement with the Sisal Payments Business relating to PostePay pre-paid card top-ups.

The table below shows the impact of the termination of the PostePay contract in terms of net revenue and EBITDA for each year and period including in this offering memorandum:

	Nine months ended September 30,		Year Ended December 31,		Total Year Ended December 31,
	2019	2018	2018	2017	2016
			(in Euro millions)		
Net revenues	77.8	84.8	113.1	109.8	103.3
of which attributable to PostePay	—	12.0	16.1	15.5	12.0
Net revenues excluding PostePay	**77.8**	**72.8**	**97.0**	**94.3**	**91.3**
Adjusted EBITDA	52.8	58.3	74.3	71.7	65.4
of which attributable to PostePay	—	11.3	15.2	14.6	11.3
Adjusted EBITDA excluding PostePay	**52.8**	**47.0**	**59.1**	**57.1**	**54.1**

The termination of the PostePay contract affected the comparability of results for the nine months ended September 30, 2018 and September 30, 2019, and will affect the comparability of results for the year ended December 31, 2018 and the year ending December 31, 2019.

Regulation

Other than the sale of top-ups and prepaid telephone cards, which is unregulated, the activities of the remaining Payments Products and Services segment are regulated and reserved for payment institutions authorized by the

Bank of Italy and enrolled in the register held by the supervisory authority. In order to obtain and maintain a license as a payment institution, the Sisal Payments Business must comply with regulations governing, among other things, (i) the segregation of assets relating to payments and services from the assets relating to other corporate activities, (ii) regulatory capital requirements, (iii) conduct of business rules and (iv) anti-money laundering rules and regulations. The Sisal Payments Business' results of operations have, in the past, been impacted by compliance with regulations and may in the future be further impacted by new regulations, which could increase our cost of compliance, and could affect the commissions and fees that we will be permitted to charge merchants and customers in the future. For example, in June 2017, the Fourth Anti-Money Laundering Directive (AML 4) introduced stricter regulations relating to prepaid cards in terms of requirements for their holders, which resulted in reduced growth in prepaid card revenue as a result of the increase in cost of compliance.

Description of Key Line Items and Certain Key Performance Indicators

Revenues

Revenues include the revenues generated by the Sisal Payments Business through the Sisal Payments Business' convenience payment services offerings, including the payment of bills, taxes and fines and on the sale of mobile phone and television top-up cards. Merchant Services PoS fees relate primarily to the annual affiliation fee charged by the Sisal Payments Business to PoS in the Sisal Payments Business' distribution network that the Sisal Payments Business does not directly manage, including newsstands, bars and tobacconists.

Other income

Other income includes reversals of prior year accruals, gains on disposals of fixed assets, income from reimbursements and other sundry revenues and income.

Purchases of materials, consumables and merchandise

Purchases of materials, consumables and merchandise relate primarily to purchases of materials, spare parts and the use of inventory.

Costs for services

Costs for services primarily consist of:

- *Sales channel—Payments services,* which includes distribution network compensation for phone top-ups, payment and financial services, including the commissions paid to a PoS in the distribution network for executing these transactions in their establishments;
- *Commercial services,* which mainly relate to marketing and commercial expenses, for advertising and promotional expenses, including advertising on national television, national press and computerized billboards, and expenses incurred in relation to promotional events, as well as other commercial incentives and services; and
- *Consulting,* which mainly includes legal expenses incurred and, to a lesser extent, expenses relating to tax and technical advice.

Lease and rent expenses

Lease and rent expenses relate primarily to the rental costs incurred on properties and, to a lesser extent, vehicle and hardware leases.

Personnel costs

Personnel costs include the expenses relating to the salaries and wages, social security contributions and employee service indemnity of the Sisal Payments Business' workforce.

Other operating costs

Other operating costs mainly include taxes and other duties, gifts and donations and other sundry operating costs.

Amortization, depreciation, impairments and reversals of the value of property, plant and equipment and intangible assets

Amortization, depreciation, impairments and reversals of the value of property, plant and equipment and intangible assets mainly relate to the amortization of intangible assets, the depreciation of property, plant and equipment and impairment losses on fixed assets and receivables.

Income taxes

Income taxes comprise current income tax expense and deferred tax benefits or expenses.

Non-IFRS Financial Measures and other ratios

The Sisal Payments Business also uses certain additional key performance indicators, which in the Sisal Payments Business' view provide an alternative measure with which to assess the Sisal Payments Business' underlying performance. The Sisal Payments Business' definition may differ from those used by other companies, therefore comparability may be limited. Such measures are non-IFRS measures and should not be considered as an alternative to operating profit or operating margin as a measure of operating performance. See "*Presentation of Financial and Other Information*".

Turnover

Turnover refers to the value of payments processed by customers.

Net revenue (Revenue net of commissions paid to PoS)

Total revenues and other income in the Sisal Payments Business' financial statements include commissions paid to PoS. In evaluating the performance of the business, management also reviews revenues net of commissions paid to PoS.

EBITDA and Adjusted EBITDA

The Sisal Payments Business defines EBITDA as profit (or loss) for the year/period adjusted for: (i) Amortization, depreciation, provisions and impairment losses and reversals; (ii) Finance income and similar; (iii) Finance expenses and similar; (iv) Income taxes. The Sisal Payments Business defines Adjusted EBITDA as EBITDA adjusted for the effect of non-recurring items, other one-off transactions and the depreciation of certain shared assets owned by Sisal Group; and (v) share of net profit (or loss) of associates or associated entities of associated accounted for using the equity method.

Results of Operations

Nine Months Ended September 30, 2019 and 2018

The following table sets out the Sisal Payments Business income statement for the periods indicated:

	Successor Nine Months Ended September 30,				**Change 2019 - 2018**	
	2019	**%**	**2018**	**%**		**%**
	(Unaudited) (in Euro millions, except percentages)					
Revenues	154.8	98.7%	139.7	100.0%	15.1	10.8%
Other income	2.0	1.3%	—	0.0%	2.0	n.a
Total revenues and income	**156.8**	**100.0%**	**139.7**	**100.0%**	**17.1**	**12.2%**
Purchases of materials, consumables and merchandise	1.8	1.1%	1.6	1.1%	0.2	12.5%
Costs for services	101.1	64.5%	73.2	52.4%	27.9	38.1%
Lease and rent expenses	0.1	0.1%	1.2	0.9%	(1.1)	(91.7%)
Personnel costs	7.0	4.5%	8.4	6.0%	(1.4)	(16.7%)
Other operating costs	1.3	0.8%	2.5	1.8%	(1.2)	(48.0%)
Amortization, depreciation, provisions, impairment losses and reversals	18.1	11.5%	16.6	11.9%	1.5	9.0%
Operating profit (EBIT)[(1)]	**27.4**	**17.5%**	**36.2**	**25.9%**	**(8.8)**	**(24.3%)**
Share of net profit of associates accounted for using equity method	0.3	0.2%	—	0.0%	0.3	n.a
Profit before income taxes	**27.1**	**17.3%**	**36.2**	**25.9%**	**(9.1)**	**(25.1%)**
Income taxes	7.0	4.5%	9.6	6.9%	(2.6)	(27.1%)
Profit for the period	**20.1**	**12.8%**	**26.6**	**19.0%**	**(6.5)**	**(24.4%)**

(1) The nine months ended September 30, 2019 includes: non-recurring costs of €7.2 million, depreciation/amortization of shared assets owned by Sisal Group of €1.9 million and non-recurring income of €1.8 million; the nine months ended September 30, 2018 includes: non-recurring costs of €4.3 million and depreciation/amortization of shared assets owned by Sisal Group of €1.2 million.

Total revenues and income

The following table sets forth an analysis of the Sisal Payments Business' revenue by product and other income for the periods indicated.

	Successor Nine months ended September 30,				Change in revenue 2019 - 2018	
	2019	**%**	**2018**	**%**	**%**	
	(Unaudited) (in Euro millions, except percentages)					
Bill payments	32.7	20.9%	28.2	20.2%	4.5	16.0%
Prepaid cards	2.0	1.3%	14.0	10.0%	(12.0)	(85.7%)
Telco	10.4	6.6%	10.9	7.8%	(0.5)	(4.6%)
Merchant Services	31.9	20.3%	30.9	22.1%	1.0	3.2%
Other products	0.8	0.5%	0.8	0.6%	—	0.0%
Net revenue	**77.8**	**49.6%**	**84.8**	**60.7%**	**(7.0)**	**(8.3%)**
Supply chain/other revenues	79.0	50.4%	54.9	39.3%	24.2	44.1%
Total revenues & income	**156.8**	**100.0%**	**139.7**	**100.0%**	**17.1**	**12.2%**

Total revenues and income increased by €17.1 million, or 12.2%, from €139.7 million for the nine months ended September 30, 2018, to €156.8 million for the nine months ended September 30, 2019, primarily attributed to bill payments revenue increasing by 16.0% compared to the first nine months of 2018. The increase in bill payments revenue was primarily due to the launch of *Bollettini premarcati*, ACI (Automobile Club d'Italia) and pagoPA, partially offset by a decrease in prepaid cards revenue, impacted by the termination of the PostePay contract.

Bill payments

Bill payments revenues increased by €4.5 million, or 16.0%, from €28.2 million for the nine months ended September 30, 2018 to €32.7 million for the nine months ended September 30, 2019. The increase was primarily driven by the Sisal Payments Business's broadened product offering and more specifically by the increase in the number of transactions related to the development of prefilled postal forms and of pagoPA.

Prepaid cards

Prepaid cards revenues decreased by €12.0 million, or 85.7%, from €14.0 million for the nine months ended September 30, 2018 to €2.0 million for the nine months ended September 30, 2019. The decrease was primarily due to the termination of the PostePay contract.

Telco

Telco revenues decreased by €0.5 million, or 4.6%, from €10.9 million for the nine months ended September 30, 2018, to €10.4 million for the nine months ended September 30, 2019, due to the continuing decline in the number of transactions recorded industry-wide.

Merchant Services

Merchant Services revenues increased by €1.0 million, or 3.2%, from €30.9 million for the nine months ended September 30, 2018, to €31.9 million for the nine months ended September 30, 2019, due to increasing demand from merchants to incorporate the Sisal Payments Business's terminals in their stores and the value-adding technology infrastructure and support solutions that the Sisal Payments Business provides to merchants.

Costs for services

The following table sets forth an analysis of costs for services for the periods indicated, in absolute numbers and as a percentage of total revenues and income.

	Successor Nine Months Ended September 30,				Change 2019 - 2018	
	2019	%	2018	%		%
	(Unaudited) (in Euro millions, except percentages)					
Marketing and commercial expenses	0.9	0.6%	2.8	2.0%	(1.9)	(67.9%)
Other commercial initiatives	0.6	0.4%	0.9	0.6%	(0.3)	(33.3%)
Other commercial services	0.4	0.3%	0.3	0.2%	0.1	33.3%
Commercial services	**1.9**	**1.2%**	**4.0**	**2.9%**	**(2.1)**	**(52.5%)**
Sales channel—Payment services	77.3	49.3%	55.1	39.4%	22.2	40.3%
Consulting	5.4	3.4%	1.3	0.9%	4.1	>100%
Other	16.5	10.5%	12.8	9.2%	3.7	28.9%
Other services	**99.2**	**63.3%**	**69.2**	**49.5%**	**30.0**	**43.4%**
Total	**101.1**	**64.5%**	**73.2**	**52.4%**	**27.9**	**38.1%**

Cost for services increased by €27.9 million, or 38.1%, from €73.2 million for the nine months ended September 30, 2018, to €101.1 million for the nine months ended September 30, 2019.

The nine months ended September 30, 2019 and the nine months ended September 30, 2018 were marked by one-off events, namely the development of the digital payments business and the payments business segregation, which resulted in non-recurring cost for service of €3.7 million in the nine months ended September 30, 2019 (as compared to non-recurring cost for services of €2.5 million in the nine months ended September 30, 2018) and the Gallo Investment, which resulted in non-recurring costs for service of €3.5 million in the nine months ended September 30, 2019 (as compared to nil in the nine months ended September 30, 2018). As a percentage of total revenues and income, costs for services increased from 52.4% for nine months ended September 30, 2018, to 64.5% for the nine months ended September 30, 2019.

Excluding the above-mentioned non-recurring costs, cost for services would have increased by €23.2 million, or 32.8%, from €70.7 million for the nine months ended September 30, 2018 to €93.9 million for the nine months ended September 30, 2019, and, as percentage of revenues, would have been 50.6% for the nine months ended September 30, 2018 and 59.9% for the nine months ended September 30, 2019. This trend is mainly attributable to the increase in Sales channel—Payment services as result of:

- increase of €18.0 million attributable to the underlying increase in volume transactions for ACI (Automobile Club d'Italia);
- increase of €16.6 million attributable to the underlying increase in volume transactions for pagoPA and the increase in compensation of the PoS; and
- partially offset by a decrease of €12.0 million due to the termination of the PostePay contract.

Personnel costs

The following table sets forth an analysis of personnel costs for the periods indicated, in absolute numbers and as a percentage of total revenues and income.

	Successor Nine Months Ended September 30,				Change 2019 - 2018	
	2019	%	2018	%		%
	(Unaudited) (in Euro millions, except percentages)					
Salaries and wages	6.7	4.3%	7.0	5.0%	(0.3)	(4.3%)
Social security contributions	2.2	1.4%	2.2	1.6%	—	0.0%
Personnel cost capitalized	(2.4)	(1.5%)	(1.3)	(0.9%)	(1.1)	84.6%
Employee severance indemnities	0.5	0.3%	0.5	0.4%	—	0.0%
Total	**7.0**	**4.5%**	**8.4**	**6.0%**	**(1.4)**	**(16.7%)**

Personnel costs decreased by €1.4 million, or 16.7%, from €8.4 million for the nine months ended September 30, 2018, to €7.0 million for the nine months ended September 30, 2019.

The nine months ended September 30, 2018 were marked by two main one-off events that resulted in increased personnel costs: the digital payments launch and the payment business segregation, which required a higher number of resources allocated to the Sisal Payments Business and resulted in non-recurring personnel costs of €1.8 million for the nine months ended September 30, 2018 and of nil for the nine months ended September 30, 2019. As a percentage of total revenues and income, personnel costs decreased from 6.0% for the nine months ended September 30, 2018, to 4.5% for the nine months ended September 30, 2019. Excluding non-recurring costs, personnel costs as a percentage of revenues would have been 4.5% for the nine months ended September 30, 2019, and 4.7% for the nine months ended September 30, 2018.

Amortization, depreciation, impairments and reversals of the value of property, plant and equipment and intangible assets

The following table sets forth an analysis of amortization, depreciation, impairments and reversals of the value of property, plant and equipment and intangible assets for the periods indicated, in absolute numbers and as a percentage of total revenues and income.

	Nine Months Ended September 30,				Change 2019 - 2018	
	2019	%	2018	%		%
	(Unaudited) (in Euro millions, except percentages)					
Amortization of intangible assets	8.8	5.6%	7.1	5.1%	1.7	23.9%
Depreciation of property, plant and equipment	6.3	4.0%	4.5	3.2%	1.8	40.0%
Impairment losses on current assets	3.0	1.9%	5.0	3.6%	(2.0)	(40.0%)
Total	**18.1**	**11.5%**	**16.6**	**11.9%**	**1.5**	**9.0%**

Amortization, depreciation, impairments and reversals of the value of property, plant and equipment and intangible assets amounted to €18.1 million for the nine months ended September 30, 2019, an increase of €1.5 million, or 9.0%, from €16.6 million for the nine months ended September 30, 2018. The increase was mainly due to higher depreciation of tangible assets, impacted by the application, starting from January 1, 2019 of the new accounting standard IFRS 16.

EBITDA and Adjusted EBITDA

The following tables sets forth the reconciliation between EBITDA and profit (loss) for the year and Adjusted EBITDA and EBITDA.

	Nine Months Ended September 30,		Change 2019 - 2018	
	2019	2018		%
	(Unaudited) (in Euro millions, except percentages)			
Profit for the period	20.1	26.6	(6.5)	(24.4%)
Income taxes	7.0	9.6	(2.6)	(27.1%)
Share of net profit of associates accounted for using equity method	0.3	—	0.3	n.a
Amortization, depreciation, provisions and impairment losses and reversals	18.1	16.6	1.5	9.0%
EBITDA	**45.5**	**52.8**	**(7.3)**	**(13.8%)**

	Nine Months Ended September 30,		Change 2019 - 2018	
	2019	2018	%	
	(Unaudited) (in Euro millions, except percentages)			
EBITDA	**45.5**	**52.8**	**(7.3)**	**(13.8%)**
Non recurring income in relation to "Project Gallo"	(1.8)	—	(1.8)	n.a
Non recurring costs in relation to M&A transaction (Project Gallo) and others	3.5	—	3.5	n.a
Costs for start-up of digital payments and other	3.6	2.4	1.2	50.0%
Non recurring costs	0.1	0.1	—	0.0%
Segregation costs	—	1.8	(1.8)	(100.0%)
Depreciation/amortization of shared assets owned by Sisal Group	1.9	1.2	0.7	58.3%
Adjusted EBITDA	**52.8**	**58.3**	**(5.5)**	**(9.4%)**
Adjusted EBITDA margin[(1)]	**67.9%**	**68.8%**	**n.a**	**(1.3%)**

(1) As a percentage of net revenue.

EBITDA decreased by €7.3 million, or 13.8%, from €52.8 million for the nine months ended September 30, 2018, to €45.5 million for the nine months ended September 30, 2019, mainly related to the decrease in profit for the period as a consequence of the termination of the PostePay contract and non-recurring costs for services and personnel costs discussed above.

Adjusted EBITDA decreased by €5.5 million, or 9.4%, from €58.3 million for the nine months ended September 30, 2018, to €52.8 million for the nine months ended September 30, 2019, primarily due to the termination of the PostePay contract. Excluding PostePay, Adjusted EBITDA would have been €52.8 million for the nine months ended September 30, 2019, and €47.0 million for the nine months ended September 30, 2018, with an increase of €5.8 million mainly related to the increase in net revenues discussed above (excluding PostePay). Excluding PostePay, Adjusted EBITDA margin would have been 67.9% for the nine months ended September 30, 2019, and 64.6% for the nine months ended September 30, 2018.

Income taxes

The following table sets forth an analysis of income taxes for the period considered, in absolute numbers and as a percentage of total revenues and income.

	Nine Months Ended September 30,				Change 2019-2018	
	2019	%	2018	%	%	
	(Unaudited) (in Euro millions, except percentages)					
Current taxes	8.2	5.2%	10.9	7.8%	(2.7)	(24.8%)
Deferred tax assets and liabilities	(1.2)	(0.8%)	(1.3)	(0.9%)	0.1	(7.7%)
Total	**7.0**	**4.5%**	**9.6**	**6.9%**	**(2.6)**	**(27.1%)**

Income taxes amounted to €7.0 million for the nine months ended September 30, 2019, compared to €9.6 million for the nine months ended September 30, 2018. The decrease in income taxes was primarily the result of lower taxable income. As a percentage of profit before income tax, income taxes were relatively stable between the two years.

Years Ended December 31, 2018, 2017 and 2016

The following table sets out the Sisal Payments Business income statement for the periods indicated:

	Successor Year Ended December 31,				Total Year Ended December 31,		Change 2018 - 2017		Change 2017 - 2016	
	2018	**%**	**2017**	**%**	**2016**	**%**		**%**		**%**
					(Unaudited)					
	(in Euro millions, except percentages)									
Revenues	190.4	99.8%	182.9	99.9%	180.1	100.0%	7.5	4.1%	2.8	1.6%
Other income	0.4	0.2%	0.2	0.1%	—	0.0%	0.2	100.0%	0.2	>100%
Total revenues and income	**190.8**	**100.0%**	**183.1**	**100.0%**	**180.1**	**100.0%**	**7.7**	**4.2%**	**3.0**	**1.7%**
Purchases of materials, consumables and merchandise	2.5	1.3%	2.3	1.2%	2.1	1.1%	0.2	8.7%	0.2	9.5%
Costs for services	107.2	56.2%	99.7	54.5%	102.8	57.1%	7.5	7.5%	(3.1)	(3.0%)
Lease and rent expenses	1.6	0.8%	1.5	0.8%	1.4	0.8%	0.1	6.7%	0.1	7.1%
Personnel costs	13.0	6.8%	11.1	6.1%	10.4	5.8%	1.9	17.1%	0.7	6.7%
Other operating costs	3.4	1.8%	2.5	1.4%	2.7	1.5%	0.9	36.0%	(0.2)	(7.4%)
Amortization, depreciation, provisions, impairment losses and reversals	21.7	11.4%	14.9	8.1%	10.8	6.0%	6.8	45.6%	4.1	38.0%
Operating profit (EBIT)[(1)]	**41.4**	**21.7%**	**51.1**	**27.9%**	**49.9**	**27.7%**	**(9.7)**	**(19.0%)**	**1.2**	**2.4%**
Profit before income taxes	**41.4**	**21.7%**	**51.1**	**27.9%**	**49.9**	**27.7%**	**(9.7)**	**(19.0%)**	**1.2**	**2.4%**
Income taxes	10.6	5.6%	13.7	7.5%	13.8	7.7%	(3.1)	(22.6%)	(0.1)	(0.7%)
Profit for the year	**30.8**	**16.1%**	**37.4**	**20.4%**	**36.1**	**20.0%**	**(6.6)**	**(17.6%)**	**1.3**	**3.6%**

(1) Include non-recurring costs of €9.7 million, €3.3 million and €1.5 million for 2018, 2017 and 2016, respectively, and depreciation/amortization of shared assets owned by Sisal Group of €1.5 million, €2.4 million and €3.2 million for 2018, 2017 and 2016, respectively.

Total revenue and other income

The following table sets forth an analysis of the Sisal Payments Business' total revenue by product offering/services and other income for the years indicated.

	Successor Year Ended December 31,				Total Year Ended December 31,		Change 2018 -2017		Change 2017 - 2016	
	2018	**%**	**2017**	**%**	**2016**	**%**		**%**		**%**
					(Unaudited)					
	(in Euro millions, except percentages)									
Bill payments	38.3	20.1%	34.9	19.1%	33.7	18.7%	3.4	9.7%	1.2	3.6%
Prepaid cards	18.7	9.8%	18.2	9.9%	14.2	7.9%	0.5	2.7%	4.0	28.2%
Telco	14.4	7.5%	16.4	9.0%	17.4	9.7%	(2.0)	(12.2%)	(1.0)	(5.7%)
Merchant Services	40.4	21.2%	39.3	21.5%	37.2	20.7%	1.1	2.8%	2.1	5.6%
Other products	1.3	0.7%	1.0	0.5%	0.8	0.4%	0.3	30.0%	0.2	25.0%
Net revenue	**113.1**	**59.3%**	**109.8**	**60.0%**	**103.3**	**57.4%**	**3.3**	**3.0%**	**6.5**	**6.3%**
Supply chain/other revenues	77.7	40.7%	73.3	40.0%	76.8	42.6%	4.4	6.0%	(3.5)	(4.6%)
Total revenue and income	**190.8**	**100.0%**	**183.1**	**100.0%**	**180.1**	**100.0%**	**7.7**	**4.2%**	**3.0**	**1.7%**

Total revenue and income increased from €180.1 million for the total year ended December 31, 2016 to €183.1 million for the year ended December 31, 2017 and to €190.8 million for the year ended December 31, 2018, driven by increased revenue for bill payments, prepaid cards and Merchant Services, primarily due to an increase in the underlying number of transactions being processed through the Sisal Payments Business' network, partially offset by a decrease in telco revenue due to competitive pressure in this segment.

Net revenue increased from €103.3 million for the total year ended December 31, 2016 to €109.8 million for the year ended December 31, 2017, and to €113.1 million for the year ended December 31, 2018, representing a CAGR of 4.6%. The increase was primarily due to (i) growth in bill payments linked to a broadened product offering; (ii) growth in Merchant Services fees as a result of the expansion of PoS and (iii) prepaid card segment transaction growth. An improvement in brand recognition and the broadening of the Sisal Payments Business' product range also drove growth in transaction revenues and fees from PoS from 2016 through 2018.

2018 compared with 2017

Bill payments

Bill payments include the payment of utility bills, fines and taxes, as well as the payment of insurance premiums and subscription fees and transportation services.

Bill payments revenues increased by €3.4 million, or 9.7%, from €34.9 million for the year ended December 31, 2017 to €38.3 million for the year ended December 31, 2018. The increase was primarily driven by a broadened product offering together with the increase in the number of transactions (from 35.6 million in 2017 to 40.7 million in 2018) related to the development of prefilled postal forms and the pagoPA platform (a system for electronic payments).

Prepaid cards

Prepaid cards revenues were broadly stable between 2017 and 2018 (an increase of €0.5 million, or 2.7%, from €18.2 million for the year ended December 31, 2017 to €18.7 million for the year ended December 31, 2018). The segment was negatively impacted by the introduction of new Anti-Money Laundering compliance procedures that came into effect in 2018 which imposed stricter checks for prepaid card holders.

Telco

Telco revenues decreased by €2.0 million, or 12.2%, from €16.4 million for the year ended December 31, 2017 to €14.4 million for the year ended December 31, 2018. Telco revenues, which mainly relate to existing contracts for the sale and/or distribution network of mobile telephone top-ups and TV content cards, decreased by 12.2% compared to a similar percentage decrease in turnover, primarily due to aggressive sales policies introduced by major operators in the Italian telephone and media sectors as well as the increasing usage of home and mobile banking which caused a decline in turnover as well as the number of transactions processed.

Merchant Services

Merchant Services revenues increased by €1.1 million, or 2.8%, from €39.3 million for the year ended December 31, 2017 to €40.4 million for the year ended December 31, 2018. The increase was primarily driven by an increase in the number of PoS, with the average fee paid by merchants remaining broadly stable.

2017 compared with 2016

Bill payments

Bill payments revenues increased by €1.2 million, or 3.6%, from €33.7 million for the total year ended December 31, 2016 to €34.9 million for the year ended December 31, 2017. This growth was primarily driven by an increase in the number of transactions from 34.3 million in 2016 to 35.6 million in 2017. This was partially offset by a one-off event in 2017 consisting of a change in the billing method by a primary mobile operator, which changed from monthly billing to bi-monthly billing.

Prepaid cards

Prepaid cards revenues increased by €4.0 million, or 28.2%, from €14.2 million for the total year ended December 31, 2016 to €18.2 million for the year ended December 31, 2017. This growth was primarily due to the increase in the number of transactions processed (from 32.0 million in 2016 to 37.2 million in 2017), also fostered by an increased number of locations in our distribution network.

Telco

Telco revenues decreased by €1.0 million, or 5.7%, from €17.4 million for the total year ended December 31, 2016 to €16.4 million for the year ended December 31, 2017, primarily due to competitive pressures from the aggressive sales policies introduced by major operators in the Italian telephone and media sectors.

Merchant Services

Merchant Services revenues increased by €2.1 million, or 5.6%, from €37.2 million for the total year ended December 31, 2016 to €39.3 million for the year ended December 31, 2017. The increase was primarily driven by an increase in the number of PoS, with the average fee paid by merchants remaining broadly stable.

Costs for services

The following table sets forth an analysis of costs for services for the periods indicated, in absolute numbers and as a percentage of total revenues and income.

	Successor Year Ended December 31,				Total Year Ended December 31,		Change 2018 -2017		Change 2017 -2016	
	2018	%	2017	%	2016	%		%		%
					(Unaudited)					
	(in Euro millions, except percentages)									
Marketing and commercial expenses	5.4	2.8%	3.1	1.7%	1.8	1.0%	2.3	74.2%	1.3	72.2%
Other commercial initiatives	1.4	0.7%	0.9	0.5%	2.0	1.1%	0.5	55.6%	(1.1)	(55.0%)
Other commercial services	0.5	0.3%	0.4	0.2%	0.3	0.2%	0.1	25.0%	0.1	33.3%
Commercial services	**7.3**	**3.8%**	**4.4**	**2.4%**	**4.1**	**2.3%**	**2.9**	**65.9%**	**0.3**	**7.3%**
Sales channel—Payment services	77.5	40.6%	73.3	40.0%	77.2	42.9%	4.2	5.7%	(3.9)	(5.1%)
Consulting	3.3	1.7%	3.3	1.8%	2.5	1.4%	—	0.0%	0.8	32.0%
Depreciation/amortization of shared assets owned by Sisal Group	1.5	0.8%	2.4	1.3%	3.2	1.8%	(0.9)	(37.5%)	(0.8)	(25.0%)
Other miscellaneous services	17.6	9.3%	16.3	8.9%	15.8	8.8%	1.3	8.0%	0.5	3.2%
Other services	**99.9**	**52.4%**	**95.3**	**52.0%**	**98.7**	**54.8%**	**4.6**	**4.8%**	**(3.4)**	**(3.4%)**
Total	**107.2**	**56.2%**	**99.7**	**54.5%**	**102.8**	**57.1%**	**7.5**	**7.5%**	**(3.1)**	**(3.0%)**

2018 compared with 2017

Costs for services increased by €7.5 million, or 7.5%, from €99.7 million for the year ended December 31, 2017 to €107.2 million for the year ended December 31, 2018. 2018 was marked by two main one-off events: the digital payments launch and the payments business segregation, which resulted in non-recurring cost for services of €6.5 million (as compared to non-recurring cost for services €1.5 million for 2017). As a percentage of total revenues and income, costs for services increased from 54.5% for the year ended December 31, 2017 to 56.2% for the year ended December 31, 2018. Excluding the above-mentioned non-recurring costs, costs for services as percentage of revenues would have been 52.8% in 2018 and 53.6% in 2017.

The increase is primarily attributable to the combined effect of the following items:

- Commercial services costs increased by €2.9 million, or 65.9%, from €4.4 million for the year ended December 31, 2017 to €7.3 million for the year ended December 31, 2018, primarily attributable to the above-mentioned set up of digital payments, which resulted in non-recurring commercial services costs of €2.5 million, as well as the launch of the product "*Bollettini premarcati*";
- Sales channel—Payment services costs increased by €4.2 million, or 5.7%, from €73.3 million for the year ended December 31, 2017 to €77.5 million for the year ended December 31, 2018, primarily attributable to the increase in the number of payments and prepaid transactions; and
- Other miscellaneous services increased by €1.3 million, or 8.0%, from €16.3 million for the year ended December 31, 2017 to €17.6 million for the year ended December 31, 2018. Excluding non-recurring costs of €4.0 million in 2018 and €1.5 million in 2017, other miscellaneous services decreased by €1.2 million from €14.8 million for the year ended December 31, 2017 to €13.6 million for the year ended December 31, 2018, primarily attributable to the implementation of a cost efficiency strategy.

The increase was partially offset by a decrease in depreciation/amortization of shared assets owned by Sisal Group due to the replacement of certain obsolete equipment with new equipment having a longer expected useful life.

2017 compared with 2016

Costs for services decreased by €3.1 million, or 3.0%, from €102.8 million for the total year ended December 31, 2016 to €99.7 million for the year ended December 31, 2017. As a percentage of revenues, costs for services decreased from 57.1% for the total year ended December 31, 2016 to 54.5% for the year ended December 31, 2017. Excluding non-recurring costs for services €1.5 million in both 2017 and 2016, costs for services as percentage of revenues would have been 53.6% in 2017 and 56.2% in 2016.

The decrease was primarily attributable to a decrease in the Sales channel – payment services costs which decreased by €3.9 million, or 5.1%, from €77.2 million for the total year ended December 31, 2016 to €73.3 million for the year ended December 31, 2017, primarily attributable to the decrease of telco services transactions volumes.

Personnel costs

The following table sets forth an analysis of personnel costs for the periods indicated, in absolute numbers and as a percentage of total revenues and income.

	Successor Year Ended December 31,				Total Year Ended December 31,		Change 2018 -2017		Change 2017 -2016	
	2018	%	2017	%	2016	%		%		%
					(Unaudited)					
	(in Euro millions, except percentages)									
Salaries and wages	11.1	5.8%	8.1	4.4%	7.1	3.9%	3.0	37.0%	1.0	14.1%
Social security contributions	3.1	1.6%	2.5	1.4%	2.2	1.2%	0.6	24.0%	0.3	13.6%
Personnel cost capitalized	(2.2)	(1.2%)	(0.3)	(0.2%)	(0.1)	(0.1%)	(1.9)	>100%	(0.2)	>100%
Employee severance indemnities	0.7	0.4%	0.6	0.3%	0.6	0.3%	0.1	16.7%	—	0.0%
Other personnel costs	0.3	0.2%	0.2	0.1%	0.6	0.3%	0.1	50.0%	(0.4)	(66.7%)
Total	**13.0**	**6.8%**	**11.1**	**6.1%**	**10.4**	**5.8%**	**1.9**	**17.1%**	**0.7**	**6.7%**

2018 compared with 2017

Personnel costs increased by €1.9 million, or 17.1%, from €11.1 million for the year ended December 31, 2017 to €13.0 million for the year ended December 31, 2018.

Both the years ended December 31, 2017 and 2018, were marked by two main one-off events that resulted in increased personnel costs: the digital payments launch and the payment business segregation which required a higher number of resources allocated to the Sisal Payments Business and resulted in non-recurring personnel costs of €3.2 million in 2018 and of €1.8 million in 2017. As a percentage of total revenues and income, personnel costs increased from 6.1% for the year ended December 31, 2017 to 6.8% for the year ended December 31, 2018. Excluding non-recurring costs, personnel costs as a percentage of revenues would have been 5.1% in both 2018 and 2017.

2017 compared with 2016

Personnel costs increased by €0.7 million, or 6.7%, from €10.4 million for the total year ended December 31, 2016 to €11.1 million for the year ended December 31, 2017, primarily due to non-recurring costs in connection with the digital payments launch and the payments business segregation. As a percentage of total revenues and income, personnel costs increased from 5.8% for the total year ended December 31, 2016 to 6.1% for the year ended December 31, 2017, primarily attributable to the above-mentioned increase in bill payments, prepaid cards and Merchant Services revenues. Excluding non-recurring costs of €1.8 million in 2017 (as compared to nil for 2016), personnel costs as percentage of revenues would have been 5.1% in 2017 and 5.8% in 2016.

Other operating costs

The following table sets forth an analysis of other operating costs for the periods indicated, in absolute numbers and as a percentage of total revenues and income.

	Successor Year Ended December 31,				Total Year Ended December 31,		Change 2018 -2017		Change 2017 -2016	
	2018	%	2017	%	2016	%		%		%
					(Unaudited)					
	(in Euro millions, except percentages)									
Other taxes and duties	0.3	0.2%	0.3	0.2%	0.3	0.2%	—	0.0%	—	0.0%
Gifts and donations	0.3	0.2%	0.1	0.1%	0.4	0.2%	0.2	>100%	(0.3)	(75.0%)
Sundry operating costs	2.8	1.5%	2.1	1.1%	2.0	1.1%	0.7	33.3%	0.1	5.0%
Total	**3.4**	**1.8%**	**2.5**	**1.4%**	**2.7**	**1.5%**	**0.9**	**36.0%**	**(0.2)**	**(7.4%)**

2018 compared with 2017

Other operating costs increased by €0.9 million, or 36.0%, from €2.5 million for the year ended December 31, 2017 to €3.4 million for the year ended December 31, 2018, primarily attributable to an increase in pro-rata VAT due to an increase of transaction volumes.

2017 compared with 2016

Other operating costs decreased by €0.2 million, or 7.4%, from €2.7 million for the total year ended December 31, 2016 to €2.5 million for the year ended December 31, 2017, primarily attributable to a decrease in gifts and donations.

Amortization, depreciation, impairments and reversals of the value of property, plant and equipment and intangible assets

The following table sets forth an analysis of amortization, depreciation, impairments and reversals of the value of property, plant and equipment and intangible assets for the periods indicated, in absolute numbers and as a percentage of total revenues and income.

	Successor Year Ended December 31,				**Total Year Ended December 31,**		**Change 2018 -2017**		**Change 2017 -2016**	
	2018	**%**	**2017**	**%**	**2016**	**%**		**%**		**%**
					(Unaudited)					
	(in Euro millions, except percentages)									
Amortization of intangible assets	9.5	5.0%	6.2	3.4%	3.2	1.8%	3.3	53.2%	3.0	93.8%
Depreciation of property, plant and equipment	6.0	3.1%	3.0	1.6%	2.3	1.3%	3.0	100.0%	0.7	30.4%
Impairment losses on current assets	5.6	2.9%	4.2	2.3%	5.3	2.9%	1.4	33.3%	(1.1)	(20.8%)
Allocations and releases to provisions for risks and charges	0.6	0.3%	1.5	0.8%	—	0.0%	(0.9)	(60.0%)	1.5	n.a.
Total	**21.7**	**11.4%**	**14.9**	**8.1%**	**10.8**	**6.0%**	**6.8**	**45.6%**	**4.1**	**38.0%**

2018 compared with 2017

Amortization, depreciation, impairments and reversals of the value of property, plant and equipment and intangible assets amounted to €21.7 million for the year ended December 31, 2018, an increase of €6.8 million, or 45.6%, from €14.9 million for the year ended December 31, 2017. The increase was primarily due to significant non-recurring capital expenditure over 2017 and 2018, which resulted in increased amortization and depreciation, attributable to the separation of the payments and gaming businesses of Sisal Group as well as one-off installations to upgrade terminal scanners and investment in the launch of the digital payments business.

The change in the allocations and releases to provisions for risks and charges reflects changes in management's estimate of the outcome of certain on-going disputes. See "*Business—Legal Proceeding*s."

2017 compared with 2016

Amortization, depreciation, impairments and reversals of the value of property, plant and equipment and intangible assets amounted to €14.9 million for the year ended December 31, 2017, an increase of €4.1 million, or 38.0%, from €10.8 million for the total year ended December 31, 2016. As mentioned previously, the increase was primarily due to significant non-recurring capital expenditure in 2017, attributable to the separation of the payments and gaming businesses of Sisal Group as well as one-off installations to upgrade terminal scanners and investment in the launch of the digital payments business.

EBITDA and Adjusted EBITDA

The following table sets forth the reconciliation between EBITDA and profit (loss) for the year and Adjusted EBITDA and EBITDA.

	Successor For the year Ended December 31,		Total year Ended December 31	Change 2018 -2017		Change 2017 -2016	
	2018	2017	2016		%		%
	(Unaudited) (in Euro millions, except percentages)						
Profit (loss) for the year	30.8	37.4	36.1	(6.6)	(17.6%)	1.3	3.6%
Income taxes	10.6	13.7	13.8	(3.1)	(22.6%)	(0.1)	(0.7%)
Amortization, depreciation, provisions and impairment losses and reversals	21.7	14.9	10.8	6.8	45.6%	4.1	38.0%
EBITDA	**63.1**	**66.0**	**60.7**	(2.9)	(4.4%)	5.3	8.7%

	Successor For the year Ended December 31,		Total year Ended December 31	Change 2018-2017		Change 2017 - 2016	
	2018	2017	2016		%		%
	(Unaudited) (in Euro millions, except percentages)						
EBITDA	**63.1**	**66.0**	**60.7**	**(2.9)**	**(4.4%)**	**5.3**	**8.7%**
Reorganization costs	0.5	0.2	0.1	0.3	>100%	0.1	100.0%
Cost for Acquisition	—	—	1.2	—	n.a.	(1.2)	(100.0%)
Costs for start-up of digital payments and other	5.4	—	—	5.4	>100%	—	n.a.
Associated salesforce costs	3.5	2.9	—	0.6	20.7%	2.9	n.a.
Depreciation/amortization of shared assets owned by Sisal Group(1)	1.5	2.4	3.2	(0.9)	(37.5%)	(0.8)	(25.0%)
Other non-recurring costs	0.3	0.2	0.2	0.1	50.0%	—	0.0%
Adjusted EBITDA	**74.3**	**71.7**	**65.4**	**2.6**	**3.6%**	**6.3**	**9.6%**
Adjusted EBITDA margin(2)	**65.7%**	**65.3%**	**63.3%**	**n.a.**	**0.6%**	**n.a.**	**3.1%**

(1) Pro-quota allocation of tangible and intangible assets owned by Sisal Group and used by the Sisal Payments Business.

(2) As a percentage of net revenue.

2018 compared with 2017

EBITDA decreased by €2.9 million, or 4.4%, from €66.0 million for the year ended December 31, 2017 to €63.1 million for the year ended December 31, 2018, mainly related to non-recurring costs of €4.5 million incurred in the launch of the new digital payments business, included in the line item "Costs for start-up of digital payments and other" in the table above.

Adjusted EBITDA increased by €2.6 million, or 3.6%, from €71.7 million for the year ended December 31, 2017 to €74.3 million for the year ended December 31, 2018. Adjusted EBITDA margin remained relatively stable, due to an increase in the Sisal Payments Business' revenues, offset by higher acquisition costs for cashless transactions, increased adverting costs and investments in technical assistance personnel linked to the improvement of the merchant offering, as discussed above.

2017 compared with 2016

EBITDA increased by €5.3 million, or 8.7%, from €60.7 million for the total year ended December 31, 2016 to €66.0 million for the year ended December 31, 2017, primarily due to revenue growth, in particular with respect to payment and financial service products.

Adjusted EBITDA increased by €6.3 million, or 9.6%, from €65.4 million for the total year ended December 31, 2016 to €71.7 million for the year ended December 31, 2017. Adjusted EBITDA margin increased from 63.3% in 2016 to 65.3% in 2017. This increase was primarily driven by a strong growth in net revenues linked to an increase in network size and broadened product range, as well as an increase in transaction volumes and affiliation fees. In addition, the Sisal Payments Business maintained a controlled cost structure that remained relatively stable.

Income taxes

The following table sets forth an analysis of income taxes for the period considered, in absolute numbers and as a percentage of total revenues and income.

	Successor Year Ended December 31,				Total Year Ended December 31,		Change 2018 -2017		Change 2017 -2016	
	2018	%	2017	%	2016	%		%		%
					(Unaudited)					
	(in Euro millions, except percentages)									
Current taxes	12.4	6.5%	14.7	8.0%	14.9	8.3%	(2.3)	(15.6%)	(0.2)	(1.3%)
Deferred tax assets and liabilities	(1.8)	(0.9%)	(1.0)	(0.5%)	(1.1)	(0.6%)	(0.8)	80.0%	0.1	(9.1%)
Total	**10.6**	**5.6%**	**13.7**	**7.5%**	**13.8**	**7.7%**	**(3.1)**	**(22.6%)**	**(0.1)**	**(0.7%)**

2018 compared with 2017

Income taxes decreased by €3.1 million, or 22.6%, to €10.6 million for the year ended December 31, 2018 from €13.7 million for the year ended December 31, 2017, primarily as a result of the above-mentioned decrease in profit before taxes. As a percentage of profit before income tax, income taxes were relatively stable between the two years.

2017 compared with 2016

Income taxes remained relatively stable at €13.7 million for the year ended December 31, 2017 compared to €13.8 million for the total year ended December 31, 2016. As a percentage of profit before income tax, income taxes were relatively stable between the two years.

Liquidity and Capital Resources

Our primary sources of liquidity have historically been from our cash flows from operations. The proceeds from the Notes offered hereby will be used to fund the Transactions and pay related fees and expenses. Our liquidity requirements arise primarily from our need to meet debt service requirements and to fund our capital expenditure. Our cash flows generated from operating activities have historically been sufficient to meet our liquidity requirements. We believe that our cash flows from operations, cash on hand and the availability of borrowings under the Revolving Credit Facility will be sufficient to fund our operating capital expenditures and debt service for at least the next twelve months. See "*Description of Certain Financing Arrangements—Revolving Credit Facility.*" Furthermore, we believe that our current liability position will be sufficient to meet our needs, subject to a variety of factors, including (i) our future ability to generate cash flows from our operations, (ii) the level of our outstanding indebtedness and prevailing interest rates, which affects our debt service requirements with respect to such indebtedness, (iii) our ability to continue to borrow funds from financial institutions, (iv) our capital expenditure requirements, and (v) general economic, financial, competitive market, legislative, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in the section entitled "*Risk Factors.*"

Net working capital

Our business operations generally are not working capital intensive. Our working capital is structurally negative as we collect cash from our PoS network on a regular and frequent basis while we pay our suppliers on standard credit terms. Our working capital and cash balances at the end of each period are influenced by the day of the week on which the period is closed. See the following paragraph "*Cash Flows*" for further information.

Cash Flows

Nine Months Ended September 30, 2019 and 2018

The following table sets forth a summary of our cash flows for the periods indicated.

	Successor	
	Nine months Ended September 30,	
	2019	2018
	(in Euro millions, except percentages)	
Cash flows used by operating activities	(17.3)	(35.6)
Cash flows generated (used) by investment activities	10.8	(11.9)
of which non-recurring cash flows reclassified for the first implementation of PSD II[(1)]	*26.1*	*(2.1)*
Cash flows generated by financing activities	6.9	47.5
Increase (decrease) in cash and cash equivalent	**0.4**	**—**

(1) PSD II, in effect from the first quarter of 2018, requires the segregation of cash deriving from funds received from customers. As such, starting from 2018, in the preparation of financial statements, such liquidity is isolated from ordinary cash and cash equivalent.

Operating activities

The following table sets forth an analysis of cash flows generated from operating activities for the periods indicated.

	Successor	
	Nine months Ended September 30,	
	2019	2018
	(in Euro millions, except percentages)	
Profit before income tax	27.1	36.2
Depreciation and amortization	15.1	11.6
Results from associates accounted for using the equity method	3.0	5.0
Impairment losses on current assets	0.2	—
Employee provisions, other provisions and other non-cash items	(1.7)	—
Change in trade receivables	(21.1)	3.3
Change in inventories	4.4	1.8
Change in trade payables	(37.0)	(84.9)
Change in other assets and liabilities	0.9	2.3
Income taxes paid	(8.2)	(10.9)
Cash flows used by operating activities	**(17.3)**	**(35.6)**

2019 compared with 2018

Cash used by operating activities decreased by €18.3 million, from €35.6 million for the nine months ended September 30, 2018, to €17.3 million for the nine months ended September 30, 2019. The movement in net cash from operating activities was primarily attributable to the combined effect of:

- a decrease in profit before income taxes from €36.2 million for the nine months ended September 30, 2018, to €27.1 million for the nine months ended September 30, 2019, partially offset by the increase in amortization and depreciation of tangible and intangible assets that occurred in the first nine months 2019;
- decrease of change in trade payables from €84.9 million for the nine months ended September 30, 2018, to €37.0 million for the nine months ended September 30, 2019, was primarily driven by an increase in trade payables due to the increase in the cost base discussed previously as a result of the mentioned increase in transaction volumes; and
- tax payments decreased from €10.9 million for the nine months ended September 30, 2018, to €8.2 million for the nine months ended September 30, 2019, primarily due to a lower taxable income.

Investment activities

The following table sets forth a summary of cash flows used in investment activities for the period indicated.

	Successor	
	Nine months ended September 30,	
	2019	2018
	(in Euro millions, except percentages)	
(Investments) disinvestments in intangible assets	(7.4)	(5.8)
(Investments) in property, plant and equipment	(3.3)	(4.0)
Non-recurring cash flows reclassified for the first implementation of PSD2	26.2	(2.1)
Acquisitions net of cash and cash equivalents	(1.3)	—
Investments accounted for using the equity method	(3.4)	—
Cash flows (used) generated by investment activities	**10.8**	**(11.9)**

Investment activities used cash of €11.9 million for the nine months ended September 30, 2018 and generated cash of €10.8 million for the nine months ended September 30, 2019. This change primarily related to the one-off reclassification of €34.7 million due to the implementation of PSD II as of January 1, 2018, which required the isolation of restricted bank deposits relating to funds received from customers from ordinary cash and cash equivalents. Excluding non-recurring impact, net investments in property, plant and equipment and intangible assets were stable over the two periods.

Financing activities

The following table sets forth an analysis of cash flows generated from financing activities for the periods indicated.

	Successor	
	Year Ended December 31,	
	2018	2017
	(in Euro millions, except percentages)	
Contribution from / (to) shareholders	6.9	47.5
Cash flows (uses) generated by financing activities	**6.9**	**47.5**

During the periods covered by this offering memorandum, the Sisal Payments Business was fully integrated in the Sisal Group and, except for the portion related to the recent acquisition of QFS, does not have its own cash accounts. The movements recorded in Contribution from shareholders in the nine months ended September 30, 2018 and 2019 reflect the cash absorbed by the Sisal Payments Business, including cash used for business operations and investment activities.

Years Ended December 31, 2018, 2017 and 2016

The following table sets forth a summary of our cash flows for the periods indicated.

	Successor Year Ended December 31,		Total Year Ended December 31,
	2018	2017	2016
			(Unaudited)
	(in Euro millions, except percentages)		
Cash flows generated by operating activities	54.5	75.5	30.3
Cash flows used by investment activities	(61.9)	(22.3)	(3.5)
of which non-recurring cash flows reclassified for the first implementation of PSD II[(1)]	(34.7)	—	—
Cash flows (used) generated by financing activities	7.4	(53.2)	(26.8)
Increase (decrease) in cash and cash equivalent	—	—	—

(1) PSD II, in effect from the first quarter of 2018, requires to segregate liquidity cash deriving from funds received from customers. As such, starting from 2018, in the preparation of financial statements, such liquidity is isolated from ordinary cash and cash equivalent.

Operating activities

The following table sets forth an analysis of cash flows generated from operating activities for the periods indicated.

	Successor Year Ended December 31, 2018	Successor Year Ended December 31, 2017	Total Year Ended December 31, 2016 (Unaudited)
	(in Euro millions, except percentages)		
Profit before tax	41.4	51.1	49.9
Depreciation and amortization	15.5	9.2	5.5
Impairment losses on current assets	5.6	4.2	5.3
Employee provisions, other provisions and other non-cash items	0.7	1.5	—
Change in trade receivables	16.9	(19.4)	(30.5)
Change in inventories	(1.5)	(1.8)	1.9
Change in trade payables	(9.6)	47.8	12.7
Change in other assets and liabilities	(2.1)	(2.4)	0.4
Income taxes paid	(12.4)	(14.7)	(14.9)
Cash flows generated by operating activities	**54.5**	**75.5**	**30.3**

2018 compared with 2017

Cash generated by operating activities decreased by €21.0 million, from €75.5 million for the year ended December 31, 2017 to €54.5 million for the year ended December 31, 2018. The movement in net cash from operating activities was primarily attributable to the combined effect of:

- a decrease in profit before income taxes for the year from €51.1 million for the year ended December 31, 2017 to €41.4 million for the year ended December 31, 2018, partially offset by the increase in amortization and depreciation of tangible and intangible assets that occurred in 2018;
- cash used by trade payables of €9.6 million in 2018 compared to cash generated by trade payables of €47.8 million in 2017, primarily driven by the trends in transaction volumes discussed previously;
- cash generated by trade receivables of €16.9 million in 2018 compared to cash used by trade receivables of €19.4 million in 2017, primarily driven by the cash generated from the above-mentioned decrease in Telco revenues; and
- Tax payments decreased from €14.7 million for the year ended December 31, 2017 to €12.4 million for the year ended December 31, 2018, principally due to a lower taxable income.

2017 compared with 2016

Cash generated by operating activities increased by €45.2 million, from €30.3 million for the total year ended December 31, 2016 to €75.5 million for the year ended December 31, 2017. The movement in net cash from operating activities was primarily attributable to the combined effect of:

- an increase in amortization and depreciation of tangible and intangible assets of €3.7 million, from €5.5 million for the total year ended December 31, 2016 to €9.2 million for the year ended December 31, 2017, as discussed previously; and
- an increase of €46.2 million in cash generated from net movement in trade receivables and trade payables which increased from negative €17.8 million for the total year ended December 31, 2016 to positive €28.4 million for the year ended December 31, 2017, primarily driven by the increase in volume of transactions.

Tax payments decreased from €14.9 million for the total year ended December 31, 2016 to €14.7 million for the year ended December 31, 2017, principally due to lower non-deductible costs than in the prior year.

Investment activities

The following table sets forth a summary of cash flows used in investment activities for the period indicated.

	Successor Year Ended December 31,		Total Year Ended December 31,
	2018	2017	2016
			(Unaudited)
	(in Euro millions, except percentages)		
(Investments) disinvestments in intangible assets	(10.0)	(6.0)	(2.0)
(Investments) disinvestments in property, plant and equipment	(17.2)	(16.3)	(1.5)
Non-recurring cash flows reclassified for the first implementation of PSD II	(34.7)	—	—
Cash flows (used) by investment activities	**(61.9)**	**(22.3)**	**(3.5)**

2018 compared with 2017

Cash used by investment activities increased by €39.6 million, from €22.3 million for the total year ended December 31, 2017 to €61.9 million for the year ended December 31, 2018. This increase primarily related to the one-off reclassification of €34.7 million due to the implementation of PSD II, in force from the first quarter of 2018, which required the isolation of restricted bank deposits relating to funds received from customers from ordinary cash and cash equivalents.

Cash used by investment activities for intangible assets increased by €4.0 million, from €6.0 million for the year ended December 31, 2017 to €10.0 million for the year ended December 31, 2018, primarily related to software development, including investments in software for terminals.

2017 compared with 2016

Cash used by investment activities increased primarily due to an increase in cash used for property, plant and equipment by €14.8 million, from €1.5 million for the total year ended December 31, 2016 to €16.3 million for the year ended December 31, 2017. As discussed previously, the increase was mainly due to significant non-recurring capital expenditure in 2017 and 2018 attributable to the separation of the payments and gaming businesses of Sisal Group as well as one-off installations to upgrade terminal scanners and investment relating to the launch of the digital payments business.

Financing activities

The following table sets forth an analysis of cash flows generated from financing activities for the periods indicated.

	Successor Year Ended December 31,		Total Year Ended December 31,
	2018	2017	2016
			(Unaudited)
	(in Euro millions, except percentages)		
Contribution from / (to) shareholders	7.4	(53.2)	(26.8)
Cash flows (uses) generated by financing activities	**7.4**	**(53.2)**	**(26.8)**

During the periods covered by this offering memorandum, the Sisal Payments Business was fully integrated in the Sisal Group and therefore did not have its own cash accounts or borrowings. The movements recorded in Contribution from shareholder/ (to) shareholders in the period from March 2, 2016 to December 31, 2016 and in the years ended December 31, 2017 and 2018 reflect the cash absorbed by the Payments Business including cash used by business operations and investment activities.

Capital Expenditures

Capital expenditures is defined as investments for the period in property, plant and equipment and intangible assets.

The following table sets forth our capital expenditures in property, plant and equipment and in intangible assets for the nine months ended September 30, 2019 and 2018 and for the years ended December 31, 2018, 2017 and 2016.

	Successor For the Year Ended December 31,		Total Year Ended December 31	Successor Nine Months Ended September 30,	
	2018	**2017**	**2016**	**2019**	**2018**
			(Unaudited)		
	(in Euro millions, except percentages)				
Property, plant and equipment	17.6	16.9	2.0	6.0	4.0
Intangible assets	10.0	6.0	2.1	7.4	5.8
Capital expenditure	**27.6**	**22.9**	**4.1**	**13.4**	**9.8**
of which recurring	4.0	5.7	4.1	4.8	1.4
of which non-recurring	23.6	17.2	—	8.6	8.4

Recurring capital expenditure are investments incurred to grow the physical network, develop software for the Sisal Payments Business' terminals as well as for the physical replacement of hardware. The Sisal Payments Business' non-recurring capital expenditure predominantly relates to one-time expenditure on network segregation, as the Sisal Payments Business will achieve independent operations from its gaming business by the end of 2019.

Increase in recurring capital expenditure during the considered period was mainly driven by growth in the proximity network and increased investment in terminal software to support new services that the Sisal Payments Business offers.

Non-recurring capital expenditure experienced a large increase, reaching 20.9% of net revenues over the periods under consideration. The main driver primarily related to a one-time spend on network segregation arising from investments related to the separation of the payments and gaming businesses of Sisal Group. Non-recurring capital expenditure also included one-off installations to upgrade terminal scanners and investment in the start-up of the digital payments business.

Nine Months Ended September 30, 2019

For the nine months ended September 30, 2019, capital expenditures amounted to €13.4 million, of which €6.0 million related to property, plant and equipment and €7.4 million related to intangibles assets.

The capital expenditures for the nine months ended September 30, 2019, mainly included the investments related to the separation of the payments business and the development and the broadening and maintenance of the network.

Years Ended December 31, 2018, 2017 and 2016

2018 compared with 2017

Capital expenditures increased by €4.7 million, or 20.5%, from €22.9 million for the year ended December 31, 2017 to €27.6 million for the year ended December 31, 2018, primarily due to the investments related to the separation of the payments and gaming business of Sisal Group and the development, broadening and maintenance of the PoS network.

Investments in property, plant and equipment increased by €0.7 million, or 4.1%, from €16.9 million for the year ended December 31, 2017 to €17.6 million for the year ended December 31, 2018, and are primarily related to network development, which included the development, broadening and maintenance of the proximity channel network.

Investments in intangible assets increased by €4.0 million, or 66.7%, from €6.0 million for the year ended December 31, 2017 to €10.0 million for the year ended December 31, 2018, and were primarily related to software development, which included investments in software for terminals.

2017 compared with 2016

Capital expenditures increased by €18.8 million from €4.1 million for the total year ended December 31, 2016 to €22.9 million for the year ended December 31, 2017, primarily due to the investments in the development of the network and to the increase in products and services offered.

Investments in property, plant and equipment increased by €14.9 million, from €2.0 million for the total year ended December 31, 2016 to €16.9 million for the year ended December 31, 2017 and were primarily related to investments for the development of the network.

Investments in intangible assets increased by €3.9 million from €2.1 million for the total year ended December 31, 2016 to €6.0 million for the year ended December 31, 2017 and were primarily related to investments in terminal software to support new services offered.

Capital Resources

As of September 30, 2019, SisalPay did not have indebtedness outstanding. Following the Transactions, we will have a significant amount of outstanding debt with substantial debt service requirements. As of September 30, 2019, after giving *pro forma* effect to the Transactions as described under "*Use of Proceeds*" and *"Unaudited Pro Forma Consolidated Financial Information"*, the principal amount of our total external debt would have been €530.0 million.

Restricted Bank Deposit

Restricted bank deposits are separately reported from ordinary cash and cash equivalents in compliance with the directive known as PSD II.

Contractual Obligations

The following table sets forth our third-party contractual obligations as of September 30, 2019, after giving *pro forma* effect to the Transaction.

	Payments Due by Period			
	Total	**< 1 year**	**2-5 year**	**> 5 years**
	(Unaudited) (in Euro millions, except percentages)			
Revolving Credit Facility(1)	—	—	—	—
Notes offered hereby(2)	530.0			530.0
Deferred purchase price(3)	286.0			286.0
Trade payable	214.9	214.9		
Other current and non-current liabilities	10.0	10.0		
Long-term financial debt	3.3	0.9	2.4	
Short-term financial debt	0.3	0.3		
Total	**1,044.5**	**226.1**	**2.4**	**816.0**

(1) Expected to be undrawn at Completion Date.

(2) Represents the principal amount of the Notes.

(3) Represents the nominal value of the deferred purchase price for the Gallo Investment.

Off-Balance Sheet Arrangements

The Sisal Payments Business is required to provide performance guarantees in the ordinary course of our business, mainly in respect of agreements relating to convenience payment services and the sale or distribution of telephone top-ups for which we are required to guarantee payment, net of our fees, for the amounts collected under such agreements. As of September 30, 2019, guarantees amounted to €147.0 million.

Quantitative and Qualitative Disclosures about Market Risk

Our activities expose us to a variety of financial risks including credit risk and liquidity risk. Our risk management policy, which is managed centrally by our senior management, focuses on minimizing the potential adverse effects on our financial performance. The following section discusses the significant financial risks to which we are exposed. This discussion does not address any other risks to which we are exposed to in the normal course of business such as operational risks. See "*Risk Factors.*"

Credit Risk

Potential credit risk in commercial relations, which exist mainly through the PoS, under partnership contracts, is mitigated by specific selection procedures for PoS and by daily controls over changes in credit which allow for the blocking of the terminal in the event of non-payment and the revocation of the authorization to operate in the event of recurrent nonpayment. The potential risk with regards to the commercial transactions with those agencies managed by third parties, under partnership agreements, is mitigated by the issue of notes and guarantees at the time of signing the contract: these relationships are also subject to monitoring and periodic audits by us. The amount of financial assets that we do not expect to collect is not significant, and in any case, is covered by provisions for the impairment of receivables.

The following table sets forth our exposure to credit risk, analyzed by reference to the ageing of receivables:

As of December 31, 2018	Not past due	Past due 1-90 days	Past due 90-180 days	Past due over 180 days	Total
	(in Euro millions, except percentages)				
Expected loss rate (%)	0.0%	35.0%	46.2%	86.1%	19.0%
Gross carrying amount—trade receivables	97.3	2.0	1.3	26.6	127.2
Total loss allowance	**—**	**0.7**	**0.6**	**22.9**	**24.2**

As of December 31, 2017	Not past due	Past due 1-90 days	Past due 90-180 days	Past due over 180 days	Total
	(in Euro millions, except percentages)				
Expected loss rate (%)	0.0%	29.2%	46.7%	79.9%	14.2%
Gross carrying amount—trade receivables	118.2	2.4	1.3	24.3	146.2
Total loss allowance	**—**	**0.7**	**0.6**	**19.4**	**20.7**

As of December 31, 2016	Not past due	Past due 1-90 days	Past due 90-180 days	Past due over 180 days	Total
	(in Euro millions, except percentages)				
Expected loss rate (%)	0.0%	24.5%	32.4%	84.5%	16.8%
Gross carrying amount—trade receivables	102.8	3.1	1.8	24.8	132.5
Total loss allowance	**—**	**0.8**	**0.6**	**20.9**	**22.3**

Liquidity Risk

Liquidity risk is the risk of not being able to fulfil present or future obligations owing to insufficient available funds. We manage this risk by seeking to establish a balance between outflows of cash and the sources of short-term and long-term debt and the distribution of maturities of medium- and long-term debt over time. In particular, a prudent management of liquidity risk implies maintaining a sufficient level of cash and the availability of funds obtainable through lines of credit.

Critical Accounting Policies

Our financial statements included elsewhere in this offering memorandum contain a description of certain significant accounting policies which require us to make estimates and assumptions that affect reported results and disclosures. We believe the following items are critical accounting policies. By "critical accounting policies", we mean policies that are both important to the portrayal of our financial performance and financial results, and that require critical management judgments and estimates in relation to matters that are inherently uncertain. Although we believe that our discretionary judgments and estimates are appropriate, actual future results may differ from our estimates.

Impairment of Property, Plant and Equipment and Intangible Assets

Goodwill

Goodwill is tested for impairment at least annually, or more frequently, whenever events or changes in circumstances indicate that goodwill may be impaired. To test for impairment, goodwill is allocated to each cash-generating unit ("**CGU**") monitored by management. An impairment loss on goodwill is recognized when the CGU's carrying amount exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use, being the present value of estimated future cash flows. In calculating the value in use, the estimated future cash flows are discounted to their present value using a discount rate, before taxes, that reflects current market assessments of the time value of money and the risks specific to the asset. If the impairment loss is higher than the carrying amount of goodwill allocated to the CGU, the excess is applied to the other assets of the CGU in proportion to their carrying amount. The carrying amount of an asset should not be reduced below the greater of:

- the fair value of the assets less costs to sell;

- the value in use; or
- zero.

The reversal of a previous write-down for the impairment of goodwill is not permitted.

Property, Plant and Equipment and Intangible Assets with a Finite Useful Life

At each balance sheet date, we assess whether there are any indications of impairment of intangible and tangible assets with a finite useful life. Both internal and external sources of information are used for this purpose.

Internal sources include obsolescence or physical damage, significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include the market value of the asset, changes in technology, markets or laws, trends in market interest rates and the cost of capital used to evaluate investments.

When indicators of impairment exist, the carrying amounts of the assets are reduced to the recoverable amounts. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate before taxes that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs.

If the carrying amount of the CGU exceeds the recoverable amount, an impairment loss is recorded as described above in relation to goodwill. When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount with a contra-entry to the consolidated income statement, up to the carrying amount that would have been recorded had no impairment loss been recognized.

Impairment Loss/Reversal of Fixed Assets

Non-current assets are tested for impairment when impairment indicators are identified, and when the carrying value of an assets exceeds its recoverable value, an impairment loss is recorded. The existence of such indicators can be verified through subjective valuations, based on information available internally or externally and on historical experience. When an impairment indicator is identified, the recoverable value of the relevant assets is determined using appropriate valuation techniques. The correct identification of the factors indicating a potential impairment and the valuations undertaken to determine the loss, may depend on conditions which vary over time, and are affected by estimates and assumptions. Similar considerations regarding the existence of indicators and the use of estimates in the application of valuation techniques can be found in the valuations made in the event of the reversal of impairment losses charged in previous periods.

Depreciation of Property, Plant and Equipment and Amortization of Intangible Assets

The cost of property, plant and equipment and intangible assets is depreciated/amortized on a straight line basis over the estimated useful life of each asset. The economic useful life of these assets is determined at the time of purchase, based on historical experience for similar assets, market conditions and expected future events, which may affect them, such as technological changes. The effective economic useful life may, therefore, be different from its estimated useful life. Each year, we assess technological and business segment developments, any contractual and legislative changes related to utilization of the assets and their recovery values are reviewed in order to update the residual useful life. Such updating may modify the depreciation/amortization period and consequently the annual rate and charge for current and future periods.

Deferred Tax Assets

Deferred tax assets are recorded on the basis of expectations of future taxable income. The assessment of expected future taxable income for the purpose of recognizing deferred tax assets depends on factors that may vary over time and may have significant effects on the measurement of this item.

Provisions for Risks and Charges

We provide for the probable liabilities relating to litigation with staff, suppliers and third parties, and other general expenses arising from any commitments. The quantification of such provisions involves assumptions and estimates based on presently available knowledge of factors that may vary over time. Thus, the final outcomes may be significantly different from those considered during the preparation of the consolidated financial statements.

Provision for Impairment of Receivables

Impairment losses on receivables are recognized in the financial statements according to the expected credit loss method, in accordance with the provisions of IFRS 9. The impairment on trade receivables and on contract assets is carried out through the simplified approach, which provides for estimating the expected loss throughout the life of the receivable at the time of the initial recognition and in the subsequent valuations. For each client segment, the estimate is carried out mainly through the determination of the average expected non-collectability, based on historical-statistical indicators, which may be adjusted using prospective elements. For some categories of receivables characterized by peculiar risk elements, instead, specific valuations are carried out on the individual credit positions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE BANCA 5 PAYMENTS BUSINESS

The following is a discussion and analysis of the results of operations and financial condition of the Banca 5 Payments Business as of September 30, 2019 and for the nine months ended September 30, 2018 and 2019, as derived from the Banca 5 Payments Business Condensed Carve-out Financial Statements, and as of and for the year ended December 31, 2018, as derived from the Banca 5 Annual Carve-out Financial Statements. The Banca 5 Payments Business Condensed Carve-out Financial Statements and the Banca 5 Payments Business Annual Carve-out Financial Statements are included elsewhere in this offering memorandum.

You should read this discussion in conjunction with the sections entitled "Presentation of Financial and Other Information," "Unaudited Pro Forma Consolidated Financial Information," "Selected Carve-out Financial Information of the Banca 5 Payments Business" and "Capitalization," which are included elsewhere in this offering memorandum.

This discussion includes forward-looking statements, which although based on assumptions that the Banca 5 Payments Business considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. See "Information Regarding Forward-Looking Statements" and, for a discussion of the risks and uncertainties which we face, you should also see "Risk Factors."

Description of Key Line Items and Certain Key Performance Indicators

For a description of the key elements of the line items of Banca 5 Payments Business' income statement please refer to the Banca 5 Payments Business Annual Financial Statements included elsewhere in this offering memorandum.

Results of Operations

Factor affecting comparability of future results

	Nine months ended September 30,		Year Ended December 31,	
	2019	**2018**	**2018**	**2017**
			(in Euro millions)	
Net revenues	28.1	28.6	37.8	40.0
of which attributable to PostePay(1)	3.5	3.1	4.1	4.3
Net revenues excluding PostePay	**24.6**	**25.5**	**33.7**	**35.7**
Adjusted EBITDA	16.5	14.3	19.5	26.2
of which attributable to PostePay(2)	3.5	3.1	4.1	4.3
Adjusted EBITDA excluding PostePay	**13.0**	**11.2**	**15.4**	**21.9**

(1) Net revenues attributable to PostePay for the twelve months ended September 30, 2019 amounted to €4.5 million and was calculated by taking €4.1 million for the year ended December 31, 2018, adding to €3.5 million for the nine months ended September 30, 2019, and subtracting €3.1 million for the nine months ended September 30, 2018. Net revenues attributable to PostePay for the year ended December 31, 2018 and 2017 is the difference between PostePay revenues, which amounted to €25.2 million and €20.0 million, respectively, and PostePay commission costs, which amounted to €21.1 million and €15.7 million, respectively. Net revenues attributable to PostePay for the nine months ended September 30, 2019 and 2018 is the difference between PostePay revenues, which amounted to €22.8 million and €19.3 million, respectively, and PostePay commission costs, which amounted to €19.3 million and €16.2 million, respectively.

(2) Adjusted EBITDA attributable to PostePay for the twelve months ended September 30, 2019 amounted to €4.5 million and was calculated by taking €4.1 million for the year ended December 31, 2018, adding to €3.5 million for the nine months ended September 30, 2019, and subtracting €3.1 million for the nine months ended September 30, 2018. Adjusted EBITDA of which attributable to PostePay for the years ended December 31, 2018 and 2017, is the difference between PostePay revenues, which amounted to €25.2 million and €20.0 million, respectively, and PostePay commission costs, which amounted to €21.1 million and €15.7 million, respectively. Adjusted EBITDA attributable to PostePay for the nine months ended September 30, 2019 and 2018, is the difference between PostePay revenues, which amounted to €22.8 million and €19.3 million, respectively, and PostePay commission costs, which amounted to €19.3 million and €16.2 million, respectively.

Going forward, the comparability of Banca 5's results will be affected by the Banca 5 PostePay contract loss, which was terminated in October 2019. *For more information, See "Risk Factors—Failure to renew agreements with customers or merchants on acceptable terms or termination of such agreements by customers or merchants could harm our business.*

Nine Months Ended September 30, 2019 and 2018

The table below summarizes the Banca 5 Payments Business's results of operations for the nine months ended September 30, 2018 and 2019, in absolute numbers and as a percentage of the total revenues and other income.

	Nine Months Ended September 30,				Change 2019 - 2018	
	2019	%	2018	%		%
	(in Euro millions)					
Revenues	101.7	98.9%	100.3	99.1%	1.4	1.4%
Other income	1.1	1.1%	0.9	0.9%	0.2	22.2%
Total revenues and other income	**102.8**	**100%**	**101.2**	**100%**	**1.6**	**1.6%**
Purchases of materials, consumables and merchandise	0.1	0.1%	0.2	0.2%	(0.1)	50.0%
Cost for services	80.0	77.8%	79.9	79.0%	0.1	0.1%
Cost for leased assets	1.9	1.8%	1.2	1.2%	0.7	58.3%
Personnel costs	5.9	5.7%	6.3	6.2%	(0.4)	(6.3%)
Other operating costs	—	0.0%	—	0.0%	—	—
Depreciation of property, plant and equipment and amortization of intangible assets	4.0	3.9%	3.3	3.3%	0.7	21.2%
Operating profit (loss) (EBIT)	**10.9**	**10.6%**	**10.3**	**10.2%**	**0.6**	**5.8%**
Profit (loss) before income taxes	**10.9**	**10.6%**	**10.3**	**10.2%**	0.6	5.8%
Income taxes	3.4	3.3%	3.3	3.3%	0.1	3.0%
Profit (loss) for the period	**7.5**	**7.3%**	**7.0**	**6.9%**	**0.5**	**7.1%**
Total comprehensive profit(loss) for the period	**7.5**	**7.3%**	**7.0**	**6.9%**	**0.5**	**7.1%**

Net Revenues and other income

The following tables set forth an analysis of the Banca 5 Payments Business revenue and income by services for the periods indicated.

	Nine Months Ended September 30,		Change in net revenue	
	2019	2018	2019 - 2018	
	(in Euro millions, except percentages)			
Telco	1.0	0.8	0.2	25.0%
Bill payments	10.2	10.5	(0.3)	(2.9%)
Prepaid cards	3.5	3.2	0.3	9.4%
Other products	3.7	3.3	0.4	12.1%
Merchant Services–Affiliation fee	9.7	10.8	(1.1)	(10.2%)
Net revenues[(1)]	**28.1**	**28.6**	**(0.5)**	**(1.7%)**

(1) Revenues are net of commission costs for supply chain.

Net revenues for the nine months ended September 30, 2019 is the difference between revenues, which amounted to €101.7 million and commission costs for supply chain, which amounted to €73.6 million in the same period (€0.7 million are related to general and administrative expenses not directly linked to the revenues). Net revenues for the nine months ended September 30, 2018 is the difference between revenues, which amounted to €100.3 million and commission costs for supply chain, which amounted to €71.7 million in the same period (€0.7 million are related to general and administrative expenses not directly linked to the revenues).

Net revenue decreased by €0.5 million, or 1.7%, from €28.6 million for the nine months ended September 30, 2018 to €28.1 million for the nine months ended September 30, 2019. The majority of the net revenue of the Banca 5 Payments Business was attributable to bill payments, prepaid cards and Merchant Services, which represented 83.3% and 85.7% of net revenues for the nine months ended September 30, 2019 and 2018, respectively. The decrease was primarily due to the discontinuation of products, such as INPS (National Institute for Social Security) voucher issuance service as well as the pre-pricing of certain commercial agreements.

Telco

Telco mainly includes revenues from mobile phone top-ups. Telco net revenues increased by €0.2 million, or 25.0%, from €0.8 million for the nine months ended September 30, 2018 to €1.0 million for the nine months ended September 30, 2019. The increase of Telco net revenues was primarily due to an increase in the volume of telco top-ups.

Bill payments

Bill payments includes revenues from bank and postal bills and public administration bills through pagoPA. Bill payments net revenues decreased by €0.3 million, or 2.9%, from €10.5 million for the nine months ended September 30, 2018 to €10.2 million for the nine months ended September 30, 2019. The decrease was primarily due to a decrease in the volume of postal bulletins as a result of new payment platforms entering the market and new contractual conditions agreed with Poste Italiane, relating to an increase in the fee per transaction paid by Banca 5 to Poste Italiane.

Prepaid Cards

Prepaid cards mainly includes the PostePay pre-paid card top-ups business and branded prepaid cards, such as the Intesa Sanpaolo flash cards. Prepaid cards net revenues increased by €0.3 million, or 9.4%, from €3.2 million for the nine months ended September 30, 2018 to €3.5 million for the nine months ended September 30, 2019. The increase in prepaid card net revenues was primarily due to an increase in the volume of prepaid top-ups related to the PostePay service.

Merchant Services–Affiliation fee

Merchant Services–Affiliation fee net revenue refers to the fee that merchants pay for the terminals, technology infrastructure and solutions provided by the Banca 5 Payments Business. Merchant Services–Affiliation fee net revenues decreased by €1.1 million, or 10.2%, from €10.8 million for the nine months ended September 30, 2018 to €9.7 million for the nine months ended September 30, 2019. The decrease in Merchant Services–Affiliation fee net revenues was primarily due to the reduction of merchant fees pursuant to the re-pricing policy adopted in May 2018, in an effort to retain merchants.

Other products

Other products net revenues primarily includes Trenitalia tickets distribution, withdrawal fees and facilitated withdrawal for Intesa Sanpaolo customers (Banking Products and Services). Other products net revenues increased by €0.4 million, or 12.1%, from €3.3 million for the nine months ended September 30, 2018 to €3.7 million for the nine months ended September 30, 2019. The increase was primarily due to the introduction of new services offered, such as Trenitalia ticket distribution, withdrawal fees and facilitated withdrawal for Intesa Sanpaolo customers.

Cost for services

The following table sets forth an analysis of costs for services for the periods indicated, in absolute numbers and as a percentage of total revenues and other income.

	Nine Months Ended September 30,				Change 2019 - 2018	
	2019	**%**	**2018**	**%**		**%**
	(in Euro millions, except percentages)					
Marketing and commercial expenses	0.7	0.7%	2.6	2.6%	(1.9)	(73.1%)
Commercial services	**0.7**	**0.7%**	**2.6**	**2.6%**	**(1.9)**	**(73.1%)**
Sales channel—Payment services	74.3	72.3%	72.4	71.5%	1.9	2.6%
Other	5.0	4.9%	4.9	4.8%	0.1	2.0%
Other services	**79.3**	**77.1%**	**77.3**	**76.4%**	**2.0**	**2.6%**
Total	**80.0**	**77.8%**	**79.9**	**79.0%**	**0.1**	**0.1%**

Costs for services remained substantially stable, increasing by €0.1 million, or 0.1%, from €79.9 million for the nine months ended September 30, 2018 to €80.0 million for the nine months ended September 30, 2019. Marketing and commercial expenses decreased by €1.9 million, or 73.1%, from €2.6 million for the nine months ended September 30, 2018 to €0.7 million for the nine months ended September 30, 2019, mainly attributable to the reduction of the total cost of agreements with tobacco sellers related to the contribution paid by tobacco sellers for a display area in their stores. Sales channel payment services expenses increases primarily due to an increase in the volume of, and costs related to, prepaid card top-ups and PostePay prepaid top-ups for the fees paid.

Cost for leased assets

The following table sets forth an analysis of costs for leased assets for the periods indicated, in absolute numbers and as a percentage of the total revenues and other income:

	Nine Months Ended September 30,				Change 2019 - 2018	
	2019	%	2018	%		%
	(in Euro millions)					
Building leases	0.1	0.1%	0.3	0.3%	(0.2)	(66.7%)
Other rentals and operating leases	1.8	1.8%	0.9	0.9%	0.9	100.0%
Total	**1.9**	**1.8%**	**1.2**	**1.2%**	**0.7**	**58.3%**

Cost for leased assets increased by €0.7 million, or 58.3%, from €1.2 million for the nine months ended September 30, 2018 to €1.9 million for the nine months ended September 30, 2019. The increase was primarily attributable to an increase in the expenses associated with the use of the shared assets owned by Banca 5 and used also by the Banca 5 Payments Business.

Depreciation of property, plant and equipment and amortization of intangible assets

Depreciation of property, plant and equipment and amortization of intangible assets increased by €0.7 million, or 21.2%, from €3.3 million for the nine months ended September 30, 2018 to €4.0 million for the nine months ended September 30, 2019. The increase was mainly due to the higher level of tangible assets, primarily relating to M210 terminal assets, that came into operation during 2019.

EBITDA and Adjusted EBITDA

The following table sets forth the reconciliation between net profit and EBITDA and EBITDA and Adjusted EBITDA.

	Nine Months Ended September 30,		Change 2019 - 2018	
	2019	2018		%
	(in Euro millions, except percentages)			
Profit for the period	**7.5**	**7.0**	**0.5**	**7.1%**
Income Taxes	3.4	3.3	0.1	3.0%
Depreciation of property, plant and equipment and amortization of intangible assets	4.0	3.3	0.7	21.2%
EBITDA	**14.9**	**13.6**	**1.3**	**9.6%**
Leasing cost for shared assets owned by Banca 5[(1)]	1.6	0.7	0.9	>100%
Non-recurring items	**1.6**	**0.7**	**0.9**	**>100%**
Adjusted EBITDA	**16.5**	**14.3**	**2.2**	**15.4%**
Net revenues[(2)]	**28.1**	**28.6**	**(0.5)**	**(1.7%)**
Adjusted EBITDA margin[(3)]	**58.7%**	**50.0%**	**n.a.**	**n.a.**

(1) Pro-rata allocation of tangible and intangible assets owned by Banca 5 and also used in the Banca 5 Payments Business.

(2) See the reconciliation in "—*Nine months ended September 30, 2019 and 2018—Net revenues and other income*".

(3) As a percentage of net revenues.

EBITDA increased by €1.3 million, or 9.6%, from €13.6 million for the nine months ended September 30, 2018 to €14.9 million for the nine months ended September 30, 2019. The increase was primarily related to an increase in revenues and other income.

Adjusted EBITDA increased by €2.2 million, or 15.4%, from €14.3 million for the nine months ended September 30, 2018 to €16.5 million for the nine months ended September 30, 2019. The increase was primarily related to an increase in leasing cost for shared assets owned by Banca 5.

Personnel costs

Personnel costs are allocated to the Banca 5 Payments Business in proportion to the number of employees that will be contributed to the SisalPay Group. The following table sets forth an analysis of personnel costs for the periods indicated, in absolute numbers and as a percentage of the total revenues and other income.

	Nine Months Ended September 30,				Change 2019 - 2018	
	2019	%	2018	%		%
	(in Euro millions, except percentages)					
Salaries and wages	4.1	4.0%	4.3	4.2%	(0.2)	(4.7%)
Social security contributions	1.0	1.0%	0.9	0.9%	0.1	11.1%
Employee severance indemnities	0.1	0.1%	0.1	0.1%	—	0.0%
Other personnel costs	0.7	0.7%	1.0	1.0%	(0.3)	(30.0%)
Total	**5.9**	**5.7%**	**6.3**	**6.2%**	**(0.4)**	**(6.3%)**

Personnel costs decreased by €0.4 million, or 6.3%, from €6.3 million for the nine months ended September 30, 2018 to €5.9 million for the nine months ended September 30, 2019. The decrease was primarily due to a decrease in the average number of employees following the externalization process of monitoring functions to Intesa Sanpaolo.

Income taxes

The following table sets forth an analysis of income taxes for the period considered, in absolute numbers and as a percentage of the total revenues and other income.

	Nine Months Ended September 30,				Change 2019 - 2018	
	2019	%	2018	%		%
	(in Euro millions, except percentages)					
Current taxes	3.4	3.3%	3.3	3.3%	0.1	3.0%
Deferred tax assets and liabilities	—	0.0%	—	0.0%	—	0.0%
Total	**3.4**	**3.3%**	**3.3**	**3.3%**	**0.1**	**3.0%**

Income taxes increased by €0.1 million, or 3.0%, from €3.3 million for the nine months ended September 30, 2018 to €3.4 million for the nine months ended September 30, 2019. The increase was primarily due to an increase in profit before taxes in the same period. As a percentage of profit before tax, income taxes remained broadly stable between the two periods (the effective tax rate was 31% as of September 30, 2019 and was 32% as of September 30, 2018).

Years ended December 31, 2018 and 2017

The table below summarizes Banca 5 Payments Business's results of operations for the years ended December 31, 2018 and 2017, in absolute numbers and as a percentage of total revenues and other income.

	Year ended December 31,				Change 2018 - 2017	
	2018	%	2017	%		%
	(in Euro millions, except percentages)					
Revenues	133.0	99.1%	144.3	99.1%	(11.3)	(7.8%)
Other income	1.2	0.9%	1.3	0.9%	(0.1)	(7.7%)
Total revenues and other income	**134.2**	**100.0%**	**145.6**	**100.0%**	**(11.4)**	**(7.8%)**
Purchases of materials, consumables and merchandise	0.2	0.1%	0.4	0.3%	(0.2)	(50.0%)
Cost for services	105.4	78.5%	111.1	76.3%	(5.7)	(5.1%)
Cost for leased assets	1.8	1.3%	1.0	0.7%	0.8	80.0%
Personnel costs	8.2	6.1%	7.3	5.0%	0.9	12.3%
Other operating costs	—	0.0%	—	0.0%	—	n.a
Depreciation of property, plant and equipment and amortization of intangible assets	4.6	3.4%	3.4	2.3%	1.2	35.3%
Operating profit (loss) (EBIT)	**14.0**	**10.4%**	**22.4**	**15.4%**	**(8.4)**	**(37.5%)**
Profit (loss) before income taxes	**14.0**	**10.4%**	**22.4**	**15.4%**	**(8.4)**	**(37.5%)**
Income taxes	4.5	3.4%	7.4	5.1%	(2.9)	(39.2%)
Profit (loss) for the year	**9.5**	**7.1%**	**15.0**	**10.3%**	**(5.5)**	**(36.7%)**
Total comprehensive profit (loss) for the year	**9.5**	**7.1%**	**15.0**	**10.3%**	**(5.5)**	**(36.7%)**

Net Revenues and other income

The following tables set forth an analysis of Banca 5 Payments Business's revenues and other income by product for the periods indicated.

	Year ended December 31,		Change in net revenue	
	2018	2017	2018 - 2017	
	(in Euro millions, except percentages)			
Telco	1.1	1.2	(0.1)	(8.3%)
Bill payments	14.6	15.3	(0.7)	(4.6%)
Prepaid cards	4.1	4.3	(0.2)	(4.7%)
Other products	3.9	3.4	0.5	14.7%
Merchant Services–Affiliation fee	14.1	15.8	(1.7)	(10.8%)
Net revenues(1)	**37.8**	**40.0**	**(2.2)**	**(5.5%)**

(1) Revenues are net of commission costs for supply chain.

Net revenues for the year ended December 31, 2018 is the difference between revenues, which amounted to €133.0 million and commission costs for supply chain, which amounted to €95.2 million in the same period (€1.1 million are related to general and administrative expenses not directly linked to the revenues). Net revenues for the year ended December 31, 2017 is the difference between revenues, which amounted to €144.3 million and commission costs for supply chain, which amounted to €104.3 million in the same period (€0.5 million are related to general and administrative expenses not directly linked to the revenues).

Total revenues and other income decreased by €11.4 million, from €145.6 million for the year ended December 31, 2017 to €134.2 million for the year ended December 31, 2018, primarily due to the decrease in bill payments, prepaid cards and Merchant Services, as explained below, partially offset by an increase in the number of payment and financial services transactions processed by the Banca 5 Payments Business.

The majority of the net revenues for the Banca 5 Payments Business was attributable to bill payments, prepaid cards and Merchant Services, which represented 86.8% and 88.5% of the net revenues for the years ended December 31, 2018 and 2017, respectively. The decrease in revenues was primarily due to the discontinuation of products, such as INPS vouchers as well as the re-pricing of certain commercial agreements with affiliates.

Telco

Telco net revenues decreased by €0.1 million, or 8.3%, from €1.2 million for the year ended December 31, 2017 to €1.1 million for the year ended December 31, 2018. The decrease was primarily due to contraction of the mobile phone top-up segment, partially offset by two new distribution agreements with Kena and Poste Mobile.

Bill payments

Bill payments net revenues decreased by €0.7 million, or 4.6%, from €15.3 million for the year ended December 31, 2017 to €14.6 million for the year ended December 31, 2018. The decrease was primarily due to the closure of the INPS voucher service in 2017.

Prepaid cards

Prepaid cards net revenues decreased by €0.2 million, or 4.7%, from €4.3 million for the year ended December 31, 2017 to €4.1 million for the year ended December 31, 2018. The decrease was primarily due to the introduction of a new anti-money laundering policy applicable to merchants, requiring Banca 5 to pay the merchants for additional data-entry processes.

Merchant Services–Affiliation fee

Merchant Services–Affiliation fee net revenues decreased by €1.7 million, or 10.8%, from €15.8 million for the year ended December 31, 2017 to €14.1 million for the year ended December 31, 2018. The decrease was primarily due to the re-pricing policy, adopted in May 2018, in an effort to retain merchants; although Merchant Services–Affiliation fees vary significantly among merchants, there was an overall decrease.

Other products

Other products net revenues primarily relates to Trenitalia tickets distribution and the withdrawal and the facilitated transfer for Intesa Sanpaolo clients. Other products net revenues increased by €0.5 million, or 14.7%, from €3.4 million for the year ended December 31, 2017 to €3.9 million for the year ended December 31, 2018.

The increase was primarily due to the introduction of new services such as Trenitalia tickets distribution and the withdrawal and the facilitated transfer for Intesa Sanpaolo.

Cost for services

The following table sets forth an analysis of costs for services for the periods indicated, in absolute numbers and as a percentage of the total revenues and other income.

	Year ended December 31,				Change 2018 - 2017	
	2018	%	2017	%		%
	(in Euro millions, except percentages)					
Marketing and commercial expenses	3.0	2.2%	1.1	0.8%	1.9	>100.0%
Commercial services	**3.0**	**2.2%**	**1.1**	**0.8%**	**1.9**	**>100.0%**
Sales channel—Payment services	96.3	71.8%	104.8	72.0%	(8.5)	(8.1%)
Other	6.1	4.5%	5.2	3.6%	0.9	17.3%
Other services	**102.4**	**76.3%**	**110.0**	**75.5%**	**(7.6)**	**(6.9%)**
Total	**105.4**	**78.5%**	**111.1**	**76.3%**	**(5.7)**	**(5.1%)**

Costs for services decreased by €5.7 million, or 5.1%, from €111.1 million for the year ended December 31, 2017 to €105.4 million for the year ended December 31, 2018. The decrease was primarily attributable to the decrease in the Sales channel payment services costs resulting from the closure of the INPS voucher service in 2017.

Cost for leased assets

Cost for leased assets increased by €0.8 million, or 80.0%, from €1.0 million for the year ended December 31, 2017 to €1.8 million for the year ended December 31, 2018. The increase was mainly attributable to an increase in the expenses associated with the use of the shared assets owned by Banca 5 and also used by the Banca 5 Payments Business.

Personnel costs

The following table sets forth an analysis of personnel costs for the periods indicated, in absolute numbers and as a percentage of the total revenues and other income.

	Year ended December 31,				Change 2018 - 2017	
	2018	%	2017	%		%
	(in Euro millions, except percentages)					
Salaries and wages	5.6	4.2%	4.9	3.4%	0.7	14.3%
Social security contributions	1.3	1.0%	1.1	0.8%	0.2	18.2%
Employee severance indemnities	0.1	0.1%	0.1	0.1%	—	0.0%
Other personnel costs	1.2	0.9%	1.2	0.8%	—	0.0%
Total	**8.2**	**6.1%**	**7.3**	**5.0%**	**0.9**	**12.3%**

Personnel costs increased by €0.9 million, or 12.3%, from €7.3 million for the year ended December 31, 2017 to €8.2 million for the year ended December 31, 2018. The increase was primarily attributable to an increase in the average number of employees.

Depreciation of property, plant and equipment and amortization of intangible assets

Depreciation of property, plant and equipment and amortization of intangible assets increased by €1.2 million, or 35.3%, from €3.4 million for the year ended December 31, 2017 to €4.6 million for the year ended December 31, 2018. The increase was primarily due to a higher level of tangible assets, mainly M210 terminals, purchased in 2018 compared to the previous year.

EBITDA and Adjusted EBITDA

The following table sets forth the reconciliation between net profit and EBITDA and EBITDA and Adjusted EBITDA.

	For the year ended December 31,		Change 2018 - 2017	
	2018	2017		%
	(in Euro millions, except percentages)			
Profit for the period	**9.5**	**15.0**	**(5.5)**	**(36.7%)**
Income Taxes	4.5	7.4	(2.9)	(39.2%)
Depreciation of property, plant and equipment and amortization of intangible assets	4.6	3.4	1.2	35.3%
EBITDA	**18.6**	**25.8**	**(7.2)**	**(27.9%)**
Leasing cost for shared assets owned by Banca 5[(1)]	0.9	0.4	0.5	>100.0%
Non-recurring items	**0.9**	**0.4**	**0.5**	**>100.0%**
Adjusted EBITDA	**19.5**	**26.2**	**(6.7)**	**(25.6%)**
Net revenues[(2)]	**37.8**	**40.0**	**(2.2)**	**(5.5%)**
Adjusted EBITDA margin[(2)]	**51.6%**	**65.5%**	**n.a.**	**n.a.**

(1) Pro-quota allocation of tangible and intangible assets owned by Banca 5 and also used in the Banca 5 Payments Business.

(2) See the reconciliation in "*—Years ended December 31, 2018 and 2017—Net revenues and other income*".

(3) As a percentage of net revenues.

EBITDA decreased by €7.2 million, or 27.9%, from €25.8 million for the year ended December 31, 2017 to €18.6 million for the year ended December 31, 2018. The decrease was primarily attributable to the decrease in revenues and other income during the same period, partially offset by a decrease in sales channel payment services, an increase in marketing and commercial expenses and in personnel costs.

Adjusted EBITDA decreased by €6.7 million, or 25.6%, from €26.2 million for the year ended December 31, 2017 to €19.5 million for the year ended December 31, 2018. The decrease was primarily attributable to a decrease in EBITDA, partially offset by an increase in leasing costs as a result of the increased shared assets owned by Banca 5 and also used by the Banca 5 Payments Business.

Income taxes

The following table sets forth an analysis of income taxes for the period considered, in absolute numbers and as a percentage of the total revenues and other income.

	Year ended December 31,				Change 2018 -2017	
	2018	%	2017	%		%
	(in Euro millions, except percentages)					
Current taxes	4.5	3.4%	7.5	5.2%	(3.0)	(40.0%)
Deferred tax assets and liabilities	—	0.0%	(0.1)	0.1%	0.1	100.0%
Total	**4.5**	**3.4%**	**7.4**	**5.1%**	**(2.9)**	**(39.2%)**

Income taxes decreased by €2.9 million, or 39.2%, from €7.4 million for the year ended December 31, 2017 to €4.5 million for the year ended December 31, 2018. The decrease was primarily the result of a decrease in profit before taxes over the same period. As a percentage of profit before tax, income taxes were broadly stable between the two periods (the effective tax rate was 32% as of December 31, 2018 and 33% as of December 31, 2017).

Cash flows

Nine Months Ended September 30, 2019 and 2018

The following table sets forth a summary of our cash flows for the periods indicated.

	Nine Months Ended September 30,	
	2019	**2018**
	(in Euro millions)	
Cash flows (used) generated by operating activities	10.3	7.4
Cash flows (used) generated by investing activities	(0.6)	(3.2)
Cash flows (used) generated by financing activities	(9.7)	(4.3)
Increase (decrease) in cash and cash equivalents	**0.0**	**(0.1)**

Operating activities

The following table sets forth an analysis of cash flows generated from operating activities for the periods indicated.

	Nine Months Ended September 30,	
	2019	**2018**
	(in Euro millions)	
Profit before tax	10.9	10.3
Depreciation and amortization	4.0	3.3
Employee provisions, other provisions and other non-cash items	0.2	0.1
Change in trade payables	4.2	0.6
Change in other assets and liabilities	(4.5)	0.6
Income taxes paid	(4.5)	(7.5)
Cash flows (used) generated by operating activities	**10.3**	**7.4**

Cash generated by operating activities increased by €2.9 million, or 39.2%, from €7.4 million for the nine months ended September 30, 2018 to €10.3 million for the nine months ended September 30, 2019. The increase in cash generated by operating activities was primarily attributable to the combined effect of:

- an increase of €0.6 million, or 5.8%, in profit before income tax from €10.3 million for the nine months ended September 30, 2018 to €10.9 million for the nine months ended September 30, 2019, partially offset by the increase in amortization and depreciation of tangible and intangible assets; and
- an increase of €3.6 million in change in trade payables from €0.6 million for the nine months ended September 30, 2018 to €4.2 million for the nine months ended September 30, 2019, primarily driven by an increase in investments in technology assets,

partially offset by:

- a decrease in change in other assets and liabilities from €0.6 million for the nine months ended September 30, 2018 to negative €4.5 million for the nine months ended September 30, 2019, primarily as a result of the investment in other assets; and
- a decrease in income taxes paid from €7.5 million for the nine months ended September 30, 2018 to €4.5 million for the for the nine months ended September 30, 2019, primarily as a result of the decrease in profit before taxes for the year ended December 31, 2018.

Investing activities

The following table sets forth a summary of cash flows used in investment activities for the period indicated.

	Nine Months Ended September 30,	
	2019	**2018**
	(in Euro millions, except percentages)	
Investments in property, plant and equipment	(0.6)	(3.2)
Cash flows (used) generated by investing activities	**(0.6)**	**(3.2)**

Cash used by investing activities decreased by €2.6 million, or 81.2%, from €3.2 million for the nine months ended September 30, 2018 to €0.6 million for the nine months ended September 30, 2019. The decrease was primarily due to lower investments in terminals in 2019.

Financing activities

The following table sets forth an analysis of cash flows generated from financing activities for the periods indicated.

	Nine Months Ended September 30,	
	2019	2018
	(in Euro millions, except percentages)	
Raising of short-term loans	—	2.7
Repayments of short term loans	(2.3)	—
Dividends paid and reserves paid	(7.4)	(7.0)
Cash flows (used) generated by financing activities	**(9.7)**	**(4.3)**

Cash used by financing activities increased by €5.4 million from €4.3 million for the nine months ended September 30, 2018 to €9.7 million for the nine months ended September 30, 2019. The increase in cash used by financial activities was primarily attributable to the combined effect of:

- an increase in the repayments of short-term loans, from €0.0 million for the nine months ended September 30, 2018 to €2.3 million for the nine months ended September 30, 2019; and
- an increase of €0.4 million in dividends and reserves paid, from €7.0 million for the nine months ended September 30, 2018 to €7.4 million for the nine months ended September 30, 2019,

partially offset by:

- a decrease in the raising of short-term loans from €2.7 million for the nine months ended September 30, 2018 to €0.0 million for the nine months ended September 30, 2019.

Years ended December 31, 2018 and 2017

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,	
	2018	2017
	(in Euro millions, except percentages)	
Cash flows (used) generated by operating activities	18.3	28.4
Cash flows (used) generated by investing activities	(8.5)	(6.4)
Cash flows (used) generated by financing activities	(9.9)	(20.5)
Increase (decrease) in cash and cash equivalents	**(0.1)**	**1.5**

Operating activities

The following table sets forth an analysis of cash flows generated from operating activities for the periods indicated.

	Year ended December 31,	
	2018	2017
	(in Euro millions)	
Profit before tax	**14.0**	**22.4**
Depreciation and amortization	4.6	3.4
Employee provisions, other provisions and other non-cash items	—	—
Change in trade payables	5.5	7.5
Change in other assets and liabilities	1.6	(4.9)
Income taxes paid	(7.4)	—
Cash flows (uses) generated by operating activities	**18.3**	**28.4**

Cash generated by operating activities decreased by €10.1 million, or 35.6%, from €28.4 million for the year ended December 31, 2017 to €18.3 million for the year ended December 31, 2018. The movement in net cash from operating activities was primarily attributable to the combined effect of:

- a decrease in profit before tax from €22.4 million for the year ended December 31, 2017 to €14.0 million for the year ended December 31, 2018, partially offset by the increase in amortization and depreciation of tangible assets for the year ended December 31, 2018;
- a decrease of €2.0 million in change in trade payables, from €7.5 million for the year ended December 31, 2017 to €5.5 million for the year ended December 31, 2018; and
- an increase in income taxes paid increased by €7.4 million from €0.0 million for the year ended December 31, 2017 to €7.4 million for the year ended December 31, 2018, due to the fact that the cash flow statement for the year ended December 31, 2017 was prepared as if 2017 was the first reporting period of the Banca 5 Payments Business; and
- an increase in change in other assets and liabilities from negative €4.9 million for the year ended December 31, 2017 to €1.6 million for the year ended December 31, 2018 as a result of a decrease in other assets.

Investment activities

The following table sets forth a summary of cash flows used in investment activities for the period indicated.

	Year ended December 31,	
	2018	2017
	(in Euro millions)	
Investments in intangible assets	(0.3)	—
Investments in property, plant and equipment	(8.2)	(6.4)
Cash flows (used) generated by investing activities	**(8.5)**	**(6.4)**

Cash used by investing activities increased by €2.1 million, from €6.4 million for the year ended December 31, 2017 to €8.5 million for the year ended December 31, 2018. The increase was mainly due to an increase in investments in terminals and software in 2018.

Financial activities

The following table sets forth an analysis of cash flows generated from financing activities for the periods indicated.

	Year ended December 31,	
	2018	2017
	(in Euro millions)	
Raising of short-term loans	—	5.0
Repayments of short term loans	(0.4)	(10.5)
Dividends paid and reserves paid	(9.5)	(15.0)
Cash flows (used) generated by financing activities	**(9.9)**	**(20.5)**

Cash used by financing activities decreased by €10.6 million, or 51.7%, from €20.5 million for the year ended December 31, 2017 to €9.9 million for the year ended December 31, 2018. The movement in net cash from financial activities was primarily attributable to the combined effect of:

- a decrease of €5.1 million in the net movement of repayments of short-term loans and raising of short-term loans from €5.5 million for the year ended December 31, 2017 to €0.4 million for the year ended December 31, 2018. The €10.5 million repayment that occurred in 2017 was due to the repayment of short-term loans provided by Banca 5 S.p.A. at the date of initial identification of the Banca 5 Payments Business as at January 1, 2017. Such short-term loans were calculated as a difference between the total assets transferred to the Banca 5 Payments Business, including €24.3 million in property, plant and equipment, €12.8 million in equity-net investment and €1.0 million in employee provisions allocated to the Banca 5 Payments Business at January 1, 2017; and
- a decrease of €5.5 million in dividends and reserves paid from €15.0 million for the year ended December 31, 2017 to €9.5 million for the year ended December 31, 2018.

INDUSTRY

Certain of the information set forth in this section has been derived from external sources, including information from reputable international firms. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but some of the information may have been derived from estimates or subjective judgments or may have been subject to limited audit or validation and there is no guarantee, representation or warranty (either expressly or implied) of the accuracy or completeness of such data or changes to such data following publication thereof. Third party sources explicitly disclaim any liability for any loss or damage, howsoever caused, arising from any errors, omissions or reliance on any information or views contained in their reports. While we believe these market data and other information are accurate and correct, we have not independently verified them. Furthermore, such estimates or judgments, particularly as they relate to expectations about our market and industry, involve risks and uncertainties and are subject to change based on various factors, including those discussed under "Risk Factors" and "Forward-Looking Statements" elsewhere in this offering memorandum. These projections and other forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Presentation of Financial Information—Industry and Market Information", "Risk Factors" and "Forward-Looking Statements."

Overview

Our combined business will operate in three markets across Italy: Payments Products and Services, Merchant Services and Banking Services. Historically, we have primarily been present in the Payments Products and Services market (which is centered around three key activities: Bill Payments, Prepaid Cards and Telco Top-Ups) and Merchant Services market (which is focused on the technology and services needed by merchants to perform standard operations, such as cash register transactions, invoicing and tax compliance, as well as more complex and differentiated functions, such as warehouse management and working capital management). In addition to those two markets, by leveraging Banca 5's capabilities and relationship with Intesa Sanpaolo, we are also expanding into the Banking Services market, which includes bank deposits and transfers, cash withdrawals, lending, insurance products and offering other standard products or services usually provided by traditional banks at branch locations, which we are able to offer across our PoS network and our digital platforms through our distribution channels.

SisalPay has a wide service offering that includes convenience payment services (such as bill payment, money transfers and telco top-ups), prepaid cards, mobility solutions and digital payments (for both consumers and merchants), as well as cash register services for merchants. SisalPay is already a leading player in proximity payments (which are payments made at the post office, in banks or through non-specialized PoS, such as bars and tobacconists), it leverages value-added services and products, with advanced technology and focus on improved collections processes, and benefits from high brand recognition, a large PoS network and strong relationships with commercial partners. Banca 5 is an established player that offers payment and banking services to retail customers, as well as acting as a proximity services provider to other banks. Banca 5 benefits from its advantage of being the first bank with a central focus on building a tobacconist PoS network. For more information about these activities, see "*Business*".

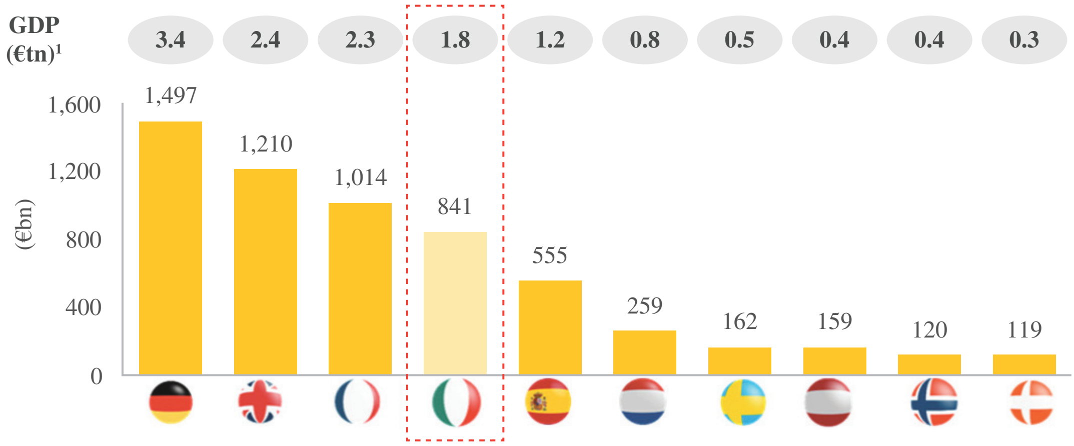
Key market factors and drivers

The Italian Payments Products and Services and Banking Services markets have, in terms of consumer transactions, traditionally been largely brick-and-mortar markets, with many Italians preferring to make such transactions at dedicated physical locations, such as bank branches, post offices and other PoS. This preference drives usage of PoS networks, such as ours. In recent years, these markets have begun to make the transition to certain digital products and services and this trend is expected to continue, which is expected to drive consumer traffic to digital solutions, such as those we offer. In addition, the reductions in the number of branches in bank networks favor consumer shift to non-banking channels, which we address in various ways. Finally, our markets are currently characterized by an evolving, but largely favorable regulatory environment. Each of these market factors and drivers are discussed below.

Consumer spending driving market growth

Italy is the fourth largest market in Europe in terms of consumer spending, underpinned by growing consumers' demand and steady household spending. The chart below illustrates Total Consumer Payments Transactions (as defined below) in 2018 for selected European countries:

Total Consumer Payments Transactions (2018)—selected countries



Source: Euromonitor International, Consumer finance 2019. Total Consumer Payments Transactions is defined as the sum of Card Payment Transactions (excluding Commercial), Cash Transactions, Electronic Direct/ACH Transactions and Other Paper Payment Transactions. The chart above is calculated on the basis of Retail Value RSP, EUR fixed exchange rates and current prices 2019. All terms are as defined by Euromonitor.

(1) Eurostat. 2018 GDP at current market prices in euros and unadjusted (neither seasonally adjusted nor calendar adjusted data).

Brick-and-mortar consumer transactions market

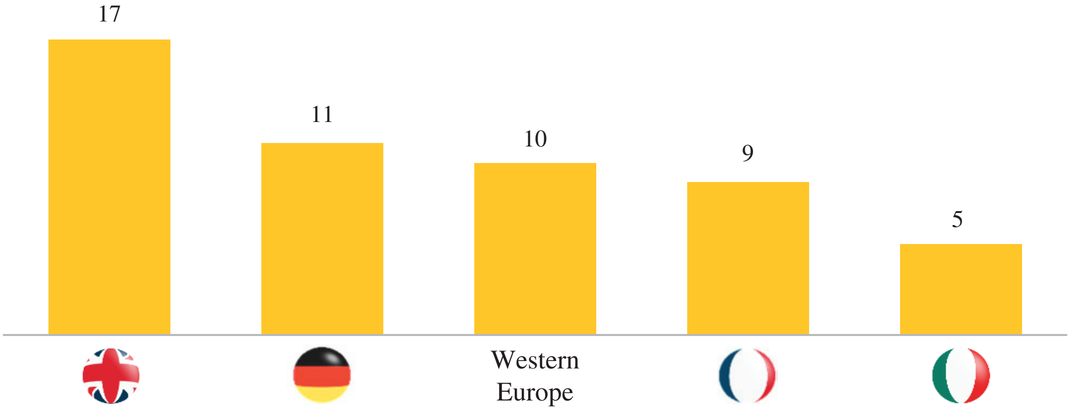
In Italy, consumer payment solutions and retail banking services have traditionally been offered primarily at brick-and-mortar locations, such as bank branches, post offices and "non-specialized" PoS, such as bars, tobacconists, convenience stores and newspaper stands ("non-specialized" refers to locations that offer payment and banking services where such services are not the core business of such location). According to Company analysis, the development of non-specialized PoS started at the beginning of the 2000s, due in large part to two market developments: the advent of prepaid telephone top-ups and the increasing availability of a widespread data transmission network for the distribution of lottery products at sales points, which could also be used for payments and top-ups. These non-specialized PoS are often preferred by consumers, as they provide a convenient "one stop-shop" service at close proximity to other consumer destinations, with longer operating hours, less queuing and wider availability, which results in a better customer experience than at a bank or post office.

Italian social and demographic factors also contribute to a preference for physical channels, as the Italian population on the whole is currently less receptive to adopting digital solutions. Furthermore, according to *Osservatorio PoliMi*, 9% of the Italian adult population does not have a bank account. As a result, the Italian Payments Products and Services and Banking Services markets are characterized by widespread physical distribution networks and comparatively low penetration of online payment transactions, as compared to other European markets.

As per Euromonitor, in Italy, online sales accounted for approximately 5.2% of total retail trade sales in 2018 compared to 9.9% for Western European countries (including Italy). In Italy, the share of online sales has grown by approximately 2.5 percentage points, from 2.7% in 2015 to 5.2% in 2018, while the share of online sales for Western European countries (including Italy) grew by approximately 2.5 percentage points, from 7.4% to 9.9%, over the same period. Italy's growth rate in online sales is well behind the UK, which grew from 13.3% in 2015 to 17.0% in 2018 and Germany, which grew from 8.8% in 2015 to 11.0% in 2018.

The chart below illustrates online retailing as a percentage of total retailing for Western Europe and selected Western European countries:

2018 online retailing / total retailing (%)

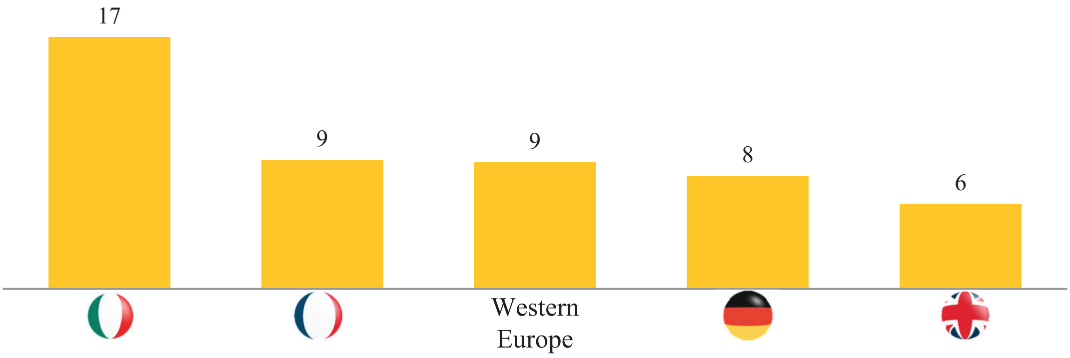


Source: *Euromonitor International, Retailing 2019 edition, as per Internet Retailing definitions. The chart above is calculated on the basis of Retail Value RSP excluding sales tax, EUR fixed exchange rates and current prices 2019. All terms are as defined by Euromonitor.*

However, online penetration in Italy is expected to progressively catch up with European levels in the medium- to long-term, with Euromonitor estimating online sales penetration to increase at a CAGR of 17.1% from 2018 to 2022 compared to a CAGR of 8.6% in Western European markets over the same period. In recent years, proximity payment players have expanded their software capabilities and online offering to deliver an omni-channel proposition and provide increased online and mobile solutions for their consumers.

The chart below illustrates the forecasted CAGR of online retailing value between 2018 and 2022 among selected European countries:

Online retailing value, forecasted CAGR 2018-22 (%)



Source: *Euromonitor International, Retailing 2019 edition, as per Internet Retailing definitions. The chart above is calculated on the basis of Retail Value RSP excluding sales tax, EUR fixed exchange rates and current prices 2019. All terms are as defined by Euromonitor.*

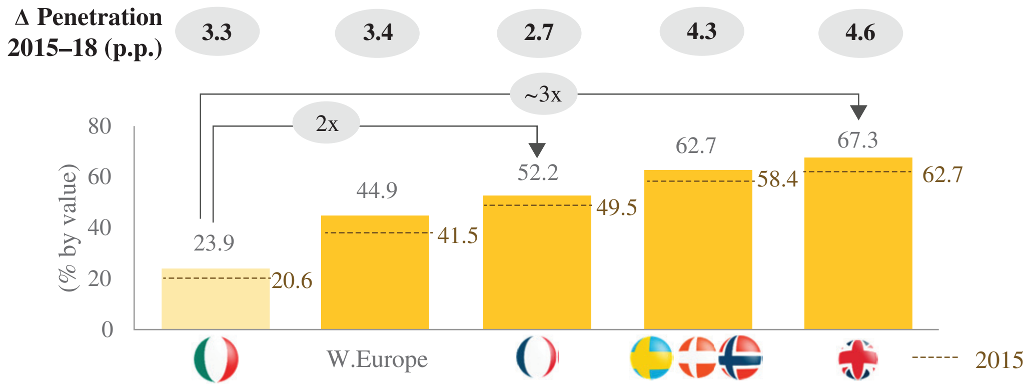
The industry has also seen growth of online wallets, which are virtual wallets allowing users to store and control online shopping information such as log-ins, passwords and credit card details in one central location. According to *Osservatorio PoliMi*, the transaction turnover of online wallets amounted to €8 billion in 2017 and is expected to grow at a CAGR of approximately 12% from 2017 to 2022, reaching €13 to €14 billion in 2022. In order to benefit from this trend, in 2018 we launched bill, a mobile app providing business solutions, cash back, mobile recharge and bill payments services and have developed a wide digital offering providing mobility, banking, transactional, insurance and savings services. See "*Business—Products and Services—Digital Offerings*."

Gradual shift towards digital payments

According to *Osservatorio PoliMi*, Italy is also largely underrepresented in the digital payments market, with cash still being used for the majority of household spending. Cash is the most common method of payment for grocery shopping, purchases at bars and restaurants, clothing and other small purchases.

As illustrated by the chart below, aggregate card spending in the Italian market falls behind card spending in other key European markets, with some of them, such as Sweden, Norway, Denmark (collectively, the "**Nordic countries**") and the United Kingdom, all benefiting from card penetration rates that are between two and three times the current levels in Italy.

2018 card payment penetration (%)



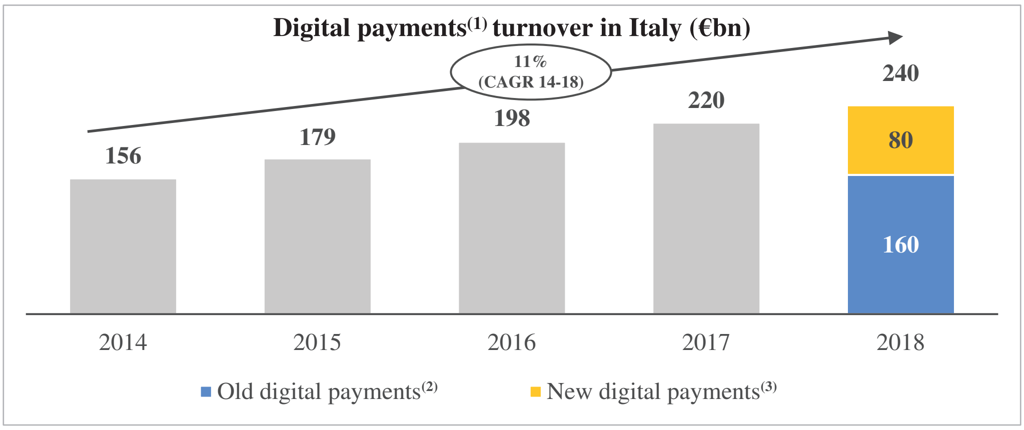
Source: Company calculation based on Euromonitor data. Card payment penetration is defined as the ratio between Card payment transactions (excluding Commercial) and Total Consumer Payments Transactions. Euromonitor International, Retailing 2019 edition, as per Card payment transactions (excluding Commercial), Cash transactions, Electronic Direct/ACH Transactions, Other Paper Transactions definitions. Retail value RSP, EUR fixed exchange rates, current prices, 2019. All terms are as defined by Euromonitor.

Between 2015 and 2018, penetration in Italy increased by 3.3 percentage points compared to a 4.6 percentage points increase in the United Kingdom over the same period. In the future, Osservatorio PoliMi expects cash payments to gradually decrease from approximately €333 billion in 2017 to between approximately €293 and €310 billion in 2022. An increase in cashless transactions provides a benefit to our business as it improves collecting timing and reducing working capital.

As the Italian market evolves towards more advanced penetration of non-cash payment methods, the Italian payments infrastructure is well-positioned to facilitate digital payments, with approximately 25 inhabitants per payment terminal in 2017 while the EU averages approximately 38 inhabitants per payment terminal (source: Bank of Italy).

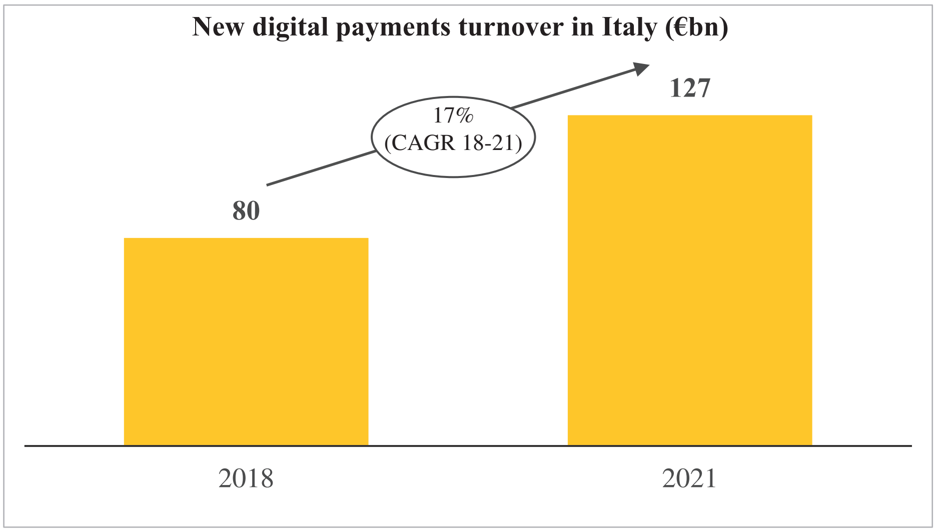
Furthermore, the Italian government has introduced several initiatives to drive digital payments, including regulating cash transactions and limiting cash payments, and is expected to continue such initiatives in the future, such as certain tax benefits introduced in some sectors if payments are made electronically.

As illustrated below, the digital payments turnover in Italy grew at a CAGR of approximately 11% over the 2014 to 2018 period with new digital payments (as defined below) expected to grow at CAGR of approximately 17% over the 2018 to 2021 period.



Source: Osservatorio PoliMi.

(1) "Digital payments" include any payments made using electronic instruments (i.e. payment cards, phone credit, virtual wallets) or current or direct debit accounts to purchase products or services.
(2) "Old digital payments" include payments made with payment cards at the point of sale.
(3) "New digital payments" include proximity and remote payments made using computers, tablets, mobiles and cards/ PoS.



Source: Osservatorio PoliMi.

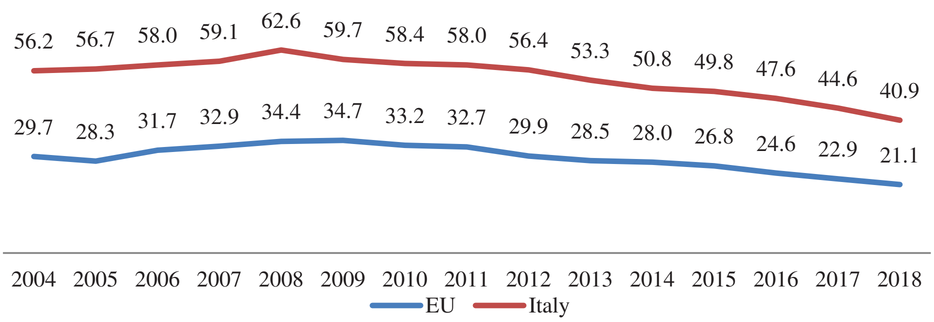
The shift towards digital payments provides an opportunity for proximity payment players to drive and enable e-commerce. Approximately 40% of our bill payments turnover from January to September 2019 was paid electronically, compared with national card payments penetration of 26%. Furthermore, payment providers offer value-added services based on software that enables merchants to manage their entire business cycle, including working capital management, inventory management and communication with customers and suppliers. With the launch of EasyCassa we have expanded our Merchant Services offering to include a comprehensive software suite to manage PoS and address this opportunity. See "*Business—Products and Services—Business Segments—Merchant Services*."

Bank network optimization

Growth drivers for our combined business include ongoing reductions to banks' branch networks. According to World Development Indicators, the number of banks' branches per 100,000 adults in Italy declined by approximately 31% between 2009 and 2018 and by approximately 18% between 2015 and 2018.

The phenomenon is particularly relevant in Italy, where, as illustrated by the chart below, historically the number of branches per every 100,000 adults has been higher than the EU overall.

Commercial banks branches (per 100,000 adults)



Source: World Development Indicators.

Financial institutions are expected to continue to reduce their physical distribution channels due to industry challenges such as low rates, low margin performance and the shift in consumers' habits towards digital and online channels. Intesa Sanpaolo intends to preserve proximity to clients and to optimize its coverage model by leveraging the Banca 5 multi-channel platform.

The trend is expected to continue to be relevant in Italy, with major Italian banks expected to reduce their branches by additional 20 to 30% in the coming years, providing an opportunity for proximity players to offer a simple and convenient alternative at a specialized PoS to meet households' every day payment needs without the need of a physical bank branch.

Between 2016 and 2018, we have increased our combined network by approximately 8.6% (net of overlapping PoS), further developing our capillary presence with the potential to expand into banking services.

Favorable regulatory environment

European regulatory changes are creating additional opportunities within the payment services space and in the new segments that we aim to address.

In particular, PSD II represents a significant regulatory change that has had an impact on the payments value chain. PSD II promotes the use of account-based payments, creates a level playing field for participants in the payments ecosystem and protects customers by making payments safer and more secure.

PSD II has allowed a more collaborative environment between incumbents and new players in the Italian Payments Products and Services market. The changes open the traditionally "bank-dominated" payments market to non-banking providers, allowing third-party operators, with customer permission, to directly access customer account data and initiate payments. The third-party operators are able to leverage their technological propositions while positioning strategic control points in the payments value chain and potentially disrupting the existing payments supply chain. It also allows third-party operators to develop new payment offerings to targeted markets based on customer data.

PSD II also creates opportunities in the traditional banking space by giving account information service providers the ability to use programming interfaces on various payment applications to collect information from customer accounts and to use that information to develop new, customized offerings. PSD II has driven bank and third party collaboration by encouraging two-way data sharing between banks and third parties in a secure, scalable and accelerated manner.

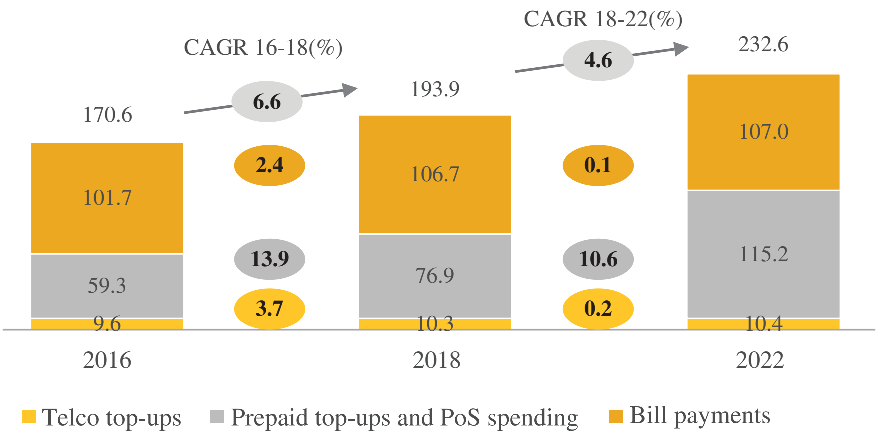
We intend to benefit from this regulation by positioning ourselves as an open distribution platform catering not only to our existing customer base but potentially to that of other Italian banking groups and financial institutions.

Our Key Markets

The Italian Payments Products and Services Market

The Italian Payments Products and Services market is large and growing, with total market turnover of approximately €194 billion in 2018, as compared to approximately €171 billion in 2016, reflecting at a CAGR of 6.6%. As illustrated by the chart below, the Italian Payments Products and Services market is forecast to grow at a CAGR of 4.6% from 2018 to 2022, when it is expected to reach approximately €233 billion in annual turnover. Our combined business is poised to have a strong presence in the Italian Payments Products and Services market, holding 8.7% combined market share based on total market turnover bill payments, telco top-ups and prepaid cards in 2018.

Payments Product and Services



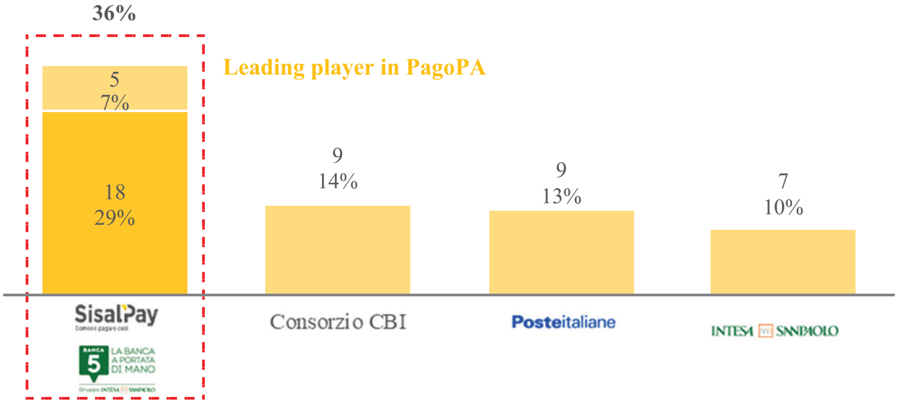
Source: Osservatorio PoliMi, Company analysis and Roland Berger.

Bill payments represents the largest portion of the Payments Products and Services market and includes payment of utility bills, fines, taxes as well as payment of insurance premiums, subscription fees and transportation services. Payment services are supplied by post offices, banks and through the PoS located at authorized operators such as tobacconists, bars and newsstands.

The total market turnover in the bill payments segment is expected to remain stable until 2022, while the chosen channel for payments is expected to shift towards authorized operators and online channels and away from banks and post offices. The change is most likely driven by the closure of banks branches as well as increasing customer preferences for PoS located in merchant shops or online options.

The bill payments segment also includes payments services in respect of the Italian public administrations, which have been recently simplified through the introduction of the pagoPA system initiative. PagoPA enables all payments made towards the public administrations to be executed via technological infrastructure provided by the Italian Digital Agency (*Agenzia per l'Italia Digitale*). The transition to the pagoPA system is ongoing. There are more than 390 payment service providers (including SisalPay and Banca 5) and 17,500, or 75%, of public administrations have joined the pagoPA system. We are the leading player in the pagoPA system with approximately 36% market share in terms of number of transactions since January 2016 as of November, 2019.

Overview of top payment service providers
(Jan-16-Nov-19, transactions, % of transactions)



Source: Italian Digital Agency (Agenzia per l'Italia Digitale).

Prepaid cards represents the second-largest portion of the Payments Products and Services market and includes prepaid cards, top-ups and spending at PoS. Consumers typically pay a fixed commission for each prepaid top-up and an annual fee when they pick up the card at the PoS. Total turnover of prepaid cards increased at a CAGR of 13.9% from 2016 to 2018 and it is expected to keep growing, albeit at a slower rate than in previous years, at CAGR of 10.6% from 2018 to 2022. The increase in both transaction volume and value is driven by the increased acceptance of prepaid cards at physical PoS and consumers' willingness to make purchases online using prepaid cards.

The telco top-ups segment comprises top-up transactions for prepaid mobile and fixed-line telephone accounts and TV cards for pay-per-view offerings. The business model of telco top-ups provides for bilateral agreements between telephone or television operators and suppliers of the service. The supplier of the top-up service receives remuneration from the partner as a percentage of the value of the transactions executed.

Telco top-ups are expected to remain stable, with the proximity channel and tobacconists expected to remain the main channel for top-ups. We believe there will be an increase in online and mobile top-ups, driven by the increasing use of home and mobile banking for telco top-ups and increasing e-commerce and m-commerce transactions on the telco provider's website or app.

The value chain of the Payments Products and Services market includes four main market participants:

- the consumer: pays a fixed commission in the case of bill payments and top-ups of prepaid cards but does not pay a commission in the case of telephone top-ups;
- the merchant: collects the payment due for the transaction, including any commission paid by the consumer, and issues a receipt using the devices supplied by the operators. The merchant usually receives a fixed commission per transaction in the case of payments and top-ups of prepaid cards or a percentage on the amount of the top-up for telephone cards, according to a revenue sharing agreement with the operator;
- the operator: supplies the technological and computer services to carry out the transactions and collects, through automatic bank withdrawal procedures, the amount due net of the commission due to the retailer, based on ongoing authorizations conferred by the retailer; and
- the partner: the intended recipient of the payment receives the amount paid by the consumer conferred by the operator.

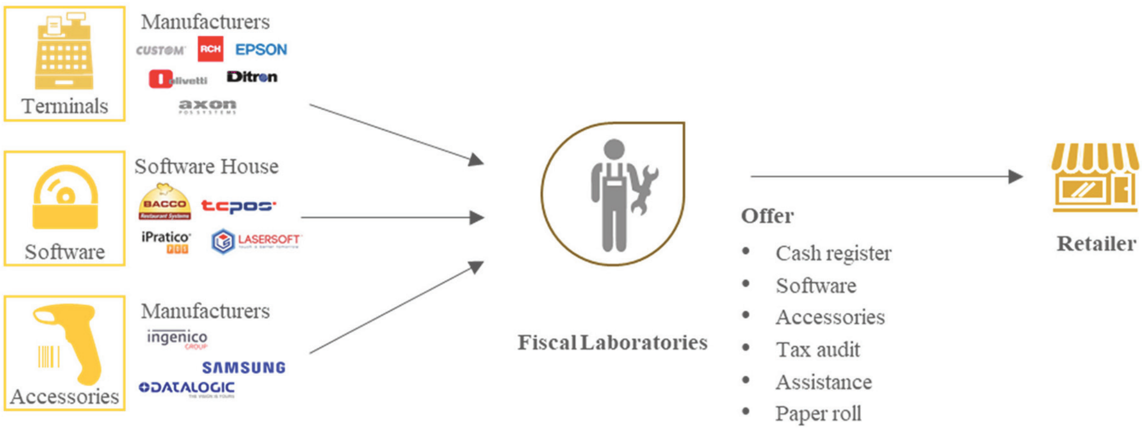
The Italian Merchant Services Market

We believe the Italian Merchant Services Market represents an attractive and stable income stream for our combined business. The Merchant Services market includes technology and services provided to merchants to execute standard operations such cash register transactions, invoicing and tax compliance as well as more advanced and differentiated functions, such as warehouse and working capital management.

We estimate that there are approximately 300,000 cash registers in use in restaurants and coffee shops in Italy that are part of our addressable market, providing a significant opportunity for growth beyond our current merchant customer base. Those can be divided between approximately 38,000 advanced cash registers (for example, cash registers that are wifi-enabled, while having software for customer management and invoice management) and approximately 246,000 premium cash registers, in addition to advanced cash register functionalities, in which fidelity program management and inventory management software can be installed, while having Radio-frequency identification (RFID) systems and fingerprint recognition. This market excludes cash registers located in retail shops, which amount to approximately 434,000.

The segment is also characterized by a favorable regulatory environment that encourages merchants to upgrade their hardware and software by requiring industry-wide changes. For example, since July 2019, digital invoicing has been mandatory for all merchants, digital fiscal receipts has been mandatory for merchants with sales greater than €400,000 and, beginning in January 2020, digital fiscal receipts will be mandatory for all professionals.

Until recently, the market has been mainly operated by fiscal laboratories (*laboratori fiscali*), which are entities directly accredited by the Italian revenue agency and are the only contact point for merchants. Fiscal laboratories provide merchants with all the key hardware and software required for invoices, including cash registers, sales software, accessories and customer assistance. This has resulted in limited options for merchants, who often managed unintegrated devices and software supplied by different operators. The chart below illustrates the cash register business model and value chain.



Source: Company analysis

Due in part to the convenience offered to merchants by integrated payment systems, the role of payment players has shifted from a provider of standard payment solutions to a provider of value-added services and an enabler of commerce. Payments providers have begun providing the services usually provided by fiscal laboratories, becoming a reference point for merchants offering comprehensive solutions of integrated hardware and software.

Integrated payment systems allow merchants to access a bundled suite of tools and services via one access point, such as a desktop platform or mobile application, and attain a more comprehensive picture of business performance and customer trends that is cost effective and efficient. Recent innovations in integrated payment systems have focused on increasing scalability and incorporating bespoke offerings such as multi-currency use and design features that allow new offerings to integrate with the merchant's existing back-office platform, resulting in an offering that is are more user-friendly and easier to navigate.

To address this trend we have recently introduced EasyCassa, a comprehensive solution to manage PoS which includes a broad range of services, including cash register functions, invoicing, tax compliance, warehouse management and treasury and liquidity management.

The Italian Banking Services Market

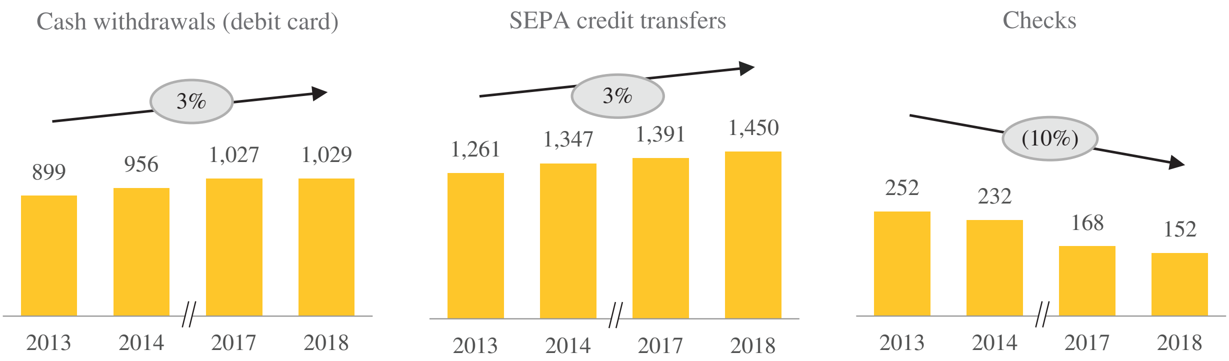
The Italian Banking Services market, which includes the volume of cash withdrawals and bank transfers executed in Italy, had a total annual turnover of approximately €415 billion in 2017, which was estimated by combining data from the Bank of Italy and *Osservatorio PoliMi*.

Addressing the Italian Banking Services market is one of the key pillars of our strategy, which aims to expand our products and services offering to meet the everyday needs of our customers. See "*Summary—Business Strategy*."

Leveraging Banca 5 capabilities, relationship with Intesa Sanpaolo and capillarity of our distribution network, we are expanding into the Banking Services market, which includes bank transfers, cash withdrawals, personal loans and any other standard operations provided at bank branches or through our distribution channels.

The Banking Services market in Italy is in continuous expansion. As illustrated by the charts below, both the number of debit card cash withdrawals and the number of SEPA credit transfers have increased at CAGR of approximately 3% from 2013 to 2018. The upward trend in credit transfers has been driven by regulation and the increasing prominence of internet banking. Conversely, check usage has declined by a CAGR of approximately 10% over the same period.

Cash withdrawals (debit card), SEPA credit transfers and checks (2013-18; thousands of transactions)



Source: Bank of Italy

In addition, European regulatory changes such as PSD II open the payments market to non-banking providers, who may be able to leverage advanced technological propositions and position themselves at strategic control points in the payment value chain.

At the same time, the ongoing optimization of banks' branch networks in Europe provide an opportunity to players such as SisalPay and Banca 5 to expand the offering of banking services through our network of approximately 51,000 PoS (post-network optimization).

This trend is also visible outside of Italy, with financial players looking to partner with providers featuring strong distributional presence. In France, for example, BNP Paribas in 2017 announced the acquisition of Compte-Nickel, a banking services provider with a distribution network of 10,000 "*buraliste*" in France, which are local retailers of state-licensed products and services such as tobacco, tax stamps and sub-post office services.

We believe we are well positioned to take advantage of these trends. Over time Banca 5 has developed a proximity network for "instant" banking services and provides services including cash withdrawals, credit transfers and personal loans.

Moreover, thanks to the combination with SisalPay, Banca 5 products will benefit of a wider distribution through SisalPay's unrivalled capillary PoS network.

Competitive Landscape

Our key competitors in the markets in which we operate include:

- ***Commercial banks based in Italy***. Banks provide a range of payments and products services in their branches that directly compete with the SisalPay and Banca 5 offering.
- ***Poste Italiane***. Poste Italiane is a listed postal and financial services company in Italy that is controlled by the Italian government. It has a network of approximately 13,000 proprietary post offices distributed across Italy and provides a range of payment services. It is also the main provider of prepaid cards through its PostePay prepaid card, which was launched in 2003 and was among the first prepaid cards in Italy. Among its services, Poste Italiane also provides acquiring services and banking services such as cash withdrawals, SEPA credit transfers, B2C digital products and personal loans. Poste Italiane also controls the issuance of postal bill payments.

- ***Lottomatica Italia Servizi ("LIS")***. LIS is part of the IGT Group, a global leader in the gaming sector primarily operating in America, Italy, Europe and Africa. LIS provides a range of payment product and services through its network of approximately 50,000 PoS composed of approximately 30,000 tobacconists and 20,000 other merchants including gas stations, bars and supermarkets. Its business model is comparable to SisalPay, however its offering is mainly focused in payments products and services with no merchant services or banking services offering.

- ***PayTipper***. PayTipper entered the market in 2014 and has progressively expanded. In 2019, Enel X acquired a 55% stake in PayTipper. It operates through an online platform, has a network of approximately 5,000 PoS under the brand "*PuntoPuoi*" and offers its services through its PagaComodo app.

- ***CityPoste Payment***. CityPoste Payment operates through the brand QuiPay and offers payment and services products as well as banking services. It operates a network of approximately 1,000 PoS and offers its services through its online platform and Zibaldo payment app. CityPoste Payment has a significant presence in private post offices through the franchise Mail Express Poste, one of the main private postal operators in Italy.

- ***SNAIpay***. Part of Playtech Group, a leading online gaming software supplier with offices in 17 countries, SNAIpay offers value added solutions to the industry's leading operators. In July 2019 it announced its entrance into the proximity payment market, where it benefits from approximately 7,000 PoS.

- ***International players.*** We also face substantial competition from online players and international technology firms, such as Google, Apple and Facebook, who are continually expanding their service offerings to European customers. In particular, Apple has recently launched a credit card specifically for mobile payments through Apple Pay.

BUSINESS

Overview

Created through the combination of the Sisal Payments Business and the Banca 5 Payments Business, we are a new leading player in Italian proximity payments products and services and a trusted business partner for Italian merchants. We believe the combined business will leverage an established platform across Italy, benefitting from scale of operations and focusing on key market segments that we believe hold significant growth potential. Our business is built on a proximity model, benefitting from an extensive and capillary network of approximately 51,000 points of sale ("**PoS**") (post-network optimization), mostly located in bars, coffee shops, tobacconists and newsstands, and we believe, based on internal analysis, that we served an estimated 20 million customers in 2018, underpinned by strong relationships with approximately 100 commercial partners.

We believe that our enhanced service and value proposition, together with our broad and diversified offering of products and services and our recognizable brands, will help us expand our customer reach and position us to deliver solid growth, profitability and cash flow generation. We generated *pro forma* net revenue of €143.4 million and Combined adjusted *pro forma* EBITDA of €100.0 million during the twelve months ended September 30, 2019.

Through our distinctive products and services offering, proprietary payment platform and digital portfolio and business-to-business ("**B2B**"), business-to-consumer ("**B2C**") and business-to-business-to-consumer ("**B2B2C**") products and services, we provide consumers with a one-stop-shop solution for their payments and banking services needs via our retail, online and mobile channels. Our combined offering includes the following segments:

- **Payments Products and Services:** a B2C offering with three components**:**
  - ***Bill Payments***: payment of various types of bills, including utilities, fines, taxes and subscriptions, from approximately 1,000 companies and public entities; we have commercial partnerships with 100 of these companies and public entities. Our bill payments segment includes pagoPa, a platform that provides consumers with a convenient way to make electronic payments owed to certain Italian central and local governmental entities. For the twelve months ended September 30, 2019, we generated 39.8% of our *pro forma* net revenue from this segment.
  - ***Prepaid Cards***: issuance and top-up of own-branded prepaid debit cards and top-up services for our partners' prepaid debit cards. For the twelve months ended September 30, 2019, we generated 7.7% of our *pro forma* net revenue from this segment.
  - ***Telco***: top-ups, including, mobile phones, pay-per-view TV cards, and e-commerce accounts. For the twelve months ended September 30, 2019, we generated 10.6% of our *pro forma* net revenue from this segment.
- **Merchant Services:** a B2B offering of technology infrastructure and solutions to our PoS partners (generally small entrepreneurs) to help them manage their everyday store needs, including invoicing and tax compliance, working capital management and payment terminal maintenance. For the twelve months ended September 30, 2019, we generated 38.0% of our *pro forma* net revenue from this segment.
- **Banking Products and Services:** a B2B, B2C and B2B2C offering of products and services, including cash withdrawals and deposits, bank accounts, bank transfers and personal and business lending and insurance products, offered in partnership with Banca 5 and Intesa Sanpaolo. For the twelve months ended September 30, 2019, we generated 3.9% of our *pro forma* net revenue from this segment.

Our comprehensive digital portfolio complements our core products and services. Our digital portfolio includes the following products, certain of which are provided through partnerships with third parties:

Payments: person-to-business ("**P2B**") and person-to-person ("**P2P**") payments, cash back and mobile recharge

Mobility: manage parking space and toll road access payments; purchase public transportation tickets and passes

Insurance: on-demand insurance covering goods, health, people, pets and travel (through a partnership)

Savings: manage personal finances, track spending and investing (through a partnership)

Competitive Strengths

A new leading player in the structurally growing Italian payments and banking markets and a trusted business partner for Italian merchants

We are a new leading player in the Italian proximity payments industry, operating in large and growing markets: the Italian Payments Products and Services market, the Italian Banking Products and Services market and the Italian Merchant Services market. These markets are supported by solid growth trends that are in turn underpinned by favorable industry dynamics. We are also a partner of choice for many Italian merchants, to whom we provide critical B2B information technology infrastructure, support and other value-added services. The combination of the Sisal Payments Business and the Banca 5 Payments Business allows us to offer a leading omni-channel network of (1) Payments Products and Services, (2) Merchant Services and (3) Banking Products and Services that we believe, based on internal analysis, served an estimated 20 million customers in 2018 and maintain approximately 51,000 PoS (post-network optimization) with merchants across Italy. We believe that the complementary offering of the Sisal Payments Business and the Banca 5 Payments Business products and services will favorably position us to further consolidate our leading positions across and seize the full potential of our addressable markets.

The Italian Payments Products and Services market had a total market turnover of approximately €194 billion in 2018, and grew at a CAGR of 6.6% from 2016 (when turnover was approximately €171 billion) to 2018. We have a strong and established presence in the Italian Payments Products and Services market, with SisalPay and Banca 5 holding 8.7% of market share based on total market turnover for bill payments, telco top-ups and prepaid cards in 2018. In the nine months ended September 30, 2019, SisalPay generated turnover of €6.8 billion through its PoS network across its Payments Products and Services offering. Turnover related to this offering has grown at a CAGR of 8.2% from 2016 to 2018, which compares favorably with the Italian Payments Products and Services market average of 6.6% over the same period. Our Payments Products and Services segment accounted for 60% of our *pro forma* net revenues in 2018, representing *pro forma* net revenues of €91.2 million. Due to a number of supportive trends, the markets in which we operate have proven to be generally resilient, even in years of slow GDP growth in Italy. These markets are expected to continue outperforming Italy's economy over the 2018 to 2022 period, growing at a CAGR of 4.6% from 2018 to 2022, as compared with average Italian GDP growth forecast of 0.5% over the same period (Source: International Monetary Fund). Resilience and consistent growth in our markets is driven in part by low penetration of online and direct debit payment options in Italy, as well as cultural preferences that drive customers to prefer visiting physical proximity channels to make payments in real-time, digitally or with cash, in parallel with the purchase of other services that merchants offer. Ongoing closures of banks' physical branches (approximately 3,600 branches were closed between 2016 and 2018) present another driver of growth in our markets and provide players such as ourselves the opportunity to offer a simple and convenient alternative to banks that meets Italian households' everyday payment needs.

The Italian Payments Products and Services market has three key components: bill payments, prepaid cards and telco top-ups. In 2018, total market turnover in bill payments was €107 billion, followed by €77 billion in prepaid cards and €10 billion in telco top-ups. In 2018, bill payments, prepaid cards and telco top-ups accounted for 35%, 15% and 10% of our *pro forma* net revenues, respectively. We expect the bill payments component of the Italian Payments Products and Services market to continue growing moderately in the coming years, driven in part by the migration of public administration bill payments to the pagoPA system. We are a leading player in the pagoPA system, having processed 36.0% of pagoPA transactions since January 2016. The prepaid cards component is expected to continue growing markedly in the years to come, with growth projected at a CAGR of 10.6% over the 2018 to 2022 period. We currently address demand in this component in two ways: by offering our own prepaid card solutions and by offering top-up services for our partners' prepaid cards. We also expect the telco top-ups component to grow moderately in the coming years, driven in part by increasing usage of home and mobile banking for telco top-ups and increasing e-commerce transactions on telco provider websites and apps.

Through our Merchant Services segment, we serve a network of approximately 51,000 PoS (post-network optimization) across Italy, mostly located in bars, coffee shops, tobacconists and newsstands. Our Merchant Services segment generated €54.5 million in *pro forma* net revenues in 2018 (36.1% of our *pro forma* net revenues). This represents an attractive and stable income stream for our combined business and will remain a key focus area. We estimate that the total addressable market is approximately 300,000 merchants across Italy, providing a significant opportunity for growth beyond our current merchant customer base.

We hold a solid position in the Italian Banking Products and Services market, which we serve through our Banking Products and Services segment, which generated €5.2 million in *pro forma* net revenues in 2018 (3.4% of our *pro forma* net revenues). Banking Products and Services represent a significant market opportunity for us, with total annual turnover of approximately €415 billion in 2017 (based on €379 billion withdrawals and

€36 billion bank transfers), and are supported by the positive market fundamentals discussed above. Addressing and further penetrating the Italian Banking Products and Services market is one of the key pillars of our strategy; we aim to expand our product and service offering to meet the everyday needs of our customers.

Thanks to our comprehensive and capillary network of approximately 51,000 PoS (post-network optimization) located in bars, coffee shops and tobacconists across Italy, we believe that we provide a convenient "one-stop-shop" service to Italian households with convenient operating hours, less queuing and wider availability, resulting in a better customer experience than Italian banks and post offices can generally provide. Approximately 40% of our bill payments turnover from January to September 2019 was paid electronically, compared with national card payments penetration of 26%.

Furthermore, our physical PoS network is complemented by our significant digital operations. Our digital offering is comprehensive, which we believe enhances and complements our PoS offering. We have introduced digital apps through which our customers can pay their bills ("**bill**") and execute banking and transactional services through the Banca 5 and SisalPay apps. We have also entered into commercial partnerships with companies offering mobility services ("**myCicero**"), insurance products ("**YOLO**") and a convenient way for customers to manage their savings ("**Oval**").

Broad and distinctive products and services offering, underpinned by strong relationships with approximately 100 commercial partners and the Italian public administration

We provide a full range of Payments Products and Services, Merchant Services and Banking Products and Services to consumers and merchants. We believe our comprehensive offering allows consumers to take advantage of a one-stop-shop solution, where they are able to visit a merchant for their core offering (for example, coffee or tobacco) and, at the same time, are able to pay their bills, top-up their cards or mobile devices and have access to banking services, resulting in a better customer experience. Merchants likewise benefit from the customer footfall generated in their stores as consumers visit to fulfil their payment and banking needs. We also assist merchants in managing all of their in-store payment-related activities including, for example, with invoicing and transitioning to cashless terminals.

Our long-standing relationships with approximately 100 commercial partners, including large retailers, utilities, telecom operators and financial institutions, allow us to provide a comprehensive and diversified offering to satisfy the everyday payment and banking needs of Italian consumers. For example, in our Payments Products and Services segment, we provide a variety of bill payments services managed via a proprietary platform and through partnerships with our commercial partners and merchants. Our positioning as the first provider of the pagoPA platform has allowed us to become a market leader in the fast growing Italian public administration bills segment. Our bill payments business includes the payment of utility bills, fines and taxes, as well as the payment of insurance premiums, subscription fees and transportation services. In our prepaid cards business, we offer top-up services for our partners' prepaid cards, while SisalPay and Banca 5 have each introduced their own branded prepaid cards. We intend to further expand our service offering by launching a new branded prepaid card following the rebranding of the combined business. Our Banking Products and Services segment offers B2B services (including bank accounts and business lending), B2C services (including bank accounts, debit cards and personal lending) and B2B2C services (including credit transfers and withdrawals). Additionally, we intend to leverage Banca 5 Payments Business to enlarge our Banking Products and Services offering, which includes cash withdrawals and bank transfers, as well as extend our Merchant Services offering from cash registers, invoicing and tax compliance to warehouse and working capital management.

We believe that our broad product offering allows us to provide a better range of services than our closest competitors, addressing customer needs across multiple areas. Particularly with respect to banking services, we believe that we have an advantage in this space due to Banca 5 Payments Business' capabilities and its relationship with Intesa Sanpaolo, Italy's largest bank (by number of branches).

Growing capillary payment PoS network supported by a strong brand proposition and merchant loyalty

We have one of the largest physical payment PoS networks in Italy. This broad capillary network allows us to serve our customers across Italy, and we believe that new market entrants could find it difficult to challenge us in terms of network scale. Our combined network consists of approximately 51,000 PoS (post-network optimization) distributed across Italy and allows us to benefit from economies of scale.

We have strong commercial relationships with merchants and provide them with a comprehensive suite of technology and support services alongside a dedicated training and communications platform. Our longstanding relationships and high levels of merchant loyalty are reflected in our low churn rates, averaging approximately 6.3% and 7.1% over the 2016 to 2018 period for SisalPay and Banca 5, respectively. We believe our churn rates are largely driven by the closure of unprofitable merchants, as opposed to merchants switching to other providers of payment and banking services. Given the quality and broad range of products and services we offer, we enjoy a positive reputation with merchants, as demonstrated by our proven track record of organic PoS growth. Our PoS numbers have been growing steadily in recent years, with SisalPay adding over 1,300 merchants between 2017 and 2018 (growth of 3.1%) and Banca 5 added over 400 merchants (in terms of M210 PoS terminals) over the same period (growth of 3.0%) while, in recent years, the Italian banking sector has witnessed a trend of branch closures, the number of banks' branches per 100,000 adults in Italy declining by approximately 31% between 2009 and 2018 and by approximately 18% between 2015 and 2018.

Our longstanding position with merchants and consumers drives the strong brand awareness that our Payments Products and Services segment enjoys. According to a survey conducted by Nextest in 2019, in which consumers were asked "which of the following companies managing payment services through convenience stores do you know by name?", approximately 54% of respondents recognized either SisalPay or Banca 5. SisalPay and Banca 5 brand awareness has been built over time through multi-channel campaigns on TV, radio, print media, social media, mobile apps and websites. We believe our brand awareness is higher than many other players in our market: it is estimated to be approximately six times higher than that of our closest competitor, who enjoys only 9% brand awareness.

A value-added technology and software partner for merchants and provider of a complementary digital offering to consumers

In our Merchant Services business unit, we provide users of our PoS network, which are generally small entrepreneurs, with a complete suite of value-adding technology and software solutions for merchants to help them manage their day-to-day needs. We have a large team of in-house software developers who develop and consistently improve our technological expertise and capabilities, including PoS technology, merchant software, communication and consumer apps and our merchant-dedicated platform for training.

We provide merchants with next-generation terminals, which enable them to execute both standard operations (such as cash register transactions, invoicing and tax compliance) as well as more advanced and differentiated functions (such as warehouse and working capital management). Further, our proprietary MyB5 Portal supports merchants in their day-to-day activities, providing tools for training and support, as well as a marketplace of what we believe to be approximately 1,700 products, promotions and news sources.

In exchange for these tools, services and support, merchants pay an annual merchant fee, which represents a stable recurring income stream for us. Merchant fees have remained broadly stable at approximately €900 per merchant per annum since 2016 for SisalPay and represented 36.1% of *pro forma* net revenues in 2018. As its PoS network has expanded organically, SisalPay's Merchant Services revenues have grown at a CAGR of 4.2% between 2016 and 2018.

Attractive and resilient financial profile with strong cash flow generation, supported by recurring revenue streams

The combined business has an attractive financial profile, with resilient top-line performance, high EBITDA margins and strong cash flow generation.

In particular, SisalPay's expanding network, increasing brand recognition and evolving product range have driven top-line growth historically, mainly in the bill payments and prepaid card businesses. Over the 2016 to 2018 period, SisalPay's net revenues increased year-on-year by 6.3% in 2017 and 3.0% in 2018.

SisalPay's scale, operating leverage and cost-efficiency measures have driven Adjusted EBITDA margin growth: SisalPay Adjusted EBITDA margin increased from 63.3% in 2016 to 65.3% in 2017 and to 65.7% in 2018. Our *pro forma* Adjusted EBITDA margin was 63.1% for the twelve months ended September 30, 2019.

SisalPay is highly cash generative and requires limited capital expenditure, as demonstrated by SisalPay's high cash conversion levels (which we define as Adjusted EBITDA less recurring capital expenditures) of over 90% for each year from 2017 to 2018 and by our *pro forma* operating free cash flow conversion level of 90.2% for the last twelve months ended September 30, 2019.

Our attractive financial profile is underpinned by the recurring nature of our revenues, supported by predictable fees generated from Merchant Services, low PoS churn rates and the non-cyclical nature of transaction revenues, which provides resilience during downturns. From 2008 to 2018, we estimate that the Sisal Payments Business' transaction revenues increased at a CAGR of 15%, well above the Italian GDP CAGR of 0.8% over the same period.

Experienced management team with a strong track record, with support from solid, reputable shareholders

Our management team has more than 30 years of combined experience in the Payments Products and Services, Merchant Services and Banking Products and Services industries. Our management team includes the key executives from Sisal Group who led the launch of SisalPay and have delivered above-market growth. In the nine months ended September 30, 2019, SisalPay had turnover of €6.8 billion through its PoS network across its Payments Products and Services offering. Turnover related to this offering has grown at a CAGR of 8.2% from 2016 to 2018, which compares favorably with the Italian Payments Products and Services market average of 6.6% over the same period. In addition, a key member from Banca 5 Payments Business' management will provide complementary specialist expertise in banking services, enabling us to leverage the support of Intesa Sanpaolo, Italy's largest bank (by number of branches). We believe this will position us to expand our Banking Products and Services offering, particularly with the introduction of cash deposits, cash withdrawals and other products.

The unique and blended expertise of our management team is further enhanced by shareholders that recognize and value the strong potential of the markets we operate in when defining their long-term strategy. Sisal Group is a leading player in the Italian proximity payments industry, with 70 years of history. Established in 1946 as the first Italian company to operate in the gaming sector as a government concessionaire, it is a portfolio company of CVC Fund VI. CVC is a leading international private equity and advisory firm with a network of 24 offices on three continents which has secured over $129 billion in investor commitments. In total, CVC's private equity platform currently manages approximately $59 billion of assets. Intesa Sanpaolo is the largest commercial bank in Italy in terms of loans, deposits and branches. With approximately 3,800 branches in Italy serving almost 12 million customers, Intesa Sanpaolo is a leading provider of financial products and services to both households and businesses in Italy. It also has a strategic international presence, with subsidiaries in Central and Eastern Europe, the Middle East and North Africa. Its capital position and asset quality provide the bank with a competitive advantage as compared to other Italian banks and are complemented by a superior track record in terms of top-line growth.

Business Strategy

The combined entity will benefit from a (i) large and diversified offering of payments and banking products and services, (ii) state-of-art, fully invested technological platform, (iii) large and capillary merchant network and (iv) comprehensive digital offering. We aim to leverage these strengths to further optimize our business and consolidate our position as a reference partner for Italian households and merchants. We believe that leveraging our enhanced scale and reach, complementary offerings and capabilities, as well as building on our proven technology and innovation track record will enable future growth. We are also focused on realizing operational synergies and the cross-selling potential of our combined business and implementing key initiatives relating to Payments Products and Services, Merchant Services, Banking Products and Services and digital opportunities.

Continue expanding our product and service portfolio to increase relevance for customers

Both SisalPay and Banca 5 have a clear track record of strategically expanding their products and services portfolios, including innovative solutions and next-generation technologies. For example, SisalPay and Banca 5 have each introduced branded prepaid cards, having issued a total of 101,000 cards (65,000 SisalPay cards, 24,000 Banca 5 cards co-branded with Intesa Sanpaolo and 12,000 Banca 5 cards) as of November 2019. We intend to further expand our service offering by launching our own branded prepaid card following the rebranding of the new combined business. With the launch of our own branded prepaid card, we will target a large and fast-growing market, which is expected to grow at a CAGR of 10.6% per annum from 2018 through 2022, and we believe we will be well-positioned to seize what we believe to be the significant potential of progressive e-commerce growth in Italy.

We are a market leader in the Italian public administration bill payments segment and our recent marketing efforts have led to new regions adopting pagoPA. We have also recently launched our *Bolletini premarcati* program and won a contract with ACI (Automobile Club d'Italia) to offer more bill payment services for our customers. These were some of the factors that led to 16.0% net revenue growth within SisalPay's bill payments segment in the nine months ended September 30, 2019, as compared with the prior period.

Banca 5 has also progressively expanded its Banking Products and Services offering over the last few years, including expanding into cash withdrawals and bank transfers, payment accounts, personal loans and insurance products. We intend to further expand our portfolio by providing new products and services across the distribution network and customer base of the combined business, including the introduction of cash deposits, "know-your-customer" services for current account opening and other products, as well as insurance products through a partnership with the digital platform "YOLO".

Given the breadth of our distribution network, with 51,000 PoS (post network optimization), which we believe, based on internal analysis, served an estimated 20 million consumers in 2018, we plan to position the combined business as an open distribution platform, catering not only to our existing customer base but also potentially to that of other Italian banking groups, financial institutions and corporate partners that want to leverage our capillary physical presence throughout Italy. In addition, we believe that the ongoing optimization of bank branch networks in Italy creates an opportunity for us to further expand our business model and PoS network. According to World Development Indicators, the number of banks' branches per 100,000 adults in Italy declined by approximately 31% between 2009 and 2018 and by approximately 18% between 2015 and 2018.

Optimize our digital offering and further align with consumer trends

In addition to our extensive PoS network, we have built an online presence with a comprehensive digital offering. Combining SisalPay and Banca 5's digital assets and capabilities will allow us to leverage a broad ecosystem of digital apps across different market segments, including digital payments (bill), mobility services (myCicero), banking and transactional services (SisalPay and Banca 5 apps), insurance (YOLO, through a partnership) and savings (Oval, through a partnership), which are already used by approximately 2 million customers.

We intend to remain a frontrunner in the progressive shift from physical to digital payments and banking services, while also leveraging the highly-recognized Sisal Pay and Banca 5 brands and the opportunities created by PSD II for non-bank players, continuing to improve the integration, accessibility and convenience of our existing digital offer and expand our digital penetration by leveraging our existing base of what we believe, based on internal analysis to be an estimated 20 million customers in 2018.

Expand our Merchant Services business to further increase network loyalty

We intend to further expand the suite of products and services that we offer to merchants, with the goal of cementing our position as their partner of choice. We continue to invest in next-generation Merchant Services products, such as SisalPay's B2B EasyCassa platform, and Banca 5's Smart PoS platform, and we aim to provide merchants with easy to use, one-stop-shop solutions to manage their everyday business needs. For example, through EasyCassa, we provide retailers with an innovative high-tech suite to facilitate end-to-end in-store activities and payments, that are also complementary to our other products. EasyCassa is a cloud-based platform and the cash register function is fully integrated with our bill app. EasyCassa is also integrated with our Banking Products and Services offering, including bank accounts, revolving credit, treasury and liquidity management. Today with EasyCassa, our merchants are empowered to successfully manage several in-store activities, such as cash registers, e-billing management (mandatory in Italy since January 1, 2019), sales statistics, inventory and management of restaurant reservations. We also plan to progressively integrate additional functionalities and add-on services to these platforms, such as acquiring and working capital management services. We believe these new services will enable us to further increase the loyalty of our existing merchant partners, as well as to further expand our distribution network to new merchant categories, such as pharmacies and large retailers. Pharmacies provide a particularly interesting opportunity for us, being characterized by extended opening times, while potentially benefitting from an increase in footfall that PoS can generate.

Drive profitability by realizing operational and revenue synergies

We believe that combining the Sisal Payments Business and the Banca 5 Payments Business will allow us to benefit from materially enhanced scale and operational flexibility. In particular, we have identified certain initiatives that we believe will enable us to optimize our operational set-up, reducing the unitary cost of transaction processing as well as the infrastructure costs of our enlarged PoS distribution network. Following a strategic assessment of these initiatives by SisalPay and Banca 5's senior management, we expect to realize significant annual synergies from operational optimization, which we estimate will represent approximately €17.2 million of EBITDA per annum, and which are to be actioned within 18 months following the Completion Date and which we expect to be fully-realized within 24 months. One of the primary drivers of these savings will be the elimination of certain additional commissions currently payable by Banca 5 (we expect to achieve €14.7 million in such cost savings), which will no longer be payable following the transition to the SisalPay processing platform. The transition of Banca 5's PoS to the SisalPay processing platform is already in progress.

Furthermore, we believe that the PoS networks of the Sisal Payments Business and the Banca 5 Payments Business currently overlap in a number of locations. We expect to achieve €1.5 million of cost savings and an additional €1.0 million of network optimization benefits from the elimination of duplicate terminals and the strategic redeployment and relocation of certain PoS terminals.

In addition to the cost-savings initiatives described above, we also intend to leverage the complementarity of SisalPay and Banca 5's product offerings to unlock revenue cross-selling opportunities, such as by selling exclusive SisalPay products and services through Banca 5's PoS network and vice versa.

Continue to increase brand awareness and expand our customer base

We intend to continue consolidating our position as a highly recognized payments and banking services player among Italian households and merchants. Both SisalPay and Banca 5 already benefit from high brand awareness: according to a survey conducted by Nextest in 2019, based on aided awareness questions, approximately 54% of respondents know either SisalPay or Banca 5. This high level of brand awareness has been built over time through multi-channel campaigns on TV, radio, print media, social media, mobile apps and websites. We intend for the combined business to continue to pursue similar initiatives to maintain and grow the brand awareness already enjoyed by SisalPay and Banca 5, which we believe will enable us to further penetrate the markets in which the combined business will operate, increase our market share and successfully launch new products and services.

History

Created through the combination of the Sisal Payments Business and the Banca 5 Payments Business, we are a new leading player in Italian proximity payments products and services and a trusted business partner for Italian merchants. We believe the combined business will leverage an established platform across Italy, benefitting from scale of operations and focusing on key market segments that we believe hold significant growth potential. Our business is built on a proximity model, benefitting from an extensive and capillary network of approximately 51,000 points of sale (“**PoS**”) (post-network optimization), mostly located in bars, coffee shops, tobacconists and newsstands, and we believe, based on internal analysis, that we served an estimated 20 million customers in 2018, underpinned by strong relationships with approximately 100 commercial partners.

Integration between the Sisal Payments Business and the Banca 5 Payments Business is planned to occur in two main phases: (1) the integration of core processes that are required to operate the combined business as a standalone company (such as accounting, compliance, personnel and organizational processes), including the technical integration of our bill payments and prepaid cards offering, through the end of 2019 and (2) the integration and streamlining of all other company processes (such as CRM, operations, digital asset, data, information technology, architecture and providers), including the signing of new contracts with merchants, implementation of certain key business initiatives (including the integration of the B2B offering, banking services, branded prepaid products and full accounting and financial reporting system integration) and the rebranding of the combined business, through the end of 2020. The key milestones in the corporate histories of the Sisal Payments Business and the Banca 5 Payments Business are set forth below.

Sisal Payments Business		Banca 5 Payments Business	
Year	**Milestones**	**Year**	**Milestones**
2011	The Sisal Group launches SisalPay, an independent brand dedicated to proximity payment services and is licensed to operate as a payment institution by the Bank of Italy	**2008**	Founding of Banca ITB, an Italian bank focused on the Italian tobacconists market by a group of shareholders in Italy (including Intesa Sanpaolo, Lottomatica and FIT)
2013	Launch of the SisalPay terminal with cashless technology	**2016**	Acquisition of Banca ITB by Intesa Sanpaolo
2016	Sisal Group is acquired by CVC Fund VI		
2017	Launch of the SisalPay App and a proprietary platform for bill payments Segregation of Sisal Group payment terminals from gaming terminals.	**2017**	Rebranding and launch of the Banca 5 brand
2018	Launch of the “bill” app and “EasyCassa,” a new B2B software suite, and acquisition of “myCicero” app	**2018**	Launch of cash withdrawals from tobacconists
2019	SisalPay is licensed to operate as an “electronic money institution” by the Bank of Italy; acquisition of QFS; launch of the SisalPay branded prepaid card	**2019**	Launch of the Banca 5 branded prepaid card and SmartPos; first PSD II third-party provider in the Italian market
July 2019	**Announcement of the partnership between SisalPay and Banca 5**		

PRODUCTS AND SERVICES

Business Segments

SisalPay is a leading provider of proximity payment products and services in Italy, offering a full range of payment solutions, including bill payments, prepaid cards and telco top-ups. Through its proprietary payment solutions, B2B platforms and digital and mobile offerings, SisalPay has significant experience providing consumers with a convenient and accessible one-stop-shop solution for their payments needs both across its extensive PoS network as well as on their mobile devices and online. In the twelve months ended September 30, 2019, SisalPay had net revenues of €106.1 million and Adjusted EBITDA of €68.8 million, driven by a network of an estimated 44,000 PoS that we believe, based on an internal analysis, served an estimated 12 million customers and processed approximately 190 million transactions.

Banca 5 is an established provider of payment solutions, as well as banking and merchant services (including acquiring services), with a growing presence across Italy. The Banca 5 Payments Business offering is centered around providing payment services through its non-captive PoS network and proximity services to banks and acting as a primary bank for mass-market banking customers. Banca 5 was the first Italian bank to focus on creating a widespread presence in tobacconists. In the twelve months ended September 30, 2019, the Banca 5 Payments Business had total revenues and other income of €135.8 million, net revenues of €37.3 million, EBITDA of €19.9 million and Adjusted EBITDA of €21.7 million, driven by a network of approximately 17,000 PoS that we believe, based on an internal analysis, served an estimated 8 million customers and has processed an estimated 80 million transactions in 2018.

The strategy of our combined business is to optimize the reach of our existing operations and consolidate our leading market positions to become the partner of choice for Italian households and merchants. We will pursue this goal by offering an omni-channel experience, leveraging the scale of our PoS network and our complementary offerings and continuing to expand and adapt our innovative and easy to use mobile and online platforms. In particular, our strategy will be focused on realizing the operational synergies and cross-selling potential from the combination of the two businesses and implementing key initiatives in the areas of consumer products and services, merchant services and digital offerings.

Our combined business is organized around three key business segments: Payments Products and Services, Merchant Services and Banking Products and Services.

Payments Products and Services

Payments Products and Services is our largest segment, with *pro forma* net revenues of €91.2 million, accounting for 60% of our *pro forma* net revenues in 2018. We have a strong and established presence in the Italian Payments Products and Services market, holding 8.7% of market share based on total market turnover in 2018. Many of the payment services we offer are regulated activities, reserved for electronic money institutions or payment institutions that are authorized and registered by the Bank of Italy. For more information, see "—*Licenses and Authorizations*" and "*Regulation*."

Our Payments Products and Services segment has three principal components: (1) bill payments, (2) prepaid cards and (3) telco top-ups. In 2018, bill payments was the largest contributor to our Payments Products and Services segment and accounted for 35% of our *pro forma* net revenues, followed by prepaid cards, which accounted for 15% of our *pro forma* net revenues, and telco top-ups, which accounted for 10% of our *pro forma* net revenues.

Bill Payments

Our bill payment products are designed to make it easy for our customers to pay their bills across a wide variety of goods and services from approximately 1,000 companies and public entities (including 100 with whom we have commercial partnerships, including utilities, media subscriptions, insurance policies and transportation services, as well as payments to Italian public administrative bodies, including taxes and fines. Bills can be paid at any PoS in our network of approximately 51,000 PoS (post-network optimization), enabling customers to experience increased convenience, ease of use and speed compared to traditional channels, such as banks and post offices.

Our PoS terminals are mainly located in bars, tobacconists and newsstands, offering a convenient option for customers to make payments on the go without having to make a dedicated stop to make payments and wait in line at a bank or post office during their limited opening hours. Payments can also be made online or through our apps. See "—*Digital Offering—Digital Payments*." Approximately 40% of our bill payments turnover from January to September 2019 was paid electronically, compared with national card payments penetration of 26%.

Payments made at our PoS or through our digital products are subsequently transferred to the relative beneficiary partner, such as utility operators or banks.

Our bill payments offering is managed through a fully-integrated proprietary platform and is complemented by key partnerships, including with Trenitalia, TelePass, Sky and Enel. We continue to expand our bill payments product offering. For example, the ACI contract was a successful tender win in 2018 for SisalPay, which allows the processing of automobile tax payments at approximately 1,500 ACI locations across Italy. This contract has been renewed for 2020. For such contracts, SisalPay has typically been competing with Banca 5: as such, we believe the combined business has a differentiated ability to win new business. Furthermore, through our participation as an early adopter of pagoPA, we provide our customers with a convenient way to make electronic payments owed to certain Italian central public administration and local governmental entities. We believe this is an attractive and high value added product, especially as the migration of public administration bill payments to pagoPA continues.

For the year ended December 31, 2018, the Sisal Payments Business and the Banca 5 Payments Business generated 33.9% and 38.6% of their net revenues, respectively, from bill payments products.

pagoPA

The pagoPA platform, which entered its ramp up phase in January 2016, is a centralized electronic payment system intended to simplify the process for making payments to Italian public administrative entities. pagoPA provides a new digital channel for all payments to Italian government entities and disrupts the traditional method making these payments by postal slip. The graphic below shows the payment process for payments to the public administration through pagoPA.

We believe we are well-positioned to be a leader in what we believe represents a significant commercial opportunity in the coming years. We were one of the first players to enter into an arrangement with the public administration regarding pagoPA and, due in part to our early participation in this platform, are the leading service provider for this platform, processing 36% of transactions since the January 2016 and September 2019. Starting from January 2020, the adoption of the pagoPA platform will be mandatory for all public administrations and, thus, we expect the pagoPA market to grow substantially in the coming years. As of November 2019, approximately 75% of public administrations have joined the pagoPA platform, of which approximately 85% are active.

Prepaid Cards

Our prepaid card offering includes an unbranded affiliate offering and an own-branded offering, and is conducted through key partners, including Nexi, UniCredit and Intesa Sanpaolo. We are a principal member of MasterCard, which authorizes us to both act as an issuer for MasterCard (enabling our prepaid cards issuance) and an acquirer for MasterCard (facilitating our transaction processing services). SisalPay and Banca 5 have each introduced their own branded prepaid cards, and we intend to further expand our service offering by launching our own branded prepaid card in the future following the rebranding of the new combined business. For the year ended December 31, 2018, the Sisal Payments Business and the Banca 5 Payments Business generated 16.5% and 10.8% of their net revenues, respectively, from prepaid card products.

Affiliate offering

Through our "affiliate" prepaid cards offering, we partner with other card scheme operators and provide a platform for the consumer on behalf of a partner bank, such as BPER, Mediobanca, Crédit Agricole, Compasspay and Findomestic. Our partner banks are responsible for product development, customer care, marketing, distribution, pricing and fee collection, but rely upon our proprietary platform and PoS to allow their consumers to top-up their prepaid cards. Customers are able to top up their card, check their card balance and confirm their transactions in real time on our online and mobile platforms. See "*—Digital Offering—Connect your card and manage your bank account*."

Branded offering

We have recently expanded into issuing branded prepaid cards directly to customers without the direct involvement of partners. Under our "direct issuing" model, we manage the relationship with the card scheme operators and lead product development, marketing, customer care, fraud management and fee collection activities associated with prepaid cards. Our prepaid cards generally allow our consumers to shop and withdraw cash around the world. Customers are able to top up their cards, check their card balance and confirm their transactions in real time on our online and mobile platforms. See "*—Digital Offering—Connect your card and manage your bank account*." SisalPay and Banca 5 have each introduced their branded prepaid cards, having issued a total of 101,000 cards (65,000 SisalPay cards, 24,000 Banca 5 cards co-branded with Intesa Sanpaolo and 12,000 Banca 5 cards) as of November 2019.

Telco top-ups

We offer top-up services for mobile phone service, pay-for-view TV cards and e-commerce accounts. Our PoS terminals provide a connection to the main telco service providers in Italy, allowing consumers to top-up their accounts through our PoS network. The customer's payment is transferred to the telephone company or other telco provider net of the commission owed to us. Our key partners in our Telco top-ups activity include Vodafone, Telecom Italia and Wind. For the year ended December 31, 2018, the Sisal Payments Business and the Banca 5 Payments Business generated 12.7% and 2.9% of their net revenues, respectively, from telco top-up services.

Merchant Services

Merchant Services is our second largest segment, with *pro forma* net revenues of €54.5 million, accounting for 36% of our *pro forma* net revenues in 2018. The bulk of the revenue generated by our Merchant Services segment derives from annual fees paid by merchants for our services (including for PoS terminals, bank accounts and terminal banking), at an average of €900 per merchant per annum since 2016. For the year ended December 31, 2018, the Sisal Payments Business and the Banca 5 Payments Business generated 35.7% and 37.3% of their net revenues, respectively, from Merchant Services.

Additionally, we offer a full suite of B2B services to manage PoS activities for merchants, which includes traditional services (such as business bank accounts) and also enables merchants to manage their in-store needs in a seamless way through a complementary hardware and software infrastructure offering. This complementary offering includes cash register functions, invoicing, tax compliance, multiplatform and embedded payments, warehouse management, treasury and liquidity management. For example, through EasyCassa, we provide retailers with an innovative high-tech suite to facilitate end-to-end in-store activities and payments, that are also complementary to our other products. EasyCassa is a cloud-based platform and the cash register function is fully integrated with our bill app. EasyCassa is also integrated with our Banking Products and Services offering, including bank accounts, revolving credit, treasury and liquidity management. Today with EasyCassa, our merchants are empowered to successfully manage several in-store activities, such as cash registers, e-billing management (mandatory in Italy since January 1, 2019), sales statistics, inventory and management of restaurant reservations. We also plan to progressively integrate additional functionalities and add-on services to these platforms, such as acquiring and working capital management services. We believe these new services will enable us to further increase the loyalty of our existing merchant partners, as well as to further expand our distribution network to new merchant categories, such as pharmacies and large retailers. Pharmacies provide a particularly interesting opportunity for us, being characterized by extended opening times, while potentially benefitting from an increase in footfall that PoS can generate. As of September 30, 2019, we had over 5,500 EasyCassa terminals.

Our Merchant Services segment also includes acquiring servicing, whereby we process credit or debit card payments on behalf of a merchant: as an acquirer, we enable merchants to accept card payments from the card-issuing banks within a given association and foster cashless payments across our and our merchant customers' networks. Our key partners in acquiring servicing are Intesa Sanpaolo and Mercury Payment Services (part of Nexi group) and Axepta.

Banking Products and Services

Banking Products and Services is currently our smallest segment, with *pro forma* net revenues of €5.2 million, accounting for 3.4% of our *pro forma* net revenues in 2018. We offer our customers a wide variety of banking services, including cash withdrawals and deposits, bank accounts, bank transfers and personal and business lending and insurance products, on a B2B, B2C and B2B2C basis. Our B2B offering includes, among other things, current accounts, banking services and financing for our business customers. Our B2C offering includes, among other things, personal loans and payment accounts for our consumer customers. Our B2B2C offering includes, among other things, cash withdrawal and deposit services for the consumer customers of our business customers.

Digital Offering

Our comprehensive digital offering serves an estimated two million users and is designed to use next-generation technology to enhance the retail payment experience and complement our suite of other products. Our digital offering integrates four concepts: "pay everywhere" (with our digital wallet app, bill and our partnership with the myCicero payment app), connect your card and manage your bank account (through the Banca 5 and the SisalPay services apps), buy and insure (through our partnership with the YOLO insurance app) and track your expenses (through our partnership with the Oval budgeting and investing app).

Pay everywhere

Our "pay everywhere" initiative includes our proprietary bill app, as well as our partnership with the myCicero app.

bill

We developed our bill app to drive consumer engagement through an easy and efficient mobile-based user experience, while taking advantage of the increasing mobile internet penetration as well as the opportunities provided by PSD II transactions.

bill is a "digital wallet," through which consumers can link and access a large number of key personal finance services, including payments, top-ups, cash withdrawals, purchase and payment tracking and budgeting. Through bill, we also offer a wide range of services for merchants, including digital payment processing and reporting functions. As of October 31, 2019, we estimate that bill had approximately 49,000 users.

myCicero

Through our partnership with the myCicero app (30% owned by SisalPay), we are able to provide our customers with access to and the ability to pay for parking, public transport and events. Through myCicero, consumers are able to top up the credit in their myCicero account to pay for their travel on the go and benefit from travel timetables, tickets and passes all on their mobile devices. The myCicero app benefits from approximately 250 partnerships. As of October 31, 2019, we estimate that the myCicero app had approximately 1.5 million users.

Connect your card and manage your bank account

Our proprietary apps offer mobile solutions that help our customers manage their bank accounts and payments. Through the Banca 5 app, customers can access their account to manage their banking needs, including keeping track of their deposits, bank accounts, bank transfers and personal and business lending. Through the SisalPay app, consumers can manage and pay their utility bills, traffic fines and phone top-ups. On a combined basis, as of October 31, 2019, we estimate that our SisalPay and Banca 5 apps had approximately 200,000 users.

Buy and insure

Through our partnership with YOLO, we are able to provide on-demand digital and usage-based insurance to consumers. YOLO maintains a dedicated app through which customers can use their smartphones to take out immediate and pay-per-use insurance products. YOLO specializes in coverage for smartphones, tablets, electronics and other home appliances. YOLO partners with banks and insurance companies, such as Intesa Sanpaolo (which owns a minority stake in YOLO). As of October 31, 2019, we estimate that YOLO had approximately 25,000 users directly registered in the app and reaches approximately 75,000 occasional clients through third-party networks.

Track your expenses

Through our partnership with Oval, we provide an integrated digital solution that allows customers to manage their personal finances. Customers can link their accounts and cards in Oval and monitor their budget and spending through categories of expenses, such as bills, restaurants and leisure. Oval also provides users with the ability to save and invest automatically, with investment portfolios tailored to their preferred level of risk. Oval partners with financial institutions, such as Intesa Sanpaolo (which owns a minority stake in Oval). As of October 31, 2019, we estimate that Oval had approximately 350,000 registered users.

Digital Offering Strategy of Our Combined Business

The digital offering of our combined business will leverage the existing market position of our respective business offerings. Our combined business will offer a new app (which we are currently expecting to launch during 2020, following the rebranding of the new combined business) which will integrate our existing apps as well as our third-party partners' apps, such as myCicero, YOLO and Oval, enabling users to access the services of our partners directly through our apps and vice versa.

Business Model

Relationships with partners

From the Completion Date, all relationships and contracts with, and revenue flows from, our PoS network, merchants and business partners will be directly managed by us. We will be party to direct agreements with our network of merchants to provide services such as telco top-ups, prepaid card services, digital payments and infrastructure, such as cash registers and other PoS terminals. Banca 5 has entered into contracts with Intesa Sanpaolo to provide a product platform for transaction and banking services, including acquiring servicing, B2B services and the YOLO and Oval apps. After the completion of the Gallo Investment, the commercial relationships relating to these products and services will be managed by Banca 5 and certain of these products and services will be distributed through the distribution network of the combined business. YOLO's insurance products will be offered in collaboration with our merchant network and we will deliver some related services through our merchant network, including services such as withdrawals and deposits.

New payments system (post-PSD II)

Implemented in 2019, PSD II provides expansion opportunities by opening the payments market to non-banking providers. PSD II enables bank customers (at both the retail and business level) to give third-party providers ("**TPP**") permission to retrieve their account data from their bank. The TPP may then initiate payments for the users directly from their bank accounts without the need for the bank's further authorization or costly intermediaries. Banca 5 was the first TPP in Italy and has developed a platform that allows its partners, such as YOLO and Oval, to access Italian bank accounts in a PSD II-certified manner. Banca 5 benefits from its connection with CBI Globe, an Italian open banking ecosystem, which allows it to aggregate external bank account information. We intend to leverage this new payments system to advance cashless payments, contribute to the expanded use of mobile wallets in stores and online and create a seamless experience for our customers.

Fee model

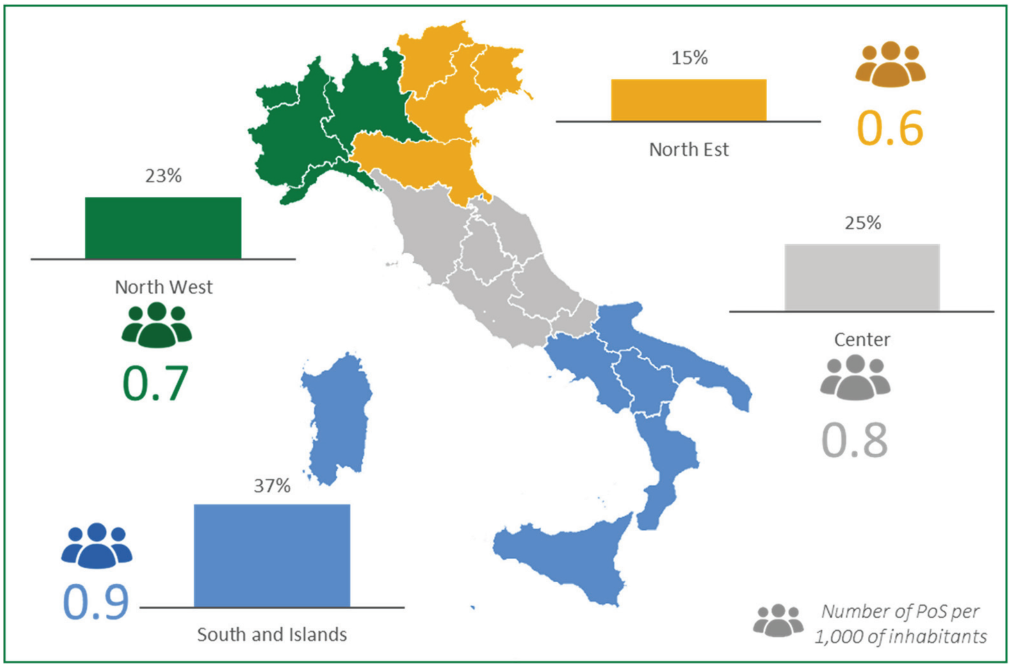
We employ a transparent and straight-forward fee model, charging our consumers and partners a fee per transaction that is either fixed or a percentage of the transaction. For our bill payments and prepaid cards service offerings, we charge a fixed fee of the payment or top-up amount processed using our platform, and for our telco offerings we charge a percentage of the total transaction amount, which (in the case of bill payments and prepaid cards) is in each case borne by the consumer. For our Merchant Services offering, the bulk of the revenue is generated from annual fees paid by merchants to keep our PoS terminals in their stores, at an average of €900 per merchant per annum since 2016 for SisalPay.

Physical and digital infrastructure

Physical distribution network

Our broad physical distribution network is made up of PoS that make it easy for consumers to access our services while they are on the go. Our combined business will have approximately 51,000 PoS (post-network optimization) across Italy, with SisalPay's PoS network already providing coverage an estimated 70% of municipalities and approximately 65% of municipalities with less than 10,000 inhabitants. SisalPay PoS are strategically located in high-traffic areas, with an estimated 49.6% located in tobacconists and 50.4% located in bars and newsstands, as of December 31, 2018, allowing access to a large pool of users up to 18 hours a day, seven days a week. As of December 31, 2018, an estimated 80.5% of PoS terminals utilized for our services were designed to accept contactless payments.

SisalPay has an average of 0.8 PoS per 1,000 inhabitants. The graphic below shows our PoS distribution by geographic area and number of PoS per 1,000 inhabitants.



Between 2016 and 2018, the number of SisalPay PoS grew by approximately 3,600 PoS and those of Banca 5 grew by approximately 100 PoS (in terms of M210 PoS or M205 terminals). By contrast, the total number of physical bank branches of Italian banks has declined with approximately 3,600 branches closed between 2016 and 2018, and the major Italian banks are expected to reduce their branches by an additional 20 to 30% in the coming years.

Payment platform and digital assets

We provide our merchants with a variety of hardware integrated with our proprietary software to enable them to set up a full-service PoS to serve their own customers. Our hardware includes cash registers, PoS terminals, SmartPos (mobile hardware that allows our merchant customers to manage all transactions from anywhere on a single device) and barcode readers. The software is designed as a key tool for merchants to manage their business on a daily basis and gives our platform a central position in the payments ecosystem. Our cash registers and PoS terminals provide our merchants with the technology to collect and manage payments, top-ups, accept cashless payments, issue invoices and fulfill their reporting obligations.

Our proprietary payment platform processes payments through direct agreements with commercial partners. In addition, for *bollettini premarcati*, which are bills that are pre-filled with the payor's data, beneficiary data and, in some cases, the amount to be paid, SisalPay recently launched the *bollettini premarcati* model which enables payments made by consumers to be transferred to our partners without relying on existing commercial agreements. Our payment platform is complemented by our digital assets, including bill, myCicero, the SisalPay and Banca 5 mobile applications, YOLO and Oval. See "*—Products and Services—Digital Offering*." We organize our product development process through our development teams, integrating product management, technology development, design and analytics. We have a large team of software developers who work to enhance our product offering and help us meet our strategic objectives.

Open platform to serve partners

Our platform is built around an open platform design that enables merchants to connect to our API based platform. The key services provided through our open platform are bill payments, prepaid card services, telco and money transfers. The processing fee we receive is contractually agreed between merchants and is usually in the form of a fixed fee per transaction. We facilitate the payment process, making sure the correct amounts are transferred to the partner's bank account. We use firewalls, denial of service mitigation appliances, advanced encryption, intrusion detection systems and other technology to keep our merchants' and customer data secure. On a weekly basis, our platform receives the amount paid by the user net of fees paid and we pay our commercial partner net of our fee.

Merchant training and communication

We are dedicated to providing our merchants with reliable products and services and believe that offering quality support is an essential aspect of that commitment. In 2018, we launched the MyB5 portal and mobile app which provides a dedicated platform for merchant training and communication. MyB5 offers fast and efficient online support with comprehensive responses and troubleshooting advice for the most commonly asked questions. If our self-service options cannot resolve a merchant's question, our merchants can also reach us through our online platform. The MyB5 portal also offers merchants an e-learning platform for training, a marketplace for tobacconists with over 1,700 products and direct access to the home banking on Banca 5. An average of 2,000 merchants access MyB5 daily and over 10,000 have registered for training since the launch of the program in May 2018, and approximately 4,400 merchants have completing the training as of November 12, 2019. In 2018, we received approximately 1,200 daily requests for bank support and information and sent an average of 25 monthly communications to tobacconists.

Our Shareholders

Sisal Group

Sisal Group, which is indirectly owned by CVC Fund VI, has over 70 years' experience in the Italian gaming and convenience payments market. In 2018, Sisal Group generated €845 million in revenue, with SisalPay generating 23% and Sisal's gaming business generating 77% of revenue, and had an EBITDA of €236 million. SisalPay benefits from its relationships with approximately 100 commercial partners, a network of approximately 44,000 PoS in 2018, which we believe based on internal analysis, allows it to serve approximately 12 million customers.

Intesa Sanpaolo

Intesa Sanpaolo is the leading commercial bank in Italy and offers its services to approximately 12 million customers through a network of approximately 3,800 branches distributed throughout Italy. Intesa is one of the top banking groups in Europe, with €849 billion in assets and €395 billion in loans. Intesa Sanpaolo generates 81% of its revenue in Italy.

Sales and Marketing

We have built a brand that is well known by consumers and is among the most recognizable in the Italian market and have developed SisalPay into the daily payment brand chosen by over an estimated 12 million Italians. According to a survey conducted by Nextest in 2019, approximately 54% of respondents know either SisalPay or Banca 5, based on aided awareness questions.

We rely on a wide range of marketing channels including traditional advertising channels and materials, as well as online content management and direct marketing. Our integrated marketing and sales strategy is focused on communicating our payments platform as a one-stop shop that enables convenient payments that simplifies consumers' lives by offering a secure way to manage and conduct daily payments. Our marketing and sales teams leverage data analytics to anticipate customer and merchants needs and focus on trade marketing and events to expand our merchant base. We conduct campaigns through TV, radio and print campaigns and online through social network campaigns and advertising. We have an expansive online and mobile presence through our propriety apps and those of our partners. The Sisal Payments Business also benefits from an organic Google ranking as the preferred brand for telco top-ups in Italy and have the second ranking for bill payment services in Italy.

Licenses and Authorizations

Payment and electronic money institutions must be duly authorized by the Bank of Italy, which issues the relevant authorization if the conditions required to ensure the sound and prudent management and the orderly functioning of the payment system have been satisfied. Licensed payment and electronic money institutions receive supervision from the Bank of Italy and are subject to strict regulatory requirements, including, *inter alia*, the authorization and disclosure of the acquisition of certain equity interests, the requirement to maintain a minimum level of regulatory capital at all times and internal systems of control and supervision on their activities, including second- and third-level controls, as well as specific anti-money laundering controls. See "*Regulation*."

The Bank of Italy maintains a register of licensed payment and electronic money institutions that is available to the public. SisalPay is currently, and upon the Completion of the Gallo Investment, we will be, enrolled as payment institutions in the payment institutions register, and SisalPay is currently, and upon the Completion of the Gallo Investment, we will be, an enrolled electronic money institution in the electronic money institutions register kept by the Bank of Italy will be duly licensed to perform certain payment and electronic money services. Our Banking Services will be conducted through the Intesa Sanpaolo banking license as we do not anticipate enrolling for such license ourselves.

We believe that upon completion of the Gallo Investment we will have all licenses and authorizations required to carry out our business as described in this offering memorandum.

Competition

We believe the primary competitive factors in our markets are trust, brand, data security, product features and functionality, strength of financial institution partnerships, technology, price and servicing capability. We primarily compete with other Italian banks, Lottomatica and the Italian post office. Our broad product offerings, service proposition, pricing and distribution strategies in our diverse markets drive our ability to compete effectively through the acceptance and use of our payment and banking solutions by merchants and consumers. We specifically focus on the primary customer needs of convenience, reliability and reconciliation, ensuring that at a minimum, our systems, solutions, products and service models are designed to put these minimum customer expectations at the top of the priority list. For more information, see "*Industry*."

Technology

We believe that a powerful tech platform is key to enabling our future growth. Our platform is open and scalable, allowing us to optimize customer utility value and enable expansion and powerful data analysis. We operate on a proprietary and cloud-based technology platform, with local payment processing data centers that provide us with customer and transaction data.

We organize our technology development process into two key groups: cross-functional product development teams, which focus on developing, designing and enhancing new and existing products and services and technology platform teams, which focus on implementing, maintaining and enhancing the technology and capabilities of our products and services. We depend on the security, stability and scalability of our technology services.

- *Stability*: Because our platform is at the heart of our merchants' businesses, we employ a redundant, scalable architecture to ensure resiliency and high availability, with over 99% system uptime in 2018. We frequently update our software with platform service updates as well as seamless updates of our apps, ensuring our merchants and consumers get immediate access to the latest features.
- *Security*: Credit card processing is performed in a dedicated, scalable, redundant, high security environment with specialized policies and procedures in place. The environment is designed to be isolated and secure and in-line with the security requirements of the PCI DSS, which sets the standard for the storage, transmission and processing of cardholder data. We are exposed to third-party penetration testing on a continuous basis to identify vulnerabilities in our systems and we utilize patches to address any vulnerabilities as soon as they are detected. We use firewalls, denial of service mitigation appliances, advanced encryption, intrusion detection systems and other technology to keep our customers' data secure.
- *Scalability*: Our platform is built in anticipation of future expansion, with one platform integrating our product and services offering. We utilize cloud-based services for our back-end functions across our systems and products, allowing for all new merchants and products to link to existing structures without the need to recreate them. Additional micro systems are built to support any market-specific needs, with low effort required for customization. Our software is developed using APIs as the system backbone, which allows seamless merchant integration.

Intellectual Property

Intellectual property, which includes patents, designs, copyrights and trademarks, as well as trade secrets and expertise, is important to our business. We seek to protect our intellectual property rights by relying on applicable laws and regulations in Italy, as well as EU and international regulations and a variety of administrative procedures. We also rely on contractual restrictions to protect our proprietary rights when offering or procuring products and services, including confidentiality, IP rights and invention assignment arrangements entered into with our employees, partners and merchants.

Brands

We operate a broad business portfolio and use a number of recognizable brands across our businesses and business segments. We use both the SisalPay and Banca 5 brands to market our Payments Products and Services and Merchant Services and the Banca 5 brand to market our banking services. The SisalPay and/or Banca 5 brands are also displayed at approximately 51,000 PoS (post network optimization), creating a strong presence of our brands in the marketplace. Additionally, we use a variety of brands in our mobile offering, such as bill, myCicero, YOLO and Oval.

Trademarks, Domains and Patents

SisalPay

As of December 31, 2018, Sisal Group held eight trademark registrations in Italy and Europe, including bill (graphic), B (wallet design), EasyCassa (graphic) and the phrase "Easy Pay Easy Life." Sisal also holds the Italian trademark registration for "SisalPay." Sisal Point holds four trademarks in Italy, including Sisal Smartpoint (graphic) and Sisal Point (graphic). SisalPay owns the internet domains for all of its websites dedicated to its payments services, and believes that it holds all internet domains that are material to its businesses. SisalPay's standard practice is to seek patent protection relevant to its business.

Banca 5

Banca 5 owns the internet domains for its websites, and believes that it holds all internet domains, trademarks and patents that are material to its businesses. None of the Banca 5 internet domains, trademarks or patents will be contributed to the Banca 5 Payments Business or our combined business.

Our combined business

Our intellectual property is key to our strategy for success as a combined business, including the proprietary payments platform and proprietary apps for both SisalPay and Banca 5. The SisalPay brand will be transferred to the combined business. The Banca 5 brand will remain an independent banking brand, however the Banca 5 brand will remain in use for banking services offered to merchants through our combined business channels through an agreement with Banca 5. See "*Related Party Transactions—Transitional Agreements*."

Properties

The following table provides an overview of the material leased and owned properties as of December 31, 2018:

	Location	Owned/leased
SisalPay(1)		
Corporate headquarters	Milan, Italy	Leased
Executive office	Milan, Italy	Leased
Warehouse	Peschiera Borromeo, Italy	Owned
Banca 5		
Corporate headquarters	Milan, Italy	Leased
Executive office	Milan, Italy	Leased
Executive office	Cosenza, Italy	Leased
Executive office	Rome, Italy	Leased

(1) SisalPay does not directly lease or own any material properties but makes use of the premises listed below through an intercompany contract with Sisal S.p.A.

We believe that our facilities meet our present needs and that our properties are generally well maintained and suitable for their intended use. We believe that we have sufficient capacity to satisfy the demand for our services in the foreseeable future. We continuously evaluate the composition of our portfolio of properties in light of current and expected market conditions and demand.

Insurance

As part of our insurance program, we maintain liability and property/business interruption insurance policies, professional liability, cyber risk and electronic equipment insurance. We believe that our insurance coverage is in accordance with that of other similar companies and is adequate for our needs. We are not currently involved in any material claims under any of our insurances.

Employees

Going forward, our combined business will employ a combination of current SisalPay and Banca 5 employees, as well as employees who may come from our shareholders. Following the completion of the Transactions, our combined business will employ approximately 390 full-time equivalent ("**FTE**") employees, of which approximately 250 are currently employed by the SisalPay and approximately 140 are currently employed by Banca 5. Our employees are subject to collective bargaining agreements that govern working hours, bonus payments, contributions to pension funds and other benefits.

Legal Proceedings

We are subject to various legal proceedings. On the basis of current information, we do not expect that the actual claims, lawsuits and other proceedings to which we are subject, or potential claims, lawsuits and other proceedings relating to matters of which we are aware, will ultimately have a material adverse effect on our results of operations, financial condition or liquidity. However, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our results of operations or cash flows in particular periods.

We may be held responsible for tax liabilities as a result of the merger of our two business. For information on the risks associated with our tax liabilities, see "*Risk Factors—Risks Related to the Transactions—Upon the Demerger of Sisal Group and the subsequent Merger of SG2 with the Issuer, the Issuer will be jointly liable with Sisal Group for the tax liabilities of the latter" and "Risk Factors—Risks Related to the Transactions—Upon the contribution of the Sisal Payments Business and the Banca 5 Payments Business to the NewCos subject to certain conditions and limitations, the NewCos will be jointly liable along with the Sisal Entities and Banca 5 for certain taxes and penalties accruing in this and prior years."*

The Sisal Payments Business is currently subject to pending litigation with Satispay S.p.A. and Satispay Limited (together, "**Satispay**") relating to alleged infringement of copyright law by the bill app. On February 1, 2019 Satispay filed an interlocutory claim before the Court of Milan, claiming that Sisal Group violated Law no. 633/1941 ("**Italian Copyright Law**"), Article 2598 of the Italian Civil Code on unfair competition, the rules on non-contractual tort and rules relating to good faith in negotiations. Satispay has requested an injunction on the use of the bill app, including through its website, the withdrawal of the app from the market and any other measures which may be necessary or appropriate for the protection of their rights. On December 3, 2019, the Court of Milan released a decision pursuant to which (i) certain of the assertions of unfair competition have been rejected; and (ii) Sisal Group is required to remove certain minor features and images in the marketing and rules of the bill app for one year starting from the date of the decision. The decision is appealable.

While we believe that we have fully complied with all our contractual and legal obligations and we intend to contest the claim, an adverse outcome may require us to change how we deploy the bill app or remove it from our product offering. Pursuant to the Gallo Investment Agreement, in the event that the use of the bill app were to be removed from the market, or its use otherwise limited, as a result of this litigation, the Sisal Group will bear the costs relating to the adjustment or amendment of the bill app and/or the costs for the development of a replacement app, up to a maximum amount of €500,000. Furthermore, the Sisal Group shall indemnify and hold harmless HoldCo, PayCo and/or TelCo (as the case may be) any and all costs and charges (including all reasonable legal fees) that may derive from the claims by Satispay relating to the bill app. For information on risks related to litigation, see "*Risk Factors—Risks Related to our Business and Industry—We are subject to litigation, claims, disputes, regulatory proceedings and investigations from time to time and we may in future be subject to unfavorable outcomes with respect to these matters which could result in substantial damages including but not limited to financial, administrative and criminal sanctions.*"

REGULATION

The following provides a brief description of the primary regulations that govern the activities carried out by the SisalPay Group in Italy. Although the following brief description contains the principal information concerning such regulations that are considered material by the Issuer in the context of the issue of the Notes, it is not an exhaustive account of all applicable laws and regulations. References and discussions to laws, treaties, regulations and other administrative and regulatory documents are entirely qualified by the full text of such laws, treaties, regulations and other administrative and regulatory documents themselves. In addition, prospective investors and/or their advisers should make their own full analysis of the legislation and regulations which apply in the other countries where the SisalPay Group operates and of the impact they may have on an investment in the Notes and should not rely on the content of the following paragraphs only. See "Risk Factors—Risks Related to Our Business—We operate in a highly regulated industry and any failure to comply with applicable laws and regulations or to adapt to laws and regulation as and when they change, may have a material adverse effect on our business, results of operation and financial condition."

Payments and Electronic Money Services Regulation

The following is a brief description of the primary regulations that govern the payment and electronic money services sector in which the Sisal Group operates.

The Italian regulatory framework for payment and electronic money services is primarily derived from Legislative Decree 27 January 2010, No. 11 (the "**Payment Services Decree**"), which implements Directive 2007/64/EC (the "**Payment Services Directive**," as recently repealed by Directive 2366/2015/EU – PSD II ("**PSD II**")) in Italy and Legislative Decree 16 April 2012, No. 45, which implements Directive 2009/110/EC (the "**Electronic Money Directive II**," that has repealed Directive 2000/46/EC) in Italy, as well as Legislative Decree of 1 September 1993, No. 385, as amended (the "**Italian Banking Act**"), which are further applied via implementing provisions of the Bank of Italy, principally the Bank of Italy supervisory provisions of July 23, 2019, containing the regulatory provisions for payment institutions ("**Payment Institutions**") and electronic money institutions ("**Electronic Money Institutions"**) (*Provvedimento della Banca d'Italia del 23 luglio 2019, contenente le disposizioni di vigilanza per gli istituti di pagamento e gli istituti di moneta elettronica*).

The Italian regulatory framework has recently changed with the January 13, 2018 implementation, of PSD II via Legislative Decree 15 December 2017, No 218, which has also adapted certain Italian provisions to the Regulation EU no. 751 of 2015, on interchange fees for card-based payment transactions. Another relevant provision is Legislative Decree 15 March 2017, No. 37, implementing Directive 2014/92/UE (the "**Payment Account Directive**"), on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features.

In Italy, payment services may only be provided by licensed banks, Electronic Money Institutions and Payment Institutions and electronic money services may only be provided by licensed banks and Electronic Money Institutions. Both payment and electronic money services may also be provided by certain other administrative bodies, such as the European Central Bank and other EU central banks and EU sovereigns.

Italian Payment Institutions and Electronic Money Institutions are licensed and supervised by the Bank of Italy. The Bank of Italy maintains a register of licensed Payment Institutions and Electronic Money Institutions that is available to the public.

Payment Institutions and Electronic Money Institutions are subject to regulatory requirements similar to those applicable to banks with respect to the authorization and/or disclosure of the acquisition of certain equity interests, as well as the integrity, professional and other requirements that apply to shareholders and directors. Payment Institutions and Electronic Money Institutions must also maintain a minimum level of regulatory capital at all times, to which specific provisions apply. They are also required to have appropriate internal systems of control and supervision on their activities, including second- and third-level controls, as well as specific anti-money laundering controls.

In addition, Payment Institutions and Electronic Money Institutions are required to keep separate payment accounts for each client (i.e., the beneficiary of the payment). Clients' accounts must be segregated from the accounts of the Payment Institutions and Electronic Money Institutions and from those of other clients. The provision of payment services and the issuing of electronic money is subject to the conduct of business rules aimed at protecting customers. Violation of licensing or other regulatory requirements applicable to Payment Institutions and Electronic Money Institutions may lead to, among other things, criminal sanctions and/or administrative monetary fines. If the violations are particularly serious, Payment Institutions and Electronic Money Institutions may be subject to compulsory administration procedures by the Bank of Italy and, ultimately, to compulsory winding up.

Payment Institutions and Electronic Money Institutions that carry out a business other than, and in addition to, payment or electronic money services (such Payment Institutions and Electronic Money Institutions are referred to herein as "**Hybrid Institutions**") must comply with specific provisions. Hybrid Institutions must, among other things, segregate at all times assets relating to payment or electronic money services (the "**Segregated Assets**") and assets relating to other businesses. The regulatory framework applicable to Payment Institutions and Electronic Money Institutions applies to the payment and electronic money services business and Segregated Assets of Hybrid Institutions. In addition, with respect to the Segregated Assets, Hybrid Institutions must appoint a person responsible for the Segregated Assets, maintain a separate administrative function and accounts and establish and calculate initial minimum capital requirements as well as regulatory capital requirements.

Further, Payment Institutions and Electronic Money Institutions are generally subject to banking transparency provisions pursuant to Title VI of the Italian Banking Act, the Italian Consumer Code (Legislative Decree no. 206/2005) and the Italian Privacy Code (Legislative Decree no. 196/2003, as amended by Legislative Decree no. 101/2018, which adapted Italian rules to Regulation EU 679/2016), as well as the European privacy rules (Regulation EU 679/2016 – General Data Protection Regulation).

Authorization

Authorization to provide payment and electronic money services is granted by the Bank of Italy subject to certain conditions. Pursuant to the Bank of Italy supervisory provisions on Payment Institutions and Electronic Money Institutions of July 23, 2019 (the "**Supervisory Provisions**"), a license will generally be granted if the Payment Institution or Electronic Money Institution provides for, among other things, sound management and correct functioning of the payment system and issuance of electronic money. For this purpose, the Supervisory Provisions require, among other things, the Payment Institution or the Electronic Money Institutions: (i) to be established as a joint stock company (*società per azioni*) or limited liability company (*società a responsabilità limitata*) or other approved corporate form; (ii) to have its headquarters in Italy where at least a part of its activity is conducted; (iii) to hold a minimum share capital ranging from €20,000 to €125,000, depending on the payment services carried out (€350,000 is the minimum share capital for an Electronic Money Institution); (iv) that shareholders and corporate directors satisfy integrity, professional and other applicable requirements; and (v) that in light of the structure of the group of the Payment Institution or Electronic Money Institution the relationships existing between such Payment Institution or Electronic Money Institution, its group, and other entities, there is no impediment to exercising the required level of supervision. Subject to the above conditions, the Bank of Italy generally grants authorization if it finds that the Payment Institution or Electronic Money Institution has a suitable program of activities and an administrative and accounting organization that is proportionate to the structure and the activities of the Payment Institution or Electronic Money Institution.

Prudential Requirements

Payment Institutions and Electronic Money Institutions must maintain a regulatory capital equal to the sum of the base capital and the supplementary capital, the minimum amount of which is determined in accordance with the Supervisory Provisions. Valuation of the regulatory capital must be made pursuant to the Supervisory Provisions which refer to the provision on prudential requirements of Regulation UE, No. 575/2013.

Except for the first financial year (for which an alternative method of calculation of the applicable amount of regulatory capital is available), a Payment Institution or Electronic Money Institution must hold a regulatory capital calculated with reference to a proportion of the aggregate amount of all payment transactions carried out in the immediately previous financial year.

The capital requirement for an Electronic Money Institution equal to 2% of the average electronic money in circulation.

Supervision

The Bank of Italy holds extensive supervisory powers on the provision of payment and electronic money services. These powers include adopting measures imposed by applicable law, carrying out investigations, conducting enforcement proceedings and applying sanctions. The Bank of Italy also has the power to enact regulations applicable to the provision of the services, by implementing national and European legislation. With respect to any Payment Institution or Electronic Money Institution that carries out a separate business, if security of the payment services is not guaranteed, the Bank of Italy may order the establishment of a separate company to carry out payment services.

Within the Bank of Italy, a special unit called "*Unità di Informazione Finanziaria*" (the "**UIF**"), has specific competences, supervisory and enforcement powers in relation to Anti-Money Laundering Regulations. The UIF is an independent and autonomous body set up within the Bank of Italy pursuant to Legislative Decree 231/2007. It is structured in compliance with the international standards applying to all financial intelligence units ("**FIUs**"), whereby they should be (i) operationally autonomous and independently run; (ii) the only unit of the kind in the country; (iii) possess expertise in financial analysis; and (iv) be able to exchange information directly and independently. The administrative model was adopted for the unit in order to keep the task of financial analysis separate from that of investigative analysis, emphasizing the independent role of prevention and UIF's function as a 'buffer' designed to preserve a sound economic and financial system. The legal status of the UIF, which is not a separate entity, stems from its institutional function as a center for collecting, coordinating and channeling data and information of significant public interest.

Acquisition of Equity Interests

Prior authorization must be obtained from the Bank of Italy in the case of a direct or indirect acquisition of the equity interests in the capital of a Payment Institution or an Electronic Money Institution, which acquisition allows a person, acting individually or in concert:

- to acquire a stake equal to or greater than a certain percentage (in general, more than 10%) of the share capital or of the voting rights of the Payment Institution or the Electronic Money Institution concerned; or
- to exercise a significant influence over the management of the Payment Institution or the Electronic Money Institution concerned; or
- to acquire the control of the entity concerned.

In application of the above rules, note that potentially, and subject to a case by case analysis, the direct/indirect acquisition of equity interests (and the consequent potential need for the prior authorization from the Bank of Italy) may also occur in the context of a security enforcement proceeding (e.g., if the security agreement provides for the exercise of the voting rights over the equity interests to the lender / security agent and/or in case of enforcement of the security through acquisition of the equity interests).

Parties that control—including through subsidiaries, trust companies or through third parties—banks or parent financial companies of banking groups are not required to request authorization where the subsidiary bank or the parent financial company intends to acquire or increase its investment in a Payment Institution or in an Electronic Money Institution. In that case, the request for authorization is only made by the bank or the parent company that intends to acquire or increase its investment.

The application for authorization must summarize the objectives of the acquisition, and must also contain the following information:

(a) general information on the applicants;

(b) indication of the institution that is to be acquired or the investment in it increased, and the related capital share, specifying the number and category of any shares already held and those that it intends to acquire;

(c) information on any changes to the program of activities;

(d) the information and documentation indicated in the Supervisory Provisions. The Bank of Italy will make a decision within sixty business days.

Parties who wish to execute transactions that involve an irrevocable commitment to acquire a qualified investment in a Payment Institution or Electronic Money Institution (for example a bid, promotion of a public purchase offer ("**OPA**") or public exchange offer ("**OPS**"), or if the threshold that entails the obligation for an OPA is exceeded) may not make said commitment unless they have previously obtained authorization from the Bank of Italy.

The Bank of Italy shall make an assessment, in order to guarantee the sound and prudent management of the institution to whom the acquisition project refers and the smooth operation of the payment systems, taking into account the probable influence of the potential purchaser on the institution itself, of the quality of the potential purchaser and the financial strength of the acquisition.

The assessment shall be carried out on the basis of the following criteria: a) the reputation of the potential purchaser; b) the reputation and experience of those who would carry out management and control of the Payment Institution or Electronic Money Institution after an of acquisition; c) the financial strength of the potential purchaser, especially considering the type of activity carried out and provided for by the relevant Payment Institution or Electronic Money Institution; d) any impact the acquisition would have on the program of activities; e) the ability of the relevant Payment Institution or the Electronic Money Institution to comply with supervisory provisions. More specifically, the corporate group to which it would become a part must be structured so as to allow efficient supervision to be carried out, to efficiently exchange information with the supervisory authorities and to establish the allocation of responsibility between them; f) the existence of reasonable grounds for suspicion that there is ongoing or that there was an attempt to recycle income from unlawful activities or terrorist financing in relation to the potential acquisition or that the risk of this could be increased by the potential acquisition. Points a) and b) above satisfy the honorability, correctness and competence requirements, while c) through f) are specified in Payment Institutions and Electronic Money Institutions in Bank of Italy provision No. 288/2015 and in a Ministry of Economics and Finance provision which has not yet been issued.

If the investor is an individual, the Bank of Italy will confirm directly whether the individual fulfils the honorability, correctness and competence requirements. If the investor who has to prove satisfaction of the honorability requirements is a company or an entity, the requirements must be satisfied by all members of the management body and the general manager or the parties that hold equivalent positions. In the event of an indirect investment, the honorability, correctness and competence requirements must be satisfied by the entity at the top of the investment chain and by the party who is investing directly in the capital of the institution. In those cases, the management body of the company or the investor will confirm the requirements; the institution is required to send the Bank of Italy the minutes on its decision. The Bank of Italy reserves the right—where necessary—to request exhibition of the documentation proving the satisfaction of the honorability requirements.

Parties who hold administrative and management positions in institutions subject to supervision by the Bank of Italy or subject to similar requirements on the basis of regulations in its home European Union member state do not have to prove that they satisfy the honorability requirements.

The verification of the satisfaction of the honorability requirements with respect to foreign nationals (individuals and company representatives of the investing entities) is made on the basis of an assessment of substantial equivalence. If the investors in the capital of the institution do not satisfy with the honorability, correctness and competence requirements, the voting rights related to shares that exceed the 10% or give considerable influence may not be exercised.

If there is a controlling interest, the prohibition extends to the entire investment. In order to assess the ability of the potential purchaser to ensure the sound and prudent management of the institution and operation of the payment system or electronic issuance of money, the applicants must provide the information indicated in Bank of Italy provision No. 288/2015 (Title II, Chapter 1, Section I and II) mentioned in the Chapter 3, Section I of the Supervisory Provisions. The Bank of Italy may request that investors provide specific declarations of commitment in order to protect the sound and prudent management of the institution.

At any time, the Bank of Italy may suspend or revoke the authorization to acquire qualified investments in the capital of an institution if the assumptions and conditions provided under the Supervisory Provisions are no longer true, with consequent suspension or revocation of the voting rights related to the investment in question. The Bank of Italy may order such a suspension if it finds that one or more of the requirements or conditions necessary for the acquisition of a qualified investment are no longer fulfilled, and where it cannot be guaranteed that the interested party will be able to fulfil these requirements in the short term. The reasons justifying revocation may include repeated attempts to circumvent these regulations, the breach of any commitments made by the investor towards the Bank of Italy in order to issue the authorization or transmission of false information or data to the Bank of Italy. The investors and investing institution shall be notified of orders of suspension or revocation.

Specific rules as to how the relevant thresholds are calculated are set forth under the Supervisory Provisions. In addition, a notification must be made to the Bank of Italy upon a purchase or withdrawal of a relevant shareholding. Reduction of a relevant shareholding below the applicable threshold must also be notified.

Management Body and Statutory Auditors

The Management Body and the Statutory Auditors of Payment Institutions and Electronic Money Institutions must satisfy honorability, correctness and competence requirements similar to those applicable to relevant shareholders. In addition, such members must possess specific professional competences.

Anti-money Laundering Regulations

Payment Institutions and Electronic Money Institutions are subject to anti-money laundering rules and regulations, including Legislative Decree No. 231 of 21 November 2007, as amended by Legislative Decree No. 90 of 25 May 2017 (implementing in Italy the fourth anti-money laundering EU Directive 849/2015) and by Legislative Decree No. 125 of 4 October 2019, implementing in Italy the fifth anti-money laundering EU Directive (2018/843/EU).

In particular, such institutions are required, among other things, to:

(a) adequately identify and verify our customers (using rigorous procedures of identification and verification in certain situations that are deemed higher-risk for money laundering and terrorism financing);

(b) establish a register of data and information (such as a dedicated "*Archivio Unico Informatico*" or "**AUI**" and other computer archive that respect, *inter alia*, the requirements of data accessibility and integrity and data historicity maintenance);

(c) preserve the identifying data and other information related to relationships and transactions;

(d) establish an anti-money laundering function and appoint an anti-money laundering officer responsible for such function;

(e) appoint a person responsible for the reporting of suspicious transactions to the Italian Financial Intelligence Unit (*Unità di Informazione Finanziaria*);

(f) report suspicious transactions the Italian Financial Intelligence Unit; and

(g) establish internal control measures and ensure adequate training of employees.

MANAGEMENT

The following is a summary of certain information concerning the management of the Issuer, certain provisions of the bylaws (*statuto*) of the Issuer and of Italian law regarding corporate governance. This summary is qualified in its entirety by reference to such bylaws and Italian law. See "*Listing and General Information*" for information on how to obtain a copy of the Issuer's bylaws.

The Issuer will be managed by a board of directors (*Consiglio di Amministrazione*) (the "**Board**") which will be appointed on the Completion Date within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee or one or more managing directors and which will be appointed on the Completion Date. The Board determines the powers of the chief executive officer. The Board of the Issuer will be composed of seven directors, one of which will be independent. Sisal Group will designate five members, with two directors from CVC and three members from Sisal Group (including the chief executive officer). Banca 5 will designate two directors, including the chairman of the Board.

The Issuer is a joint stock company (*società per azioni*), incorporated and existing under the laws of Italy, registered with the Companies Register of Milan-Monza-Brianza-Lodi under registration number and fiscal code No. 10387140964. The registered office of the Issuer is Via Alessio De Tocqueville 13, Milan, Italy. The Issuer's immediate shareholders are Sisal Group and Banca 5. See "*Summary Corporate and Financing Structure*."

Senior Management

The following table sets forth the names, ages and titles of the members of the senior managers of the Issuer.

Name	Age	Title
Emilio Petrone	56	Chief Executive Officer
Francesco Maldari	46	Head of Payment Services Business Unit
Salvatore Borgese	51	Managing Director, Chief Business Officer

The following is biographical information for the members of the senior management of the Issuer:

Emilio Petrone. Emilio Petrone is Chief Executive Officer of Sisal Group since 2008. He holds a degree in economics from the Università degli Studi di Salerno and a Master in Business Administration. Prior to joining the Sisal Group, Mr. Petrone was Senior Vice President of Mattel Corporation responsible for Central & Eastern Europe, Middle East and Africa and served as Chairman and Chief Executive Officer of Mattel Italy, Mattel Greece and Mattel Manufacturing Europe. Before his experience in Mattel, he worked for Ferrero Unilever, Sara Lee Corporation and Telecom Italia Group.

Francesco Maldari. Francesco Maldari has a degree in Nuclear Engineering from the Politecnico di Milano and an MBA from the University of St. Gallen. He joined Sisal Group in November 2011, first as group strategy manager and, since 2016, as Head of the Payments & Services Business Unit. He previously held management positions in the business development and finance areas at strategy consulting companies, including Roland Berger Strategy Consultants, and multinational groups like Bertelsmann and British Telecom.

Salvatore Borgese. Salvatore Borgese has been Managing Director and then Chief Business Officer of Banca 5 (Intesa Sanpaolo Group) since January 2017. He is currently board member of Oval Money Ltd, member of ABI (for Payments & Settlement Council) and Cetif Banking Group (*Università Cattolica del Sacro Cuore of Milan*). He was, in the past, also member of the board of EPC (European Payments Council), ECC (European Clearing Cooperative), CBI and Bancomat. Previously he was Sales Director and Payment Services Director of Nexi between 2012 and 2016. Before joining Nexi he was Senior Vice President and CEO at Value Team Finance - Value Partners Group (now NTT DATA) and Manager for Banca CRT (now UniCredit). In 2009, Mr. Borgese graduated from the International Management Program at INSEAD Executive Business School.

Board of Directors

The following table sets forth the names, ages and titles of the members of the Board of the Issuer who will be appointed on the Completion Date.

Name	Age	Title
Emilio Petrone	56	Chief Executive Officer
Paolo Fumagalli	59	Chairman
Silvia Rinaldi	56	Board member
Matteo Caroli	56	Independent director
Umberto Delzanno	57	Board member
Giampiero Mazza	50	Board member
Andrea Ferrante	40	Board member

The following is biographical information for the members of the Board of the Issuer who will be appointed on the Completion Date:

Paolo Fumagalli. Paolo Fumagalli graduated with a degree in political sciences, with a major in political economy, at the Catholic University in Milan. He is a chartered accountant and a certified public auditor. Mr. Fumagalli is a Professor of Pension Funds & Retirement Plans at the Faculty of Banking, Financial and Insurance Sciences at the Catholic University in Milan. He is a founding partner of Studio Professionale Associato GFT & Partners, the chairman of the Board of Statutory Auditors of UnipolSai and Autostrade Lombarde, the chairman of BFS Partner and CAPFIN S.p.A and the director of Icam S.p.A and Saipem S.p.A. Previously Mr. Fumagalli was the chairman of the Board of Statutory Auditors of Astaldia S.p.A (2015- 2018) and ENI New Energy (2016-2018), a member of the Board of Statutory Auditors of ARRIVA Italia (Deutsche Bahn Group) (2010-2019), ENEL Ingegneria e Ricerca (2012-2016), ENI (2011-2014) and Cassa Depositi e Prestiti (2010-2012). He was also chairman of the Board of Intesa SanPaolo Vita (2002-2011) and Intesa SanPaolo Previdenza (2003-2012) as well as the director of Banca Intesa (2000- 2006) and a member of the Internal Auditing Committee.

Silvia Rinaldi. Silvia Rinaldi holds an honors degree in economics from the Università degli Studi di Torino. She is a chartered accountant and an official account auditor. She has worked in the Economic Research Department of Sanpaolo S.p.A and held positions in the Fiscal and Administration Department, Merchant Banking and, in Intesa Sanpaolo Group, in the M&A and Shareholdings Departments. Ms. Rinaldi is currently a senior director in Intesa Sanpaolo and the head of Shareholdings Management. In the past, Ms. Rinaldi was the non-executive director in Intesa Sanpaolo Group subsidiaries and was a statutory auditor in Azimut Benetti S.p.A., HDI Assicurazioni S.p.A. and Moschino S.p.A. Since 2016, she has been the non-executive director of Banka Intesanpaolo d.d. (SLO) and since 2019, she has been the non-executive director of Banca 5 S.p.A.

Matteo Caroli. Matteo Caroli is a full professor of international management at LUISS Guido Carli University. He is also the Associate Dean for executive education at Luiss Business School and the director of the center of research in social innovation. Mr. Caroli was a member of the “Consiglio Generale for Compagnia di San Paolo” from 2005 to 2012. He is currently vice president of the association “Agro-network.” Mr. Caroli is also on the board of CONAI, Sisal Group and Sisal S.p.A. , for which he is the president of the committee for control and sustainability. Since 2010, he has been the president of the “Organo di Vigilanza” in ENEL S.p.A. Mr. Caroli has also published books and articles in international scientific journals, including his most recent book, “La Politica Anticorruzione nei Gruppi Internazionali”, published in 2019 by Luiss University Press.

Umberto Delzanno. Umberto Delzanno has a law degree from the University of Milan. He qualified to practice in Italy and was entered into the Register of Professional Lawyers in 1989 and in 2002, was registered as a Supreme Court of Cassation Lawyer. Mr. Delzanno joined Sisal in 2015 as Coordinator and Director of Legal and Corporate Affairs and, in January 2016, was also appointed as the manager in charge of Anti-Money Laundering and Suspicious Transaction Reporting. In December 2016, he was made a Board Director of Sisal Group S.p.A. He has also worked with the University of Milan in his capacity as an Honorary Magistrate.

Giampiero Mazza. Giampiero Mazza graduated *summa cum laude* from Rice University in 1991 with a degree in economics and completed a Master in Business Administration at the Harvard Business School in 1996. Mr. Mazza started his career as a business strategy advisor in Bain & Company in Dallas, Texas. He then joined James D. Wolfensohn Inc., a firm specializing in M&A transactions. From 2005 to 2010, he was a partner of BC Partners, a private equity firm in London. In 2010, Mr. Mazza joined CVC Capital Partners, a private equity firm, where he has been a partner responsible for the Italian business. Mr. Mazza also holds the following positions: (i) director of CVC Advisers (Italia) S.r.l., Recordati S.p.A., Conceria Pasubio S.p.A., Sisal Group S.p.A., Sisal S.p.A. Multiversity S.r.l., Pegaso Management S.r.l., Università Telematica Pegaso S.p.A. and Università Telematica Pegaso S.r.l. and (ii) chairman with delegated powers of Rossini Investimenti S.p.A. and in FIMEI S.p.A.

Andrea Ferrante. Andrea Ferrante graduated *summa cum laude* from the LUISS Guido Carli University in Rome with a degree in economics in 2003. From 2004 to 2007, he worked at Lehman Brothers in London. From 2007 to 2013, he worked at Cinven’s Milan, Hong Kong and London offices, and from 2009 to 2013, he held the position of director of Avio S.p.A. In 2013, Mr. Ferrante joined CVC Capital Partners, where he is a Managing Director of CVC Advisers (Italia) S.r.l. Mr. Ferrante currently serves as director of Conceria Pasubio S.p.A., Arzignanese S.r.l., Sisal Group S.p.A., Sisal S.p.A., Cerved Group S.p.A., Multiversity S.r.l., Pegaso Management S.r.l., Unimercatorum S.r.l., Università Telematica Pegaso S.p.A., Università Telematica Pegaso S.r.l. and Universitas Mercatorum.

Compensation

In the Shareholders’ Agreement (as defined in “*Related Party Transactions—Shareholders’ Agreement*”), Sisal Group and Banca 5 have provided that the issuer will adopt a management incentive plan based on equity value.

PRINCIPAL SHAREHOLDERS

Following the completion of the Gallo Investment, the Issuer's share capital will be directly owned 70% by Sisal Group and 30% by Banca 5. Sisal Group is indirectly owned by CVC Fund VI. Banca 5 is directly wholly-owned by Intesa Sanpaolo.

CVC

CVC is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 24 offices: 15 across Europe and the Americas and nine in the Asia-Pacific region. To date, CVC has secured commitments of over $129 billion from over 300 investors from across the world. In total, CVC's private equity platform currently manages approximately $59 billion of assets. Today, funds managed or advised by CVC are invested in 73 companies worldwide, employing approximately 270,000 people in numerous countries. Together, these companies have combined annual sales of over approximately $60 billion.

Intesa Sanpaolo

Intesa Sanpaolo, formed in 2007, is one of the leading banking groups in Europe. Intesa Sanpaolo offers its services to 11.8 million customers through a network of approximately 3,800 branches distributed throughout Italy. Intesa Sanpaolo has a strategic international presence, with approximately 1,100 branches and 7.3 million customers, comprising subsidiaries operating in commercial banking in 12 countries in Central Eastern Europe and Middle Eastern and North African areas and an international network of specialists in support of corporate customers across 25 countries, particularly in the Middle East, North Africa, the United States, Brazil, Russia, India and China. Intesa Sanpaolo has a market capitalization of approximately €40 billion.

RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we may from time to time enter into agreements with or render services to related parties. In turn, such related parties may render services or deliver goods to us as part of their business. In addition, it is contemplated that new related party transactions will be entered into in connection with the Transactions.

We believe that all transactions with affiliated companies are negotiated and conducted on an arm's-length basis and that the terms of these transactions are comparable to those currently contracted with unrelated third-party suppliers and service providers.

Commercial Agreements

PayCo and/or TelCo will establish a commercial partnership with Banca 5 with respect to certain products and services other than those relating to the branch of business contributed by Banca 5 to PayCo and/or TelCo (the "**Products and Services**"), and each product or service within such branch, a "Product" or a "Service".

The commercial partnership between PayCo and/or TelCo (as the case may be) and Banca 5 will be formalized through the conclusion of separate agreements in the manner and form most appropriate to the specific nature of the relevant Product or Service (the "**Commercial Agreements**"). The terms and conditions of the Commercial Agreements will be set forth in the partnership framework agreement to be entered into by and between Banca 5 and PayCo and TelCo (the "**Partnership Framework Agreement**"). Pursuant to the Partnership Framework Agreement, the Commercial Agreements will cover, *inter alia*, the following Products and Services: (i) services relating to prepaid cards recharge services; (ii) postal bills payment services; (iii) payment services; (iv) cash withdrawal services; (v) bank account services; and (vi) digital signature services. Moreover, the parties will mutually acknowledge the opportunity to assess, from time to time, the possible extension of the scope of the Products and Services to other products or services.

Banca 5 will have the right to develop new products and services (in addition to the Products and Services that will be covered by the Commercial Agreements) (the "**New Products and Services of Banca 5**"). In this regard, Banca 5 will have the right to directly market, distribute, offer and/or provide the New Products and Services of Banca 5 to end customers through the banking distribution channels of the Intesa Sanpaolo group. PayCo and/or TelCo will be granted the possibility, if interested, to cooperate in the marketing, distribution, offer and/or performance of such New Products and Services of Banca 5, through their own distribution channels, subject to the necessary adaptations, at the best market conditions. Similarly, PayCo and TelCo will have the faculty to develop products and services other than those contributed in relation to the Gallo Investment (the "**New Products and Services PayCo/TelCo**") (collectively with the New Products and Services of Banca 5, the "**New Products and Services**"). In this regard, PayCo and TelCo will have the right to (i) directly develop and manufacture the New Products and Services PayCo/TelCo or (ii) request a third party to develop and manufacture them. Banca 5 will be granted the possibility, if interested, to develop and manufacture the New Products and Services PayCo/TelCo.

The Partnership Framework Agreement will be effective until the expiry of a period of 5 (five) years from the signing date. The parties will also agree that, at least 12 (twelve) months before the expiry of such five years term, they will enter into discussions for the *bona fide* negotiation of a possible renewal of the Partnership Framework Agreement for a further period of 5 (five) years. Should a change of control occurs (as will be defined in the Partnership Framework Agreement) a new term of 5 (five years) will commence, to which the provision regarding the obligation to negotiate in good faith a renewal will apply.

The provisions relating to the duration and renewal of each Commercial Agreement will be identical to those provided for in the Partnership Framework Agreement referred to above.

Transitional Agreements

Pursuant to the Gallo Investment Agreement, related to the contribution of the payment businesses to PayCo, Sisal Group or Banca 5 (as the case may be) and PayCo will enter into two separate transitional services agreements aiming to facilitate the operations of PayCo activities (the "**Transitional Agreements**"). Under the Transitional Agreements, Sisal Group and Banca 5 will supply certain services to PayCo for the period immediately following the completion of the Gallo Investment in order to facilitate the internalization of the relevant payment business in PayCo.

The services that will be supplied by Sisal Group or Banca 5 to PayCo will be described in detail in the relevant annex (the "**Services Annex**") of each Transitional Agreement. Each Services Annex will include a description of the relevant service, a description of the service levels applicable to the relevant service, and provisions relating to the fees payable for each service, which will be determined on an annual basis.

In the event that PayCo will deem it necessary to receive from Sisal Group or Banca 5 services additional to those that will be listed and described in each Services Annex, or to modify one or more services, the parties will cooperate in good faith in order to find an agreed solution, in accordance with the provisions that will be set forth in each Transitional Agreement. Moreover, in the event that PayCo provides evidence that the request to add a further service or to modify one or more services is made necessary by changes in the applicable law or is functional to ensure the full operation of PayCo following the completion of the Gallo Investment, the parties will do everything reasonably in their power to agree in good faith on the extension of the services under each Transitional Agreement as soon as possible and in compliance with any obligations of prior information to the competent authority.

The maximum term of the Transitional Agreements will be 12 (twelve) months. PayCo will be entitled to withdraw from the Transitional Agreements at any time and will undertake to do everything reasonably within its power to exercise such right of withdrawal as soon as possible.

Shareholders' Agreement

In connection with the Gallo Investment, Sisal Group and Banca 5 will enter into a shareholders' agreement setting out the terms governing the relationship between, Sisal Group, Banca 5 and the SisalPay Group in the form attached to the Gallo Investment Agreement (the "**Shareholders' Agreement**").

Board Composition

As specified under the Shareholders' Agreement, the board of directors of the Issuer (the "**Board**") is composed of seven directors. Sisal Group has the right to designate five directors, including the chief executive officer and an independent director. Banca 5 has the right to designate two directors, including the chairman of the Board. Banca 5 has the right to remove the chief executive officer in the event that the SisalPay Group underperforms relative to certain financial metrics.

Board Approval

The Board will convene at least on a monthly basis during the first six months from the effective date of the Shareholders' Agreement and, at least once every two months thereafter. Decisions at a meeting of the Board will be taken by an absolute majority of the directors in attendance, except for decisions with respect to certain reserved matters related to, among other things, certain acquisitions, certain incurrence of indebtedness and the compensation of senior management, which may be approved by the Board in compliance with the consultation procedure described below and with the approval of both the directors appointed by Banca 5. The reserved matters vary depending on the ownership level of Banca 5.

Whenever one member of the Board appointed by the Sisal Group and one appointed by Banca 5 consider it appropriate, they may consult each other to discuss matters relating to the Issuer or its subsidiaries, prior to any meeting of the Board convened or during which one or more reserved Board matters are or may be discussed, in order to discuss and agree in good faith on a shared approach taking into account the Issuer's objectives. Where, as a result of this consultation procedure, the parties intend to cast the same vote in connection with a certain proposal (whether for or against), each party shall ensure that the directors designated by it express their position in a way consistent with the decision taken.

Shareholder Approval

The resolutions of the ordinary and extraordinary shareholders' meetings of the Issuer will be adopted in accordance with the provisions of applicable law, excluding, as regards to the Issuer, the resolutions concerning the appointment and replacement of the members of the Board for whom the provisions set forth in the by-laws for class shares apply. Certain matters are reserved for the shareholders. The reserved matters vary depending on the ownership level of Banca 5

Other Provisions

The Shareholders' Agreement includes a number of other customary provisions, including provisions relating to resolution of deadlock, restrictions on transfer, tag along and drag along rights, exit provisions (including around any IPO process) and certain strategic commercial undertakings. Unless otherwise required by the applicable law, all provisions of the Shareholders' Agreement shall, pursuant to Article 2341-bis, Paragraph 3 of the Italian Civil Code, be valid and effective for ten years (except for the provisions regulating share transfer restrictions which, as provided under applicable law, will be valid and effective for five years) with an automatic renewal.

The Shareholders' Agreement is governed by Italian law.

DPP

On the Completion Date, the Issuer, Sisal Group and Banca 5 will enter into an agreement to set forth and regulate the main aspects of the DPP according to the terms and conditions already agreed to among the parties in the Gallo Investment Agreement.

Pursuant to the DPP, the Issuer, Sisal Group and Banca 5 will agree that any amount due by the Issuer, such as the payment of the capital and any accrued interest, is postponed and subordinated to all other present and future obligations of the Issuer, whether secured or unsecured, that the rights of Sisal Group and Banca 5 shall rank junior to all other obligations of the Issuer and that no repayment of the principal, any accrued interest or other amount payable under the DPP, shall be made unless and until the Sisal Group DPP has been paid and discharged in full.

The DPP will set forth that the DPP shall be repaid (together with interest accrued on the amount repaid) by the Issuer six months after the last maturity date of any and all other existing and future indebtedness of the Issuer, including the Issuer's trade payables then outstanding under the debt documents pursuant to the Intercreditor Agreement (the "**DPP Maturity Date**") and that Sisal Group and/or Banca 5 shall have no right to demand the repayment of all or any part of their respective DPP before the DPP Maturity Date.

The Issuer may, at its discretion and at any time, voluntarily pre-pay the DPP together with accrued interest thereon; provided that such early repayment is not prohibited by the terms of the governing documents of any senior indebtedness then outstanding, the Intercreditor Agreement or any additional intercreditor agreement.

Pursuant to the DPP, the Sisal Group DPP and the Banca 5 DPP will bear a fixed interest rate equal to 9% per annum.

The DPP will provide that neither Sisal Group nor Banca 5 nor the Company may set off any obligation due under this Agreement against any obligation owed to the other party. However, Sisal Group and Banca 5 will be entitled to set-off the amounts due pursuant to, respectively, the Sisal Group DPP and the Banca 5 DPP with any amount due pursuant to the subscription by Sisal Group and/or Banca 5 of any capital increase of the Issuer.

The DPP will be governed by and construed in accordance with Italian law and subject to the exclusive jurisdiction of the courts of Milan, Italy.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of the SisalPay Group's principal financing arrangements in addition to the Indenture after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. You should refer to the actual agreements for further details, copies of which are available upon request.

Revolving Credit Facility

Capitalized terms used in this section shall have the meanings given to them in the Revolving Credit Facility Agreement unless otherwise defined.

Overview and structure

Prior to the Issue Date, the Issuer (as company and original borrower), certain affiliates of the Initial Purchasers and the 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 €92.5 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 in euro or certain other currencies by the drawing of cash advances, the issue of letters of credit, bank guarantees and documentary credits (including letters of credit and performance bonds) and by way of Ancillary Facilities.

Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings will be available to be used for general corporate and working capital purposes of the Group and, without prejudice to the generality of the foregoing, to fund certain permitted acquisitions, capital expenditure, certain fees and other amounts payable in connection with the Transaction Documents and/or any adjustments or other payments contemplated by the Tax Structure Memorandum or Investment Documents (each as defined in the Revolving Credit Facility Agreement) and rolling over, financing and refinancing and back-stopping of the any existing indebtedness and any existing ancillary facilities, letters of credit or bank guarantees but excluding the repayment of principal with respect to or redemption or defeasement of the Notes.

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 clause (1) of the definition of "Permitted Debt" under the covenant described in "*Description of the Notes—Certain Covenants—Limitation on Indebtedness,*" whether as a new facility and/or as an additional tranche of any existing facility and/or by increasing the commitments under an existing facility. Such additional facilities may be secured and may rank *pari passu* with, or subordinated to, the Revolving Credit Facility.

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.

Availability

The Revolving Credit Facility may, subject to the satisfaction of customary conditions precedent, be utilized on and from the Completion Date until the date falling one month prior to the maturity date of the Revolving Credit Facility.

Borrowers and Guarantors

The Issuer is the original borrower and original guarantor under the Revolving Credit Facility. A mechanism is included in the Revolving Credit Facility Agreement to enable certain of its subsidiaries to accede as additional borrowers or additional guarantors under the Revolving Credit Facility, subject to certain conditions. The Revolving Credit Facility Agreement also requires that in the future each member of the Group which is or becomes a Material Company, is a direct holding company of such Material Company or is otherwise required to satisfy the Guarantor Coverage Test (as defined below) becomes an additional guarantor under the Revolving Credit Facility Agreement (subject to agreed security principles).

Maturity and Repayment Requirements

The Revolving Credit Facility matures on the date falling six years and six months after the Completion Date. 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 its availability period, subject to certain conditions.

Interest Rate and Fees

The interest rate on advances under the Revolving Credit Facility will be the rate per annum equal to the aggregate of the applicable margin plus EURIBOR (or, in relation to advances in any currency other than euro, LIBOR). The initial margin under the Revolving Credit Facility will be 3.00% per annum. Beginning on the date which falls six months from the Completion Date, provided that no Event of Default relating to non-payment of principal or interest, insolvency or failure to deliver a compliance certificate under the Revolving Credit Facility Agreement has occurred and is continuing, the margin on the loans will be reduced if certain senior secured net leverage ratios (which are to be calculated substantially consistently with the calculations set forth in the Indenture, as described in "*Description of the Notes—Certain Definitions*") are met.

A commitment fee will be payable on the aggregate undrawn and uncancelled amount of the Revolving Credit Facility which shall accrue from (and including) the Completion Date to (and including) the last day of the availability period for the Revolving Credit Facility at the rate of 35% of the then applicable margin for the Revolving Credit Facility. The commitment fee will be payable quarterly in arrear, on the last day of the availability period of the Revolving Credit Facility and on the date the Revolving Credit Facility is cancelled in full or on the date on which a lender cancels its commitment. No commitment fee shall be payable unless the Completion Date occurs.

Default interest will be calculated as an additional 1% on the overdue amount.

The Issuer is also required to pay customary agency fees to the agent ("**Agent**") and the Security Agent in connection with the Revolving Credit Facility. No such agency fees shall be payable unless the Completion Date occurs.

Guarantees

It is anticipated that the Issuer will provide a senior guarantee of all amounts payable to the Finance Parties by any of its Subsidiaries which accede to the Revolving Credit Facility Agreement as additional borrowers or additional guarantors and to the hedging banks under certain secured hedging agreements.

Under the Revolving Credit Facility Agreement the Issuer must ensure that prior to the date falling 90 days after the Completion Date, each Material Company (which definition includes, among other things, any wholly-owned Restricted Subsidiary which has earnings before interest, tax, depreciation and amortization representing 5% or more of Consolidated EBITDA of the Group) (subject to agreed security principles) and each direct holding company of such Material Company (provided such holding company is a wholly-owned member of the Group) accedes to the Revolving Credit Facility Agreement as an additional guarantor. Subject to the agreed security principles, if the aggregate of earnings before interest, tax, depreciation and amortization of the guarantors under the Revolving Credit Facility Agreement is equal to or less than 80% of the earnings before interest, tax, depreciation and amortization of the Group (the "**Guarantor Coverage Test**"), the Issuer is also required to ensure that each other member of the Group as may be necessary to ensure that the Guarantor Coverage Test is satisfied accedes to the Revolving Credit Facility Agreement as a guarantor.

On and from the date falling 90 days after the Completion Date, the Issuer is required to ensure that (subject to the agreed security principles) each member of the Group which becomes a Material Company and each direct holding company of such Material Company (provided such holding company is a wholly-owned member of the Group) and each other member of the Group as may be necessary to ensure that the Guarantor Coverage Test is satisfied accedes to the Revolving Credit Facility Agreement as an additional guarantor. Such accessions must occur within 90 days of receipt by the Agent of the annual financial statements (commencing with the annual financial statements delivered for the fiscal year ending 31 December 2020) and related compliance certificate which first indicate that a member of the Group is a Material Company or (as relevant) indicate that other Restricted Subsidiaries that are members of the Group must become guarantors to ensure that the Guarantor Coverage Test is satisfied.

Security

As from the Completion Date, the Revolving Credit Facility will benefit from substantially the same security as the Notes. Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the collateral (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 and incorporation; (ii) binding obligations; (iii) non-conflict with constitutional documents, laws or other obligations; (iv) power and authority; (v) validity and admissibility in evidence; and (vi) accuracy of most recent financial statements delivered.

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) providing certain financial information, including annual audited and quarterly financial statements and compliance certificates; (ii) authorizations, (iii) compliance with laws; (iv) payment of taxes; (v) compliance with holding company activity restrictions; (vi) maintenance of pari passu ranking of the Revolving Credit Facility; (vii) maintenance of Guarantor Coverage Test, granting of additional guarantees and security in prescribed circumstances; (viii) compliance with sanctions; and (ix) further assurance provisions.

Negative Covenants

The negative covenants include restrictions, among others, with respect to deliberately changing the center of main interest of a borrower or guarantor. Otherwise, the negative covenants in the Revolving Credit Facility Agreement are substantially the same as the negative covenants in the Indenture.

Mandatory Prepayment Requirements upon a Change of Control

The Issuer is required to notify the Agent under the Revolving Credit Facility Agreement of a Change of Control, following which each lender under the Revolving Credit Facility Agreement is entitled to notify the Issuer requiring repayment of all outstanding amounts owed to that lender and the cancellation of that lender's commitments.

Financial Covenants

There are no maintenance financial covenants 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 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 in any material respect when made or deemed made subject to a 60-day grace period; (ii) unlawfulness and invalidity which materially and adversely affects the interest of the lenders (taken as a whole) under the Revolving Credit Facility Agreement, subject to a 60-day grace period; (iii) failure by a Subordinated Creditor or a Debtor to comply with a material term of the Intercreditor Agreement which materially and adversely affects the interest of the lenders (taken as a whole) under the Revolving Credit Facility Agreement, subject to a 60-day grace period; and (iv) repudiation and rescission which materially and adversely affects the interest of the lenders (taken as a whole) under the Revolving Credit Facility Agreement, subject to a 60-day grace period.

Intercreditor Agreement

To establish the relative rights of the relevant creditor groups, amongst others, the Issuer, the lenders under the Revolving Credit Facility Agreement (the "**RCF Lenders**"), each obligor in respect of the Revolving Credit Facility, the Security Agent, the Trustee, and the Subordinated Creditors (as that term is defined in the Intercreditor Agreement) will enter into an intercreditor agreement on or prior to the Issue Date (the "**Intercreditor Agreement**"). The following description is a summary of certain provisions, among others, 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 Indenture and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail. Capitalized terms used below shall have the meanings given to them in the Intercreditor Agreement unless otherwise defined.

Overview

The Intercreditor Agreement sets out, among other things:

- the relative ranking of certain indebtedness of the Group (as defined below);
- the relative ranking of certain security granted by certain members of the Group and the Third Party Security Providers;
- 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 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 and Senior Notes;
- the terms pursuant to which certain indebtedness will be subordinated upon the occurrence of certain insolvency events;
- the requirement to turn over amounts received from enforcement of the Transaction Security;
- when the Transaction Security and any guarantee(s) issued by certain Obligors will be released to permit an enforcement sale;
- the circumstances in which creditors' claims (including noteholders' claims against the Issuer and/or any Senior Notes Issuer (as defined in the Intercreditor Agreement)) 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

Upon the issuance of the Notes, the principal parties to the Intercreditor Agreement will be: (i) Sisal Group S.p.A. and Banca 5 S.p.A. as Original Shareholder Creditors and Original Third Party Security Providers, (ii) the Issuer (in such capacity and certain other capacities), (iii) the agent for the finance parties under the Revolving Credit Facility Agreement (the "**RCF Agent**"), (iv) the RCF Lenders, (v) the Trustee, and (vi) the Security Agent.

The "**Super Senior Creditors**" include the RCF Lenders and the RCF Agent together with, upon accession, the Priority Hedge Counterparties (as defined below). The "**Senior Secured Creditors**" include the holders of the Notes, the Trustee together with, upon accession, the Non-Priority Hedge Counterparties (as defined below), the Future Pari Passu Creditors (as defined below) and the Cash Management Facility Creditors (as defined in the Intercreditor Agreement). The "**Senior Creditors**" include, upon accession, any Senior Notes Creditors and the Future Senior Creditors (as defined below).

The Intercreditor Agreement therefore allows for accession by certain future creditors in order to share (to the extent set out in the Intercreditor Agreement) in the relevant security, including (i) hedge counterparties pursuant to hedging agreements which are secured on a super senior basis with (among other liabilities) the Revolving Credit Facility (the "**Priority Hedging Agreements**" and the providers thereof the "**Priority Hedge Counterparties**"), (ii) hedge counterparties pursuant to hedging agreements which are secured on a pari passu basis with respect to the proceeds of enforcement of security (among other liabilities) the Notes (the "**Non-Priority Hedging Agreements**" and the providers thereof, the "**Non-Priority Hedge Counterparties**" and together with the Priority Hedge Counterparties, the "**Hedge Counterparties**"), (iii) creditors of future loan or bond indebtedness of the Debtors (which is permitted by or not restricted under the terms of the Revolving Credit Facility Agreement, the Notes and the Senior Notes (if any), and which is not subordinated in right of payment to the liabilities owed to the Super Senior Creditors or the Senior Secured Creditors) (the "**Future Pari Passu Debt**"), including any senior secured notes issued after the Issue Date pursuant to the Indenture (the

"**Future Pari Passu Creditors**") and (iv) creditors of future loan or bond indebtedness of the Debtors (which is permitted by or not restricted under the terms of the Revolving Credit Facility, the Notes and the Senior Notes (if any), and which is pari passu with respect to the proceeds of enforcement of security, and not subordinated in right of payment to, the liabilities owed to the Senior Creditors) ("**Future Senior Debt**"), including any senior notes issued after the Issue Date pursuant to a Senior Notes Indenture (the "**Future Senior Creditors**").

Neither the Issuer nor any of its Restricted Subsidiaries (each a member of the "**Group**") nor any shareholder of a member of the Group which is not otherwise party to (1) a document creating security in favor of the Super Senior Creditors, the Senior Secured Creditors or the Senior Creditors or (2) the debt documents thereby secured, will be party to the Intercreditor Agreement save for (i) any shareholder of the Issuer or any direct or indirect shareholder of the Issuer which has made a loan to a member of the Group (each a "**Shareholder Creditor**") (the Intercreditor Agreement contains customary subordination provisions and restrictions relating to the receivables owing from any Senior Notes Issuer or any member of the Group to any Shareholder Creditor (the "**Shareholder Liabilities**")) and (ii) certain members of the Group that lend to 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 members of the Group to such Intra-Group Lenders in respect of intra-group loans (the "**Intra-Group Liabilities**"). The Intercreditor Agreement contains subordination provisions relating to any Intra-Group Liabilities. However, members of the Group will not be prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an acceleration event under the Revolving Credit Facility or the Indenture is continuing and at any time prior to such acceleration event, such Intra- Group Liabilities may be converted into equity (subject to certain security being granted where required).

Ranking and Priority

Priority of Indebtedness

The Intercreditor Agreement provides that the liabilities of the Debtors shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) *first*, the liabilities owed to the Super Senior Creditors (the "**Super Senior Liabilities**"), the liabilities owed to the Senior Secured Creditors including with respect to the Notes (the "**Senior Secured Liabilities**"), the liabilities owed to any Hedge Counterparty (to the extent not already included in the Super Senior Liabilities), the liabilities owed to the Cash Management Facility Creditors (the **"Cash Management Facility Liabilities**"), the liabilities of any Senior Notes Issuer, in respect of any Senior Notes (the "**Senior Notes Issuer Liabilities**"), the Future Pari Passu Debt, the Future Senior Debt of any future issuer of senior debt to the Future Senior Creditors (the "**Future Senior Issuer Liabilities**"), and certain customary costs and expenses of the Trustee and any Senior Notes Trustee (the "**Trustee Liabilities**") *pari passu* and without any preference between them;

(b) *second*, the guarantee liabilities owed to the Senior Creditors with respect to any Senior Notes (the "**Senior Notes Guarantee Liabilities**" and, together with any Senior Notes Issuer Liabilities, the "**Senior Notes Liabilities**"), together with any guarantee liabilities owed to any Future Senior Creditor *pari passu* and without any preference between them;

(c) *third*, the Intra-Group Liabilities and any liabilities owed by the Issuer to a Holdco Lender (the "**Holdco Liabilities**") *pari passu* and without any preference between them; and

(d) *fourth*, the Shareholder Liabilities.

The Intercreditor Agreement contains an acknowledgment by all parties thereto that any Senior Notes Issuer Liabilities and the Future Senior Issuer Liabilities are senior obligations of the relevant issuer, and provides that nothing in the Intercreditor Agreement shall impair the right of the Senior Creditors to institute suit for the recovery of any payment due by such an issuer in respect of any Senior Notes Issuer Liabilities or the Future Senior Issuer Liabilities (as applicable), but provides that the Senior Creditors shall not, until the Senior Secured Discharge Date, take any steps to appropriate the assets of such an issuer subject to the Transaction Security in connection with any Enforcement Action other than as expressly permitted by the Intercreditor Agreement.

Priority of Security

The Intercreditor Agreement provides that the security provided for the liabilities described in paragraphs (a) and (b) below (the "**Transaction Security**") shall rank and secure these liabilities in the following order (and subject to the proceeds of such security being distributed in accordance with the Payments Waterfall defined below):

(a) *first*, the Super Senior Liabilities, the Senior Secured Liabilities, the liabilities owed to any Hedge Counterparty (to the extent not already included in the Super Senior Liabilities), the Cash Management

Facility Liabilities, the Future Pari Passu Debt and the Trustee Liabilities, *pari passu* and without any preference between them (but only to the extent that such Transaction Security expressed to secure those liabilities); and

(b) *second*, any Senior Notes Liabilities and the Future Senior Debt *pari passu* and without any preference between them (but only to the extent that such Transaction Security is Shared Security (which term shall include, for the purposes of the Intercreditor Agreement, certain other security as may be granted in the future and designated by the Issuer as "**Shared Security**").

The Intercreditor Agreement further provides that any security provided for any Senior Notes only (of which there is none as at the date of the Intercreditor Agreement) (the "**Senior Notes Only Security**") shall rank and secure only any Senior Notes Liabilities and the Future Senior Debt, *pari passu* and without any preference between them (but only to the extent that such Senior Notes Only Security is expressed to secure such liabilities).

The Shareholder Liabilities, the Holdco Liabilities and the Intra-Group Liabilities (the "**Subordinated Liabilities**") shall not be secured by the Transaction Security or any Senior Notes Only Security.

If security is to be granted for certain future indebtedness (including Credit Facility Lender Liabilities, Cash Management Facility Liabilities, Future Pari Passu Debt and Future Senior Debt) ("**Future Debt**"), to the extent such Future Debt cannot be secured with the agreed ranking without the existing security first being released, the Intercreditor Agreement contains provisions that such Future 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 Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security pari passu with corresponding liabilities which would otherwise have the same ranking as contemplated above and any amounts to be applied towards such Future 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 and retaking of security under the existing security documents shall be permitted without the consent of the required creditors under the documents thereby secured unless permitted by such documents.

Payments and Prepayments; Subordination of any Senior Notes

The Debtors and the Third Party Security Providers may make payments and prepayments in respect of the Revolving Credit Facility and the Notes at any time in accordance with their terms and may prepay or acquire the Notes.

Any Senior Notes Issuer may make payments and prepayments in respect of any Senior Notes Issuer Liabilities (including by prepaying or acquiring any Senior Notes) at any time in accordance with the terms of any Senior Notes Indenture, any Senior Notes and the Intercreditor Agreement provided that such payment is not made from assets subject to Transaction Security and not financed by a payment from a member of the Group that was prohibited at such time by any of the Credit Facility Documents, Cash Management Facility Documents, Notes Documents and Future Pari Passu Debt Documents.

Prior to the discharge of all Senior Secured Liabilities, no Debtor, Third Party Security Provider or other member of the Group may make payments in respect of any Senior Notes Liabilities without the consent of the Majority Super Senior Creditors and Majority Senior Secured Creditors except as described in the foregoing paragraph or as permitted by the Intercreditor Agreement including the following:

(1) if:

  (a) the payment is of: (i) any of the principal or interest (including capitalized interest) amount of any Senior Notes Liabilities which is either (1) not prohibited from being paid by the Revolving Credit Facility Agreement, the Cash Management Facility Documents, the Notes Documents or any Future Pari Passu Debt Document or (2) is paid on or after the final maturity of any Senior Notes; or (ii) any other amount in respect of any Senior Notes Liabilities which is not an amount of principal or capitalized interest accrued due and payable in cash in accordance with the terms of any Senior Notes Documents or a corresponding amount under any Holdco Debt Document (as that term is defined in the Intercreditor Agreement);

  (b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of any Senior Notes Liabilities (a "**Payment Blockage Notice**") is outstanding; and

  (c) no Senior Secured Debt Payment Default (as that term is defined in the Intercreditor Agreement) has occurred and is continuing; or

(2) certain amounts due to any Senior Notes Trustee for its own account; or

(3) payments of amounts equal to any payment accrued pursuant to any Senior Notes or any Senior Notes guarantee immediately after the period during which any Payment Blockage Notice is outstanding or a Senior Secured Debt Payment Default ceases to be continuing and which would otherwise have been a permitted payment pursuant to the terms of the Intercreditor Agreement; or

(4) for so long as a Senior Secured Debt Event of Default is continuing certain payments as a result of any Senior Notes Liabilities being released or otherwise discharged in exchange for the issuance of shares in any holding company of any Senior Notes Issuer, subject to certain conditions;

(5) certain payments of non-cash interest by way of capitalization;

(6) payments funded with the incurrence of Senior Notes Liabilities;

(7) costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) any Senior Notes Documents (including in relation to any reporting or listing requirements under any Senior Notes Documents), subject to certain conditions; or

(8) costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of any Senior Notes in compliance with the Intercreditor Agreement, the Revolving Credit Facility, the Indenture, the Cash Management Facility Documents and any Future Pari Passu Debt Document, subject to certain conditions;

(9) payments of certain reasonable and customary consent fees in connection with amendments to any Senior Notes Documents in proportion to any corresponding amounts paid in respect of the Super Senior Liabilities and Senior Secured Liabilities (to the extent such fees are paid or payable);

(10) payments in connection with purchases or redemptions of Senior Notes permitted under the Credit Facility Documents, Cash Management Facility Documents, Notes Documents and Future Pari Passu Debt Documents; or

(11) payment of any other amount not exceeding €2,000,000 in aggregate in any twelve month period.

Prior to the discharge of all the Senior Secured Debt, if a Senior Secured Debt Payment Default has occurred and is continuing all payments in respect of any Senior Notes Liabilities (other than those consented to by the Majority Super Senior Creditors and the Majority Senior Secured Creditors and certain amounts due to any Senior Notes Trustee for its own account) will be suspended.

In addition, if a Senior Secured Debt Event of Default (other than a Senior Secured Debt Payment Default) (each a "**Senior Secured Default**") has occurred and is continuing and any Senior Notes Trustee has received a Payment Blockage Notice from either the RCF Agent, the Cash Management Facility Agent or the Trustee or the representative of the Future Pari Passu Debt (the "**Relevant Representative**"), all payments in respect of any Senior Notes Liabilities (other than those consented to by the Majority Super Senior Creditors and Majority Senior Secured Creditors and certain amounts due to any Senior Notes Trustee for its own account) are suspended until the earliest of:

(a) the date on which there is a waiver, remedy or cure of such Senior Secured Default in accordance with the relevant finance documents; or

(b) 179 days after the receipt by any Senior Notes Trustee of the Payment Blockage Notice;

(c) the repayment and discharge of all obligations in respect of the Senior Secured Liabilities;

(d) the date on which the Relevant Representative which issued the Payment Blockage Notice (and, if at such time a Senior Secured Default is continuing in relation to the Senior Secured Liabilities (other than the Senior Secured Liabilities in respect of which the notice was given), the Relevant Representative(s) in respect of that other Senior Secured Liabilities) notify/ies (amongst others) any Senior Notes Trustee that the Payment Blockage Notice is cancelled;

(e) the date on which the Security Agent or Senior Notes Trustee takes any Enforcement Action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement;

(f) the date on which the relevant Senior Secured Default is no longer continuing and if the relevant 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

(g) if a Standstill Period (as defined below) is in effect at any time after delivery of a Payment Blockage Notice, the date on which the Standstill Period expires, provided that none of the circumstances described in this paragraph, nor those described in the paragraph above shall prevent any Senior Notes Issuer from making payments in respect of any Senior Notes Issuer Liabilities in accordance with the terms of the relevant documentation from its own assets (excluding at all times any assets which are subject to Transaction Security) provided that such payment is not financed by a payment to any Senior Notes Issuer from a member of the Group that was prohibited by then existing (if any) Credit Facility Documents the Notes Documents and Future Pari Passu Debt Documents and any other Senior Debt Documents.

Unless waived by any Senior Notes Trustee, (a) no new Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Payment Blockage Notice and (b) no Payment Blockage Notice may be served in respect of a Senior Secured Debt Event of Default more than 60 days after the date that the Relevant Representative received notice of that Senior Secured Default. No Relevant Representative may serve more than one Payment Blockage Notice with respect to the same event or set of circumstances, and no Payment Blockage Notice may be served in respect of a Senior Secured Event of Default notified to a Relevant Representative at the time at which an earlier Payment Blockage Notice was issued.

If a Payment Blockage Notice ceases to be outstanding or the relevant Senior Secured Debt Payment Default has ceased to be continuing (by being waived by the relevant creditors/creditor's representative or remedied) the relevant debtor may then make those payments it would have otherwise been entitled to pay under any Senior Notes and if it does so promptly any event of default under any Senior Notes caused by such delayed payment shall be waived and any enforcement notice which may have been issued as a result of that event of default shall be waived. A Senior Secured Debt Payment Default is remedied by the payment of all amounts then due.

Restrictions on Enforcement by any Senior Notes; Senior Notes Standstill

Without prejudice to the rights of the Senior Creditors to take Enforcement Action in relation to any Senior Notes Issuer Liabilities and/or any Senior Notes Only Security, prior to the discharge of all the Senior Secured Liabilities, neither any Senior Notes Trustee nor the holders of any Senior Notes may take Enforcement Action with respect to any Senior Notes (including any action against any Senior Notes Issuer or the guarantors of any Senior Notes (if any)) or direct the Security Agent to enforce or otherwise require the enforcement of any relevant Transaction Security document (including the Shared Security) without the prior consent of or as required by an Instructing Group (as defined below), except that such restriction will not apply in relation to any Senior Notes Guarantee Liabilities and Shared Security if (1) an event of default has occurred under any Senior Notes resulting from failure to pay principal at final maturity or (2):

(a) an event of default under any Senior Notes Indenture is continuing;

(b) the RCF Agent and the other representatives of the Senior Secured Liabilities have received notice of the specified event of default from any Senior Notes Trustee;

(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.

A "**Standstill Period**" shall mean the period starting on the date that any Senior Notes Trustee serves an enforcement notice on the RCF Agent, the Cash Management Facility Agent, the Trustee and the representative of any Future Pari Passu Debt 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 any Senior Notes Trustee and holders of Senior Notes may only take the same Enforcement Action against the same entity as is taken by the Senior Secured Creditors and may not take any other action against any other member of the Group;

(c) the date on which an insolvency event occurs in respect of any guarantor of any Senior Notes against whom Enforcement Action is to be taken; and

(d) 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.

Substantially similar provisions to those described in this section with respect to any Senior Notes are included in the Intercreditor Agreement with respect to Future Senior Debt and related Future Senior Creditors.

If the Security Agent has notified any Senior Notes Trustees that it is enforcing Transaction Security, no other Senior Notes Creditor may take any enforcement action against that Third Party Security Provider, that Debtor or any subsidiary of that Debtor while the Security Agent is taking steps to enforce that Transaction Security where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom. If any Senior Notes Creditors are permitted to give instructions to the Security Agent to require the enforcement of such Transaction Security, such Enforcement Action must require the realization of the relevant Security by way of a sale or disposal conducted in accordance with the Intercreditor Agreement.

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 and/or Transaction Security on a distressed disposal ("**Enforcement**"), the relevant representative of the Super Senior Liabilities or the Senior Secured Liabilities (as applicable) shall notify the Security Agent and the 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 the enforcement of the Transaction Security or the taking of any other Enforcement Action by the Super 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 RCF Agent (acting on the instructions of the Super Majority Super Senior Creditors), the Cash Management Facility Agent, the representative of any Future Pari Passu Creditors and the Trustee 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) with a view to coordinating the instructions to be given by an Instructing Group and agreeing an enforcement strategy (the "**Consultation Period**").

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 any Senior Notes Issuer, the Issuer, or a borrower or a guarantor or any member (or members) of the Group that is or are a Significant Subsidiary or a Significant Group (each a "**Relevant Company**"); or

(b) subject to no instructions having been given by an Instructing Group in the circumstances described below, the Super Majority Super Senior Creditors or the Majority Senior Secured Creditors determine in good faith (and notifies each other representative agent of the Super Senior Creditors, each Cash Management Facility, the Senior Secured Creditors, the Future Pari Passu Creditors and the Security Agent) 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 Payment Waterfall described below) the Super Senior Liabilities would not be discharged in full and in this 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 Super 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 instructions (and for these purposes the failure to give instructions is deemed to be a conflicting instruction) are received by the end of the Consultation Period, 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 by the Super Majority Super Senior Creditors during the Consultation Period shall be deemed revoked.

If the Super 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, subject to (a) and (b) above, the relevant representative shall give notice to the other representatives after which each such representative shall consult with the Security Agent for a period of 10 days (or such lesser period as the relevant representatives may agree) with a view to agreeing the manner of

Enforcement, provided that such representatives shall not be obliged to consult more than once in relation to each Enforcement Action.

For the purposes of Enforcement, an "**Instructing Group**" means if prior to the Credit Facility Lender Discharge Date (as that term is defined in the Intercreditor Agreement), the Super Majority Super Senior Creditors and the Majority Senior Secured Creditors, provided that if:

(a) the Super Senior Liabilities have not been repaid in full within six months of the end of the Consultation Period (or within six months of the delivery of a specified notice by the Majority Senior Secured Creditors, where no consultation period is required);

(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 within three months of the delivery of a specified notice by the Majority Senior Secured Creditors, where no consultation period is required); or

(c) an insolvency event has occurred with respect to a Relevant Company 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 Relevant Company, then the Security Agent shall thereafter follow any instructions that are subsequently given by the Super 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) and the Instructing Group in relation to such Enforcement shall mean the Super Majority Super Senior Creditors. Subject to the foregoing, in the event of Conflicting Enforcement Instructions, the "**Instructing Group**" shall mean the Majority Senior Secured Creditors provided that such instructions from the Majority Senior Secured Creditors are Qualifying Instructions, it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the timeframe for the realization of value from the enforcement of the Transaction Security or Distressed Disposal pursuant to such instructions will be determined by the Majority Senior Secured Creditors.

Prior to the Senior Secured Debt Discharge Date: (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Shared Security; or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor or Third Party Security Provider to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Shared Security which the Majority Senior Creditors (as defined in the Intercreditor Agreement) are then entitled to give to the Security Agent in accordance with the Intercreditor Agreement, as described under the heading "*—Restrictions on Enforcement by any Senior Notes; Senior Notes Standstill*" below. Notwithstanding the foregoing, if at any time any Senior Creditor or its Creditor Representative is then entitled to give the Security Agent instructions to enforce the Shared Security and the Majority Senior Creditors do not give such instruction and do not indicate any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the Shared Security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Senior Creditors or its Creditor Representative under this Agreement and Security Agent shall act on such instructions received from the Instructing Group.

For the avoidance of doubt, the above provisions do not apply to the enforcement of any Senior Notes Only Security where the Security Agent will act in accordance with the instructions of the Majority Senior Creditors (as that term is defined in the Intercreditor Agreement).

Security Enforcement Principles

Unless otherwise agreed in writing between the Super Majority Super Senior Creditors, the Majority Cash Management Facility Creditors (as defined in the Intercreditor Agreement), the Senior Secured Notes Required Holders (as defined below) (if prior to the Senior Secured Notes Discharge Date), the Future Pari Passu Debt Required Holders (as defined below) and the Issuer, 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 primary and overriding 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, the recovery by the Super Senior Creditors, the Senior Secured Notes Creditors and the Future Pari Passu Creditors (the "**Security Enforcement Objective**").

(b) The Transaction Security will be enforced and other action as to Enforcement will be taken such that either (i) 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 (ii) if Enforcement is at the direction of the Majority Senior Secured Creditors or the Majority Senior Creditors, sufficient proceeds from 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 Super Majority Super Senior Creditors agree otherwise).

(c) The Enforcement Action must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, 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 provided that it is consistent with the Security Enforcement Objective.

(d) 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 €5,000,000 (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 is made pursuant to a public auction 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 of any such Enforcement Action, (B) that the proceeds received from enforcement is fair from a financial point of view after taking into account all relevant circumstances, and (C) that such sale is otherwise in accordance with the Security Enforcement Objective.

(e) 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. The liability of any Financial Advisor in respect of the opinions referred to in paragraph (d) above may be limited to the amount of its fees in respect of such engagement.

(f) The Financial Advisor's opinion (or any 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.

(g) In the event that an Enforcement of the Transaction Security is over assets and shares referred to in (d)(i) 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. There is no requirement in the Security Enforcement Principles that requires the Enforcement of Transaction Security to take place by way of public auction.

(h) 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.

(i) 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 paragraph (a) above has been met.

For the avoidance of doubt, the above provisions do not apply to the enforcement of any Senior Notes Only Security.

Turnover

The Intercreditor Agreement also provides that if any Super Senior Creditor, Cash Management Facility Creditor, Senior Secured Notes Creditor, Senior Creditor and Future Pari Passu Creditor receives or recovers the proceeds of any Enforcement of Transaction Security (whether before or after an insolvency event) or any Senior Notes Only Security other than in accordance with Payments Waterfall that it shall (subject to certain prior actual knowledge qualifications in the case of the Trustee and any Senior Notes Trustee, as applicable):

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold an amount of that receipt or recovery equal to the Relevant Liabilities of that creditor (or, if less, the amount received or recovered) 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.

Certain further turnover obligations following receipt of non-permitted payments apply to Senior Notes Creditors, Future Senior Creditors and Subordinated Creditors.

Application of Proceeds/Waterfall

All amounts received or recovered by the Security Agent in connection with the realization or Enforcement of all or any part of the Transaction Security (and, in relation to the Senior Creditors, Shared Security) or otherwise paid to the Security Agent in accordance with the Intercreditor Agreement for application in accordance with the Payments Waterfall (the "**Enforcement Proceeds**"), other than with respect to any Senior Notes Only Security, will be paid to the Security Agent for application in accordance with the following payments waterfall in each case to the extent that security has been given in favor of such obligations (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 Security Agent, any receiver or any of its delegates and any Trustee Liabilities as the case may be, and then (ii) *pari passu* and *pro rata* to each Creditor Representative (as the term is defined in the Intercreditor Agreement) (to the extent not included in (i) above and excluding any Hedge Counterparty as its own Creditor Representative) of the costs and expenses of each such Creditor Representative and any receiver, attorney or agent appointed by such Creditor Representative under any Transaction Security Document or the Intercreditor Agreement;
- *second*, *pari passu* and *pro rata*, in or towards payment of all costs and expenses incurred by the Super Senior Creditors, the Senior Secured Creditors and in relation to any Shared Security the Senior 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;
- *third*, *pari passu* and *pro rata*, in or towards payment to (i) each Creditor Representative(s) in respect of a Credit Facility on its own behalf and on behalf of the Arrangers and the Credit Facility Lenders under that Credit Facility; and (ii) to the Priority Hedge Counterparties for application towards the discharge of (A) the liabilities owed to the Creditor Representative in respect of each Credit Facility, the Credit Facility Lender Liabilities and the related Arranger Liabilities in accordance with the terms of the Credit Facility Documents and (B) the Priority Hedging Liabilities (in proportion to each Priority Hedge Counterparty's Priority Hedge Proportion), on a *pro rata* basis as between paragraphs (A) and (B) above;
- *fourth*, *pari passu* and *pro rata* to the Cash Management Facility Agent on behalf of the Cash Management Facility Creditors, the Trustee on behalf of the Senior Secured Noteholders and to the relevant Creditor Representative on behalf of the Future Pari Passu Creditors for application towards any unpaid costs and expenses incurred by or on behalf of any Cash Management Facility Creditors, holders of Notes and Future Pari Passu Creditors in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;
- *fifth*, *pari passu* and *pro rata* to the Cash Management Facility Agent on behalf of the Cash Management Facility Creditors for application towards the Cash Management Facility Liabilities, to the Trustee on behalf of the holders of Notes for application towards the discharge of the Senior Secured Notes Liabilities (in accordance with the relevant documents), to the relevant Creditor Representative on behalf of the Future Pari Passu Creditors for application towards the discharge of the Future Pari Passu Debt (in accordance with the relevant documents) and to the Non-Priority Hedge Counterparties for application towards the discharge of the Non-Priority Hedging Liabilities (in proportion to each Non-Priority Hedge Counterparty's Non-Priority Hedge Proportion);
- *sixth*, and only to the extent that the Senior Creditors are entitled to the relevant recoveries, *pari passu* and *pro rata,* in or towards payment to any Senior Notes Trustee on behalf of the holders of Senior Notes and to the relevant Creditor Representative on behalf of the Future Senior Creditors for application towards any unpaid costs and expenses incurred by or on behalf of the holders of Senior Notes and any Future Senior Creditors in connection with any realization or enforcement of the Shared Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

- *seventh*, and only to the extent that the Senior Creditors are entitled to the relevant recoveries, *pari passu* and *pro rata* to any Senior Notes Trustee on behalf of holders of any Senior Notes for application towards the discharge of any Senior Notes Liabilities (in accordance with the relevant documents) and to the relevant Creditor Representative on behalf of the Future Senior Creditors for application towards the discharge of the Future Senior Debt (in accordance with the relevant documents); and
- *eighth*, after the Final Discharge Date, in payment of the surplus (if any) to the relevant Debtor, Third Party Security Provider or other person entitled to it.

For the avoidance of doubt (other than as provided above) payments of Enforcement Proceeds may only be made to the Trustee for the holders of the Notes, if all payments then due and payable under the Revolving Credit Facility to the RCF Lenders, ancillary lenders and issuing bank and to the Priority Hedge Counterparties in respect of the Priority Hedging Liabilities and the other payments referred to under "thirdly" above have been paid in full.

All amounts received or recovered by the Security Agent in connection with the realization or Enforcement of all or any part of any Senior Notes Only Security will be applied in accordance with a separate payments waterfall as follows:

- *first*, in payment of the following amounts in the following order (i) *pari passu* and *pro rata* any sums owing to the Security Agent, any receiver or any of its delegates and any Trustee Liabilities, as the case may be, and then (ii) *pari passu* and *pro rata* to each Creditor Representative of the holders of any Senior Notes and the Future Senior Creditors of the costs and expenses of each such Creditor Representative and any receiver, attorney or agent appointed by such Creditor Representative under any Senior Notes Only Security document or the Intercreditor Agreement;
- *second*, *pari passu* and *pro rata*, to any Senior Notes Trustee and to the relevant Creditor Representative on behalf of the Future Senior Creditors in or towards payment of all costs and expenses incurred by the by the holders of any Senior Notes and any of Future Senior Creditors in connection with any realization or enforcement of any Senior Notes Only Security taken in accordance with the terms of any Senior Notes Only Security documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;
- *third*, *pari passu* and *pro rata,* to any Senior Notes Trustee on behalf of the holders of any Senior Notes for application towards the discharge of any Senior Notes Liabilities (in accordance with the relevant documents) and to the relevant Creditor Representative on behalf of the Future Senior Creditors for application towards the discharge of the Future Senior Debt (in accordance with the relevant documents); and
- *fourth*, after the Senior Debt Discharge Date, in payment of the surplus (if any) to the relevant Debtor, Third Party Security Provider or other person entitled to it.

Acceleration

If an event of default occurs under the Revolving Credit Facility, the Notes or Future Pari Passu Debt then any decision to accelerate the Revolving Credit Facility or Notes or Future Pari Passu Debt and, subject as provided below, to take any other Enforcement Action will be determined in accordance with the provisions of the Revolving Credit Facility or relevant Senior Secured Notes Indenture or in accordance with the terms of the Future Pari Passu Debt (as applicable). The Intercreditor Agreement contains provisions requiring relevant Creditor Representative to notify the Security Agent of such event and the Security Agent shall, upon receiving that notification, notify each other party to the Intercreditor Agreement.

Release and/or Transfer of Claims and Liabilities in Respect of any Senior Notes and the Notes and the Transaction Security

Non-distressed Disposal

In circumstances where a disposal or other transaction whereby a release, consent or other step in relation to, Transaction Security is considered necessary or desirable by the Issuer in connection with such transaction (including to reflect the Agreed Security Principles), is not being effected at the request of the Instructing Group in circumstances where the Transaction Security has become enforceable, by enforcement of the Transaction Security or after the occurrence of a Distress Event (as defined below) (a "**Distressed Disposal**") and is otherwise permitted by the terms of the Indenture, any Senior Notes Indenture the Credit Facility Documents, the Cash Management Facility Documents, the Future Pari Passu Debt Documents and the Future Senior Debt Documents (as those terms are defined in the Intercreditor Agreement), the Intercreditor Agreement provides that (subject to certain conditions) the Security Agent is authorized (i) to release relevant the Transaction Security or any other relevant claim (relating to a Debt Document) over any relevant asset; (ii) where any relevant asset consists of all the shares in the capital of an Debtor, to release the Transaction Security or any other claim (relating to a Debt Document) over the assets of that Debtor and the shares in and assets of any of its subsidiaries; (iii) to execute and deliver or enter into any release of the Transaction Security or any claim described in (i) and/or (ii) above and/or issue any certificates of non-crystallization of any floating charge or any consent to dealing, or return any physical collateral or other documents, in each case, as reasonably requested by the Issuer, and (iv) to take any other action on behalf of the Secured Parties in connection with the same that is not prohibited under the relevant Debt Documents provided that, to the extent that replacement Transaction Security is required from the transferee under the terms of the Debt Documents, such Transaction Security shall, to the extent reasonably practicable and subject to the Agreed Security Principles, be granted at the same time as (or before) the relevant disposal is effected.

Distressed Disposal

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement provides that the Security Agent is authorized and instructed:

(i) to release the Transaction Security, or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security, or claim and issue any letters of non- crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of an Debtor, to release (a) that Debtor and any subsidiary of that Debtor from all or any part of: (x) the liabilities it may have as a principal debtor in respect of financial indebtedness arising under the Debt Documents (whether incurred solely or jointly and including, without limitation, liabilities as a Borrower under the Revolving Credit Facility Agreement or liabilities as an issuer of the Notes or any Senior Notes or in any equivalent capacity under the Future Pari Passu Debt Documents and/or Future Senior Debt Documents) (the "**Borrowing Liabilities**"); (y) the liabilities under the Debt Documents (present or future, actual or contingent and whether incurred solely or jointly) it may have as or as a result of its being a guarantor or surety or giving an indemnity as a primary debtor, contribution or subrogation and in particular any guarantee or indemnity arising under or in respect of the Senior Secured Debt Documents, any Senior Notes Documents or the Future Senior Debt Documents (the "**Guarantee Liabilities**") and (z) any trading and other liabilities (not being Borrowing Liabilities or Guarantee Liabilities) it may have to any Intra-Group Lender, any Debtor, any Shareholder Creditor, any Third Party Security Provider or any holding company of any Debtor (the "**Other Liabilities**"); (b) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and (c) any other claim of a Subordinated Creditor, an Intra-Group Lender, or another Debtor, or a Third Party Security Provider over that Debtor's assets or over the assets of any subsidiary of that Debtor on behalf of, in each case the relevant Creditors, Debtors and Third Party Security Providers;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of an Debtor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its Borrowing Liabilities, Guarantee Liabilities and Other Liabilities; (b) any Transaction Security granted by any subsidiary of that holding company over any of its assets; and (c) any other claim of a Subordinated Creditor, an Intra-Group Lender or another Debtor, or a Third Party Security Provider over the assets of any subsidiary of that holding company on behalf of, in each case the relevant Creditors, Debtors and Third Party Security Providers;

(iv) provided that the disposal is in accordance with the Security Enforcement Principles, if the asset which is disposed of consists of shares in the capital of an Debtor or a holding company of an Debtor and the Security Agent decides to dispose of all or any part of (y) all present and future moneys, debts, liabilities and obligations due at any time of any member of the Group, any Parent Borrower or any Third Party Security Provider to any Creditor under the Debt Documents, both actual and contingent and whether incurred solely or jointly with any other person or in any other capacity, together with any additional liabilities, but subject to certain limitations on liability in respect of Third Party Security Providers (the "**Liabilities**"); or (z) any liabilities owed to any Debtor or Shareholder Creditor (whether actual or contingent and whether incurred solely or jointly (the "**Debtor Liabilities**") owed by that Debtor or holding company or any subsidiary of that Debtor or holding company on the basis that (A) if the Security Agent does not intend that any transferee of those Liabilities or Debtor Liabilities will be treated as a Primary Creditor (as defined in the Intercreditor Agreement) 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 those

Liabilities owed to the Primary Creditors or Debtor Liabilities provided that notwithstanding any other provision of any Debt Document, the transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and (B) 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 (I) all (and not part only) of the Liabilities owed to the Primary Creditors; and (II) all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case the relevant Creditors, Debtors and Third Party Security Providers; and

(v) if the asset which is disposed of consists of shares in the capital of an Debtor or the holding company of an Debtor (the "**Disposed Entity**") and the Security Agent decides to transfer to another Debtor or a holding company of an Debtor all or part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of (x) the Intra- Group Liabilities; (y) Holdco Liabilities; or (z) the 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, Holdco Liabilities or Debtor Liabilities on behalf of the relevant Intra- Group Lenders, the Holdco Lender and the relevant 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, Holdco Liabilities or Debtor Liabilities on behalf of the receiving entity or receiving entities to which the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities are to be transferred.

If a Distressed Disposal is being effected such that the Senior Liabilities and Shared Security will be released, it is a condition to the release that either:

(i) any Senior Notes Trustee has approved the release on the instructions of any Senior Notes Required Holders and any Future Senior Debt Representative has approved the release on the instructions of the Future Senior Debt Required Holders; or (ii) each of the following conditions is satisfied:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash);

(B) all present or future obligations owed to the secured parties under the Senior Secured Debt Documents by any Senior Notes Issuer, Future Senior Debt Issuer, or a member of the Group all of whose shares pledged under the Transaction Security are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and such obligations are not assumed by the purchaser or one of its affiliates), and all Security under the Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale; and

(C) such sale or disposal is made:

(I) pursuant to Competitive Process (being a public or private auction or other competitive sale process in which more than one bidder participates or is invited to participate (including any person invited that is a Primary Creditor at the time of such invitation), which may or may not be conducted through court or other legal proceedings, and which is conducted with the advice of a Financial Advisor) in which the Senior Creditors (or in each case a representative acting on their behalf) shall be entitled to participate as bidder or financier to the potential purchaser and shall be provided equal information rights as any other bidder, subject to applicable securities law (and for the avoidance of doubt in which the Senior Secured Creditors, the Super Senior Creditors or, in each case, a representative acting on their behalf are also entitled to participate);

(II) pursuant to a public auction any process or proceedings approved or supervised by or on behalf of any court of law which has jurisdiction and where there is a determination of value by or on behalf of such court; or

(III) where a Financial Advisor 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 Financial Advisor in giving such opinion may be limited to the amount of its fees in respect of such engagement.

If prior to the Senior Secured Debt Discharge Date, a Distressed Disposal is being effected at a time when the Majority Senior Creditors are entitled to give, and have given, instructions, the Security Agent is not authorized to release any Debtor, Subsidiary or Holding Company that is a member of the Group from any Borrowing Liabilities or Guarantee Liabilities or Other Liabilities owed to any Senior Secured Creditor or any Super Senior Creditor unless those Borrowing Liabilities or Guarantee Liabilities or Other Liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full (or, in the case of any contingent Liability relating to a Letter of

Credit, Cash Management Facility LC, a Cash Management Facility or an Ancillary Facility, made the subject of cash collateral arrangements acceptable to the relevant Senior Creditor), following that release.

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 for application in accordance with the provisions set forth under "—*Application of Proceeds/ Waterfall*" as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred, as if the disposal of liabilities had not occurred.

Voting and Amendments

Voting in respect of the Revolving Credit Facility, the Notes and/or Future Pari Passu Debt will be in accordance with the relevant documents.

Except for amendments of a minor, technical or administrative nature which may be effected by the Security Agent and the Senior Secured Issuer and subject to the paragraph below and certain customary exceptions contained in the Intercreditor Agreement, amendments to or waivers and consents under the Intercreditor Agreement requires the written agreement of:

(a) the Majority Super Senior Creditors;

(b) the Majority Cash Management Facility Creditors;

(c) the Senior Secured Notes Required Holders (if prior to the Senior Secured Notes Discharge Date);

(d) the Future Pari Passu Debt Required Holders;

(e) any Senior Notes Required Holders (as defined below) (if prior to any Senior Notes Discharge Date);

(f) the Future Senior Debt Required Holders (as defined below);

(g) the Security Agent; and

(h) the Issuer;

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 representative for any affected class (acting on the instructions of the affected class as required) shall be required. Notwithstanding the paragraph immediately above, subject to certain exceptions, including in relation to the implementation of certain future indebtedness as contemplated by the Intercreditor Agreement, an amendment or waiver relating to provisions dealing with (i) ranking and priority, (ii) turnover of receipts, (iii) redistribution, (iv) enforcement of Transaction Security, (v) proceeds of disposals, (vi) application of proceeds, (vii) consents, amendments and overrides, and (viii) certain provisions relating to the instructions to and exercise of discretion by the Security Agent or the order of priority or subordination under the Intercreditor Agreement, shall not be made without the written consent of:

(a) the RCF Lenders;

(b) the Cash Management Facility Lenders (to the extent that the amendment or waiver would materially adversely affect the rights and obligations of the Cash Management Facility Lenders under the Intercreditor Agreement in their capacity as such);

(c) the Trustee;

(d) any Senior Notes Trustee;

(e) the representative of the Future Pari Passu Creditors;

(f) the representative of the Future Senior Creditors;

(g) each Priority Hedge Counterparty and each Non-Priority Hedge Counterparty (to the extent that the amendment or waiver would materially adversely affect the rights and obligations of the Priority Hedge Counterparties and Non-Priority Hedge Counterparties in their capacity as such); and

(h) the Issuer.

The Intercreditor Agreement provides that:

(a) "**Future Senior Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the Future Senior Creditors holding in aggregate a principal amount of Future Senior Debt which is not less than the principal amount of Future Senior 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 the majority of the principal amount of the then outstanding Future Senior Debt in accordance with the relevant Future Senior Debt Document;

(b) "**Future Pari Passu Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the Future 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 the majority of the principal amount of the then outstanding Future Pari Passu Debt in accordance with the relevant Future Senior Debt Document;

(c) "**Senior Secured Notes Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of the Notes holding in aggregate a principal amount of Notes which is not less than the principal amount of Notes required to vote in favor of such direction, consent or waiver under the terms of the Indenture or, if the required amount is not specified, the holders holding the majority of the principal amount of the then outstanding Notes (as applicable) in accordance with the Indenture; and

(d) "**Senior Notes Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of any Senior Notes holding in aggregate a principal amount of Senior Notes which is not less than the principal amount of Senior Notes required to vote in favor of such direction, consent or waiver under the terms of any Senior Notes Indenture or, if the required amount is not specified, the holders holding the majority of the principal amount of the then outstanding Senior Notes (as applicable) in accordance with any Senior Notes Indenture.

Snooze/Lose

If in relation to a request for a consent, to participate in a vote of a class of creditors, to approve any action or to provide any confirmation or notification, in each case, under the Intercreditor Agreement (and any other Debt Document, which does not contain a substantially equivalent snooze/ lose provision) any creditor fails to respond to the request within seven Business Days (or any other period of time notified by the Company, with the agreement of the Security Agents in the case of a shorter period of time) or fails to provide details of its credit participation, such creditor will be disregarded or be deemed to have zero participation in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable provided that, notwithstanding the foregoing, such provision shall not apply to any holder of a Note in respect of any request where such holder of a Note is not given the option to respond to such request in the negative but shall otherwise apply to all holders of a Note.

Option to Purchase

Following:

(a) any notice that the Transaction Security has become enforceable; or

(b) either (i) a prescribed acceleration of the Revolving Credit Facility, a Cash Management Facility Document, the Notes, the Future Pari Passu Debt, any Senior Notes or the Future Senior Debt, or (ii) the enforcement of any Transaction Security (a "**Distress Event**"),

the holders of the Notes, the Cash Management Facilities Lenders and the Future Pari Passu Creditors shall have an option to purchase all (but not part) of the RCF Lenders' (or their affiliates) commitments under the Revolving Credit Facility and all their exposures in respect of any related Priority Hedging Agreements at par plus accrued interest and all other amounts owing under the Revolving Credit Facility Agreement, Priority 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 any Senior Notes and the Future Senior Debt Creditors 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 scheduled payments permitted under a Priority Hedging Agreement or a Non-Priority Hedging Agreement (other than certain close out payments whilst a Senior Secured Default is continuing (or payments when a scheduled payment from the hedging counterparty is due and unpaid)) are permitted payments for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement contains customary provisions in relation to the circumstances in which a Priority Hedge Counterparty and a Non-Priority Hedge Counterparty may take Enforcement Action in relation to its hedging.

Provisions Following an IPO

On, following or in contemplation of an initial public offering of a member of the Group (or a holding company thereof) (an "**IPO**"), the Issuer is entitled to give notice that the terms of the Debt Documents will automatically operate so that, amongst other things, (i) the Group (and all related provisions) will now refer to the entity who will issue shares or whose shares are to be sold pursuant to such IPO (the "**IPO Pushdown Entity**,"), and each of their respective Restricted Subsidiaries, provided that if any Senior Notes (or debt ranking pari passu therewith) are not refinanced in full on or before the date of such IPO, the IPO Pushdown Entity shall be the Senior Notes Issuer (or other pari passu debt issuer) for the purposes of the Senior Liabilities (if applicable) and the direct subsidiary of the Senior Notes Issuer for the purposes of the Group, all other Liabilities and all related provisions, (ii) all financial ratio calculations shall be made excluding any holding company of the IPO Pushdown Entity and all reporting obligations shall be assumed at the level of the IPO Pushdown Entity, (iii) certain provisions of the Debt Documents (including representations, undertakings and events of default) will cease to apply to any holding company of the IPO Pushdown Entity.

Each holding company of the IPO Pushdown Entity shall be irrevocably and unconditionally released from all obligations under the Debt Documents (including any Transaction Security, including Shared Security), and each Subordinated Creditor or Senior Notes Issuer will be released from its obligations and restrictions under the Intercreditor Agreement in the appropriate capacity provided that, subject to the Agreed Security Principles, substantially equivalent Transaction Security is given by the IPO Pushdown Entity and/or their subsidiaries, including but not limited to Transaction Security over all of the shares in the direct subsidiary of the IPO Pushdown Entity and/or any such member of the Group which is the principal borrower or issuer of Senior Secured Liabilities (where any new or restarted hardening periods shall be disregarded for the purpose of determining whether any new Transaction Security is equivalent).

Subject to the consent of the requisite majority lenders under each applicable class of debt (being the Majority Super Senior Creditors, the Majority Senior Secured Creditors and the Majority Senior Creditors, the Issuer and each other member of the Group and each Third Party Security Provider shall also be released from all obligations as Debtor, Third Party Security Provider and guarantor under the Debt Documents and from the Transaction Security (other than, in each case, Borrowing Liabilities). Each party to the Intercreditor Agreement (other than a member of the Group) shall be required to enter into any amendment, release or replacement of any Debt Document required to facilitate such matters.

General

The Intercreditor Agreement contains provisions dealing with:

(a) close-out rights for the Priority Hedge Counterparties and the Non-Priority Hedge Counterparties;

(b) permitted payments (including without limitation, the repayment of Shareholder 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, any Senior Notes and the Future Senior Debt);

(c) incurrence of Future Pari Passu Debt or Future Senior Debt that will allow certain creditors and agents with respect to such Future Pari Passu Debt or Future Senior 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 so long as not prohibited under the Revolving Credit Facility Agreement or the Indenture and Future Senior Debt shall be subject to the same subordination provisions as any Senior Notes;

(d) the ability to replace or supplement the Revolving Credit Facility Agreement with facilities benefiting from a similar position under the terms of the Intercreditor Agreement;

(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; and

(f) customary protections for any Senior Notes Trustee and the Trustee.

Governing law

The Intercreditor Agreement is governed by and construed in accordance with English law.

DESCRIPTION OF THE NOTES

You will find definitions of certain capitalized terms used in this "Description of the Notes" under the heading "Certain Definitions". For purposes of this "Description of the Notes", references to the "Issuer", "we", "our", and "us" refer only to Sisal Pay S.p.A.

The Issuer will issue €530.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2026 (the "**Notes**") under an indenture to be dated as of December 17, 2019 (the "**Indenture**"), between, *inter alios*, the Issuer, The Law Debenture Trust Corporation p.l.c., as trustee (the "**Trustee**") and Noteholders' Representative (as defined below), BNP Paribas Italian Branch, as security agent (the "**Security Agent**") and Security Representative (as defined below), and Deutsche Bank AG, London Branch, as paying agent. The Notes will not be guaranteed by any of the Subsidiaries of the Issuer. The Indenture will not incorporate or include, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

The offering of the Notes is expected to be consummated on December 17, 2019 (the "**Issue Date**"), which may be prior to the consummation of the Gallo Investment (the "**Completion Date**"). If this Offering is consummated prior to the Completion Date, pending consummation of the Gallo Investment 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 an escrow account (the "**Escrow Account**") pursuant to the terms of an escrow deed (the "**Escrow Agreement**") dated as of the Issue Date among the Issuer, the Trustee and Deutsche Bank AG, London Branch, as Notes escrow agent (the "**Escrow Agent**"). If the Gallo Investment is not consummated on or prior to May 30, 2020 (the "**Escrow Longstop Date**"), the Notes will be redeemed at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). See "*—Escrow of Proceeds; Special Mandatory Redemption*". Following the Completion Date, the Notes will be secured by the Completion Date Collateral (as defined under "*—Security*"). If this offering closes concurrently with the completion of the Gallo Investment, the foregoing escrow procedures will not apply, and the Initial Purchasers will transfer the proceeds of this offering in accordance with the instructions provided by the Issuer on the Issue Date.

Upon release from the Escrow Account or the consummation of this offering, as applicable, the proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer, together with the Equity Contribution, to partially fund the Gallo Investment and to pay the estimated costs and expenses associated with the Transactions as set forth in this Offering Memorandum under the caption "*Use of Proceeds*".

Upon the initial issuance of the Notes, the Notes will be obligations solely of the Issuer. Prior to the Completion Date, we will not control Sisal Pay Servizi S.p.A. ("**TelCo**") or SisalPay S.p.A. (formerly, QUI! Financial Services S.p.A.) ("**PayCo**"), and neither TelCo nor PayCo will be subject to the covenants described in this Description of the Notes. As such, we cannot assure you that prior to the Completion Date, TelCo and PayCo 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. However, each of TelCo and PayCo are subject to the covenants governing the €725.0 million in aggregate principal amount of Senior Secured Notes issued by Sisal Group S.p.A. pursuant to an indenture dated July 28, 2016 (the "**Sisal Group Indenture**"). Upon the Completion Date, TelCo and PayCo will be designated as "Unrestricted Subsidiaries" (as defined in the Sisal Group Indenture) under the Sisal Group Indenture. The Issuer has been previously designated as an Unrestricted Subsidiary under the Sisal Group Indenture.

The Indenture will be unlimited in aggregate principal amount, of which €530.0 million aggregate principal amount of Notes will be issued in this Offering. We may, subject to applicable law, issue an unlimited principal amount of additional Notes (the "**Additional Notes**"). We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under "*—Certain Covenants—Limitation on Indebtedness*"). Except with respect to right of payment and optional redemption, and as otherwise provided for in the Indenture, the Notes issued in this Offering and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, in this "*Description of the Notes*", references to the "Notes" include the Notes and any Additional Notes that are actually issued.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Notes. Please see "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of the material terms of the Intercreditor Agreement.

This "*Description of the Notes*" is intended to be an overview of the material provisions of the Notes, the Indenture and the Security Documents. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture and the Security Documents for complete descriptions of the obligations of the Issuer and your rights. Copies of such documents are available from us upon request.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions.

General

The Notes

The Notes will, upon issuance:

- be general senior obligations of the Issuer, secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer and other obligations that are not expressly subordinated in right of payment to the Notes, including the Revolving Credit Facility;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- rank effectively senior to any existing and future indebtedness of the Issuer that is unsecured to the extent of the value of the Collateral;
- be effectively subordinated to any existing and future Indebtedness or obligation (including obligations to trade creditors) of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including the Revolving Credit Facility and obligations to trade creditors.

None 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 required under the circumstances described below under the caption "*—Certain Covenants—Additional Notes Guarantees*"). In the event of a bankruptcy, liquidation or reorganization of any Subsidiary that is not a Guarantor, such Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Issuer or a Guarantor, if any.

Following the Completion Date, it is expected that the primary operations of the Issuer will be conducted through its Subsidiaries. Claims of creditors of non-Guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Issuer, including Holders of the Notes. The Notes therefore will be structurally subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Subsidiaries of the Issuer (other than future Guarantors, if any).

As of September 30, 2019, on a *pro forma* basis after giving effect to the Transactions, the Issuer and its consolidated subsidiaries would have had €530 million principal amount of indebtedness (not including finance leases or the DPP), of which €530 million is represented by the Notes. This does not include €92.5 million available under the Revolving Credit Facility. Although the Indenture limits the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

Principal and Maturity

The Issuer will issue €530.0 million in aggregate principal amount of Notes on the Issue Date. The Notes will mature on December 17, 2026. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue at a rate per annum (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) 3.875% per annum, as determined by the calculation agent (the "**Calculation Agent**"), who shall initially be Deutsche Bank AG, London Branch. Interest on the Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;

- be payable in cash quarterly in arrears on March 17, June 17, September 17 and December 17, commencing on March 17, 2020;
- be payable to the holder of record of such Notes on the Business Day immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year and the actual number of days elapsed.

Set forth below is a summary of certain of the provisions from the Indenture relating to the calculation of interest on the Notes.

"**Determination Date**" with respect to an Interest Period, means the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"**EURIBOR**" with respect to an Interest Period, means 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 Determination Date that appears on Reuters Page EURIBOR01 as of 11:00 a.m. Brussels time, on the Determination Date; *provided* that, EURIBOR shall never be less than 0%. If Reuters Page EURIBOR01 does not include such a rate or is unavailable on a Determination Date, the Issuer will request the principal London or Frankfurt office of each of four major banks in the euro-zone inter-bank market, as selected by the Issuer, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the 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 Determination Date. If at least two such offered quotations are so provided, EURIBOR for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Issuer will request each of three major banks in London or Frankfurt, as selected by the Issuer 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 Determination 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 Determination Date. If at least two such rates are so provided, EURIBOR for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then EURIBOR for the Interest Period will be the EURIBOR in effect with respect to the immediately preceding Interest Period.

If the Issuer determines, prior to any Determination Date, that:

(1) there has been a material disruption to EURIBOR;

(2) EURIBOR is not available for use temporarily, indefinitely or permanently;

(3) there are restrictions or prohibitions on the use of EURIBOR;

(4) an alternative rate has replaced EURIBOR in customary market practice in the international capital markets applicable generally to floating rate notes; or

(5) it has become unlawful for the Calculation Agent, the Issuer or a third party agent of the Issuer to calculate any payments due to Holders using EURIBOR,

a Rate Determination Agent, acting in good faith and in a commercially reasonable manner, shall select a successor rate to EURIBOR that is substantially comparable to EURIBOR or that has been recommended or selected by the relevant monetary authority or similar authority (or working group thereof) or by a widely recognized industry association or body or that is expected to develop as an industry accepted rate for debt market instruments such as or comparable to the Notes, as more fully set forth in the Indenture (and any applicable adjustment spread required to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of EURIBOR (the "**Adjustment Spread**")) for use in calculating the Applicable Rate (the "**Successor Rate**"), and the Issuer shall certify (by way of an Officer's Certificate) to each of the Trustee, the Calculation Agent and the Paying Agent, at least three Business Days prior to any Determination Date, such Successor Rate (and the Adjustment Spread) (upon which each of the Trustee, the Calculation Agent and Paying Agent shall be entitled to rely conclusively and absolutely without further enquiry, investigation, verification or liability of any kind whatsoever), which shall be used by the Calculation Agent to calculate the Applicable Rate. Holders shall be bound by any such Successor Rate (and Adjustment Spread) without any further action or consent by the Holders or the Trustee. For the avoidance of doubt, the sum of the Successor Rate and the Adjustment Spread shall, in all cases, not be less than 0%. The Issuer shall promptly notify the Holders of the adoption of any Successor Rate (and Adjustment Spread). Following the adoption of any Successor Rate and Adjustment Spread, all references to "EURIBOR" in the Indenture shall be deemed to refer to such Successor Rate (and such Adjustment Spread).

"**euro-zone**" means the region comprised of member states of the European Union that adopt the euro.

"**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.

"**Rate Determination Agent**" means (a) an independent financial institution of international standing or an independent financial adviser of recognized standing (that is not an Affiliate of the Issuer) as appointed by the Issuer at the expense of the Issuer, or, (b) if it is not reasonably practicable to appoint a party as referred to under (a), the Issuer.

"**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, such other page as may replace that page on 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 (TARGET) System is open for the settlement of payments in euro.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the "**Interest Amount**"). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual amounts of days in the Interest Period concerned divided by 360. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (*e.g.*, 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law, *provided*, *however*, that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Notes is permitted under any applicable law.

The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at a rate that is 1% higher than the then-applicable interest rate on the Notes to the extent lawful; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue instalments of interest, if any (without regard to any applicable grace period), at the same rate to the extent lawful.

The rights of Holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest, premium and Additional Amounts, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to the Notes represented by one or more Global Note registered in the name of or held by a nominee of a common depositary for Euroclear and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest, premium and Additional Amounts if any, on any certificated securities ("**Definitive Registered Notes**") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In 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, Registrar and Transfer Agent for the Notes*".

Paying Agent, Registrar and Transfer Agent for the Notes

The Issuer will maintain one or more Paying Agents for the Notes. The initial Paying Agent will be Deutsche Bank AG, London Branch (the "**Principal Paying Agent**").

The Issuer will also maintain a registrar (the "**Registrar**") and a transfer agent (the "**Transfer Agent**"). The initial Registrar and Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar 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. However, 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 in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of the change in a Paying Agent, Registrar or Transfer Agent may also be published 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. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Notes Guarantees

The Notes will not be guaranteed. Although there will be no initial Guarantors, if required by the covenant as described below under "*—Certain Covenants—Additional Notes Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary that guarantees the Revolving Credit Facility, Public Debt or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement. To the extent provided in future, any Notes Guarantee will be a joint and several obligation of each Guarantor.

Each Notes Guarantee, if any, will:

- be a general senior obligation of the applicable Guarantor;
- rank *pari passu* in right of payment with any existing or future Indebtedness of the applicable Guarantor that is not subordinated in right of payment to the applicable Notes Guarantee;
- rank senior in right of payment to any existing or future Indebtedness of the applicable Guarantor that is expressly subordinated in right of payment to the applicable Notes Guarantee; and
- be effectively subordinated to any existing or future Indebtedness or obligation of the applicable Guarantor that is secured by property or assets that do not secure the Notes Guarantee, to the extent of the value of the property and assets securing such Indebtedness or obligation.

Any Notes Guarantees that are subject to limitations under applicable law will be contractually limited under the applicable Notes Guarantee to reflect such limitations with respect to maintenance of share capital, corporate benefit, financial assistance, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. In addition, each Notes Guarantee (if any) will be limited to the maximum amount that would not render the relevant Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. For a description of such contractual limitations, see "*Risk Factors—Risks Related to the Notes, the Notes Collateral and any Future Notes Guarantees—The Issuer is incorporated in Italy, and Italian insolvency laws may not be as favorable to holders of the Notes as insolvency laws in other jurisdictions with which they may be familiar* ", "*—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes and the Notes Collateral", "—The Notes Collateral and any future guarantees of the Notes (a "Notes Guarantee") will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability"* and "*Limitations on Validity and Enforceability of any Future Notes Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*".

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Credit Facility and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference rules, "thin capitalization" rules, capital maintenance rules, retention of title claims and similar principles.

The Notes Guarantee of a future Guarantor, if any, will automatically terminate and release:

(1) upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;

(2) upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;

(3) upon defeasance or discharge of the Notes, as provided in "—*Defeasance*" and "—*Satisfaction and Discharge*";

(4) with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Revolving Credit Facility and (ii) does not guarantee any other Credit Facility or Public Debt;

(5) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;

(6) as described under "—*Amendments and Waivers*";

(7) as described in the second paragraph of the covenant described below under "—*Certain Covenants—Additional Notes Guarantees*";

(8) as a result of a transaction that would not be prohibited by the covenant described below under "—*Certain Covenants—Merger and Consolidation*"; or

(9) in connection with a Permitted Reorganization.

Upon the request of the Issuer, the Trustee and the Security Agent 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 Notes 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.

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 "*Transfer Restrictions*". 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 "*Transfer Restrictions*" 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 "*Transfer Restrictions*".

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 Disposition Offer.

The Issuer, the Trustee, the Paying 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 our Subsidiaries will be "Restricted Subsidiaries" for purposes of the Indenture. However, under the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*", we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries". Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture. Following the Completion Date, all of our operations will be conducted through our Subsidiaries and, therefore, we will depend on the cash flow of our Subsidiaries to meet our obligations, including our obligations under the Notes.

Escrow of Proceeds; Special Mandatory Redemption

If this Offering is consummated prior to the Completion Date, concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the Initial Purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of the offering of the Notes sold on the Issue Date into the Escrow Account. The Escrow Account will be pledged on a first-ranking basis in favor of the Trustee for the benefit of the holders of the Notes pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the "**Escrow Charge**"). The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "**Escrowed Property**."

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer (the "**Release**"), the Escrow Agent and the Trustee shall have received from the Issuer, on or prior to the Escrow Longstop Date, an Officer's Certificate, upon which both the Escrow Agent and the Trustee shall rely, without further investigation, to the effect that the following conditions have been met or will be satisfied:

- the Gallo Investment will be consummated on the terms set forth in the Gallo Investment Agreement, within one Business Day following the release of the Escrowed Property, except for any changes, waivers or other modifications that will not, individually or when taken as whole, have a materially adverse effect on the holders of the Notes;
- immediately after consummation of the Gallo Investment, the Issuer will directly own the entire share capital of TelCo and PayCo;
- Sisal Group S.p.A., Banca 5 S.p.A. and the Issuer will execute and deliver the Security Documents to be entered into on the Completion Date in accordance with the terms of the Indenture; 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.

The Release shall occur following receipt of the Officer's Certificate in accordance with the terms of the Escrow Agreement. Upon the Release, the Escrow Account shall be reduced to zero, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement. The Escrow Agreement will provide that if an interest payment date on the Notes occurs prior to the Escrow Longstop Date, the Issuer may, at its option, elect to make such interest payment with the Escrow Property upon delivery of an Officer Certificate to the Trustee, and the Trustee will release the amount due for the payment of such interest, in accordance with the terms of the Escrow Agreement, from the Escrow Charge.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) the Issuer notifies the Escrow Agent and the Trustee that in the reasonable judgment of the Issuer, the Gallo Investment will not be consummated by the Escrow Longstop Date, (c) the Issuer notifies the Escrow Agent and the Trustee that the Gallo Investment Agreement has been terminated at any time on or prior to the Escrow Longstop Date, (d) the Initial Investors cease to beneficially own and 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 the Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to 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 Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, one or more of the Initial Investors will be required to fund the accrued and unpaid interest, and Additional Amounts, if any, owing to the Holders of the Notes, pursuant to a shortfall agreement (the "**Shortfall Agreement**") between the Issuer and one or more Initial Investors. See "*Risk Factors—Risks Related to the Transactions—If the Offering closes prior to the consummation of the Gallo Investment, if certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem its Notes, which means that you may not obtain the return you expect on the Notes*".

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the Holders of the Notes a security interest in the Escrow Account. Upon receipt by the Trustee of an Officer's Certificate (upon which the Trustee shall be entitled to rely without liability) for the release (provided funds, sufficient to pay the Special Mandatory Redemption Price are in the Escrow Account) the Trustee shall be deemed to consent to the release of the Escrowed Property from the Escrow Account.

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.

Security

General

If the closing of the offering occurs 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 and the Intercreditor Agreement, 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) all the issued Capital Stock of the Issuer;

(2) material structural intercompany receivables of the Issuer (if any); and

(3) within 20 Business Days following the Completion Date, all the issued Capital Stock of each of TelCo and PayCo,

together, the "**Completion Date Collateral**".

Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Covenants—Limitation on Liens*", additional security interests may be granted over the Collateral in connection with future issuances of Indebtedness of the Issuer and its Restricted Subsidiaries, including for the benefit of 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 Collateral and any Future Notes Guarantees*".

Any other security interests that may in the future be granted to secure obligations under the Notes, any Notes Guarantees and the Indenture would also constitute "Collateral". 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—Additional Notes 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. 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), capital maintenance, corporate benefit, fraudulent preference, "interest stripping", "controlled foreign corporation", thin capitalization 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 "**Sisal Pay Group**") to provide a Notes Guarantee or security or may require that the Notes Guarantee or security be limited by an amount or otherwise. If any such limit applies, the Notes Guarantees and security provided will be limited to the maximum amount which the relevant member of the Sisal Pay Group may provide having regard to applicable law (including any jurisprudence) and subject to fiduciary duties of management;
- a key factor in determining whether or not a guarantee or security shall be taken is the applicable time and cost (including material adverse tax consequences or adverse effects on interest deductibility and stamp duty, registration taxes, notarisation and registration fees) which shall not be disproportionate to the benefit to the Holders of the Notes of obtaining such guarantee or security;
- the giving of a Notes Guarantee, the granting and the terms of security or the perfection of the security granted will not be required to the extent that the Sisal Pay Group would incur any legal fees, registration fees, notarial fees, stamp duty, taxes and any other fees or costs directly associated with such security or Notes Guarantee which are disproportionate to the benefit obtained by the secured parties and/or having regard to the extent of the obligations which can be guaranteed or secured by that security and the priority that will be offered by taking or perfecting the security. In particular, it is acknowledged that the Issuer and/or Guarantor will not opt (where possible) for the *Imposta Sostitutiva* regime pursuant to article 15 and subsequent of Italian Presidential Decree No. 601/1973 as amended and supplemented from time to time. Accordingly, Italian security that requires payment of an *ad valorem* registration tax on the amount of the secured obligations will not be taken unless it can be executed by way of exchange of correspondence. Non-Italian security that requires payment of an *ad valorem* registration tax on the amount of the secured obligation will not be taken if tax duty cannot be minimized upon execution (including through a cap to the secured obligations agreed between the security agent and the Issuer (each acting reasonably));

- where there is material incremental cost involved in creating security over all assets owned by the Issuer or any Guarantor in a particular category, the principle stated in the second previous bullet above shall apply and, subject to the Agreed Security Principles, only the material assets in that category shall be subject to security;
- in certain jurisdictions it may be either impossible, impractical or disproportionately costly to grant Notes Guarantees or create security over certain categories of assets, in which event such Notes Guarantees will not be granted and security will not be taken over such assets;
- certain supervisory board, works council, regulator or regulatory board (or equivalent), or another external body's or person's consent may be required to enable a member of the Sisal Pay Group to provide a guarantee or security. Such guarantee and/or security shall not be required unless such consent has been received; *provided* that reasonable endeavors have been used by the relevant member of the Sisal Pay Group to obtain the relevant consent (*provided* that the relevant member of the Sisal Pay Group may refrain from taking any action to obtain the relevant consent if it considers that such action might have an adverse impact on relationships with third parties);
- any assets subject to legal requirements, licenses or any other third-party arrangements (including, without limitation, any trade receivables) which may prevent those assets from being charged (or assets which, if charged, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of the Sisal Pay Group in respect of those assets or require any member of the Sisal Pay Group to take any action materially adverse to the interests of the Sisal Pay Group or any member thereof) will be excluded from any relevant Security Document provided that, if the relevant asset is material and the relevant member of the Sisal Pay Group determines (acting in good faith) that such endeavors will not jeopardize commercial relationships with third parties, the relevant member of the Sisal Pay Group will use commercially reasonable endeavors (for a specified period of time) to obtain any necessary consent or waiver; *provided* that, notwithstanding the foregoing, no security shall be required over (and no consent or waiver request submitted with respect to) assets which are required to support indebtedness assumed in connection with an acquisition to the extent permitted by the terms of the Notes Documents to remain outstanding following a permitted acquisition ("**Assumed Acquisition Indebtedness**") and no member of the target group acquired pursuant to a permitted acquisition where Assumed Acquisition Indebtedness remains outstanding following completion of such permitted acquisition shall be required to become a Guarantor or grant security with respect to the Notes Documents if prevented by the terms of the documentation governing such Assumed Acquisition Indebtedness;
- members of the Sisal Pay Group will not be required to give Notes Guarantees or enter into Security Documents if they are not wholly owned by another member of the Sisal Pay Group or if it is not within the legal capacity of the relevant members of the Sisal Pay Group or if the same would conflict with the fiduciary duties of those directors or contravene any legal prohibition, bona fide contractual restriction or regulatory condition or result in (or in a material risk of) personal or criminal liability on the part of any Officer or result in any significant risk of legal liability for the directors of any Sisal Pay Group company, *provided* that the relevant member of the Sisal Pay Group shall use reasonable endeavors (but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such Notes Guarantee or Security Document shall be subject to such limitation;
- additional guarantee limitation provisions may be included in any supplemental indenture if required by any Officer of any member of the Sisal Pay Group in connection with the granting of a Notes Guarantee in order to protect that Officer from potential liability or other legal risk;
- the terms of the security should not be such that they materially restrict the running of the business of or materially adversely affect the tax arrangements of the relevant member of the Sisal Pay Group in the ordinary course as otherwise permitted by the Notes Documents;
- the security will be first ranking, to the extent possible, *provided* that the Intercreditor Agreement will provide that the liabilities in respect of the Revolving Credit Facility and certain Hedging Obligations shall effectively rank in priority to the liabilities in respect of the Notes with respect to proceeds from the enforcement of such security;
- information, such as lists of assets, will be provided if and only to the extent, required by local law and local market practice to be provided to perfect or register the relevant security interests and, unless required to be provided by local law or local market practice more frequently, will be provided annually or, if an Event of Default has occurred and is continuing and notice has been provided in accordance with the terms of the Indenture such that immediate repayment is required (and such notice has not been withdrawn, cancelled or otherwise ceased to have effect), at the Security Agent's reasonable request;

- perfection of security, when required, and other legal formalities will be completed as soon as reasonably practicable and, in any event, within the time periods specified in the Notes Documents therefor or (if earlier or to the extent no such time periods are specified in the Notes Documents) within the time periods specified by applicable law in order to ensure due perfection. The giving of a guarantee, the granting of security or the perfection of security interests granted will not be required if it would have a material adverse effect on the ability of the relevant Issuer or Guarantor to conduct its operations and business in the ordinary course or as otherwise permitted by the Notes Documents (and any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to this paragraph);
- any Security Document entered into by a member of the Sisal Pay Group shall be governed by the law of and secure assets located in or otherwise governed or expressed to be governed by the laws of the jurisdiction of incorporation of that member of the Sisal Pay Group, *provided* that security over shares shall be governed by the jurisdiction of incorporation of the member of the Sisal Pay Group whose shares are the subject of security;
- access to the assets of the Issuer or a Guarantor and the maximum guaranteed or secured amount may be restricted or limited to minimize stamp duty, notarization, registration or other applicable fees, taxes and duties where the benefit of increasing the Notes Guarantee or secured amount is disproportionate to the level of such fees, taxes and duties (and in any event the maximum aggregate amount payable by the Sisal Pay Group in respect of fees, costs, expenses, disbursements and VAT relating to the provision of guarantees and security shall be limited to an amount to be agreed between the security agent and the Issuer);
- no perfection action will be required in jurisdictions where a member of the Sisal Pay Group is not incorporated but perfection action may be required in the jurisdiction of incorporation of one member of the Sisal Pay Group incorporated in relation to security granted by another member of the Sisal Pay Group incorporated in a different jurisdiction;
- no perfection action will be required with respect to assets of a type not owned by members of the Sisal Pay Group;
- the Security Agent will hold one set of security interests for the secured parties to the extent reasonably practicable taking into account local law considerations;
- guarantees and security will not be required from or over, or over the assets of, any joint venture or similar arrangement or any minority interest, other than in respect of any intra-Sisal Pay Group joint ventures;
- where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only;
- each Security Document should contain a clause which records that: (i) if there is a conflict between the Security Document and the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement then (to the extent permitted by law) the provisions of the Indenture, the Intercreditor Agreement or Additional Intercreditor Agreement, as applicable, shall take priority over the provisions of the Security Document; (ii) notwithstanding any provision of a Security Document, nothing which is permitted to be done under the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement shall be deemed to constitute a breach of any term of a Security Document; and (iii) no representation, warranty, undertaking or other provision contained in a Security Document shall be breached to the extent it conflicts with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement or prohibits something which would otherwise be permitted under the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement;
- no Notes Guarantee or security shall guarantee or secure any "Excluded Swap Obligations" defined in accordance with the LSTA Market Advisory Update dated February 15, 2013 entitled "Swap Regulations' Implications for Loan Documentation", and any update thereto by the LSTA;
- any 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;
- no security may be provided on terms which are inconsistent with the turnover or sharing provisions in the Intercreditor Agreement or any Additional Intercreditor Agreement;
- no title investigations or other diligence on assets will be required and no title insurance will be required;
- no member of the Sisal Pay Group will be required to create security over, or otherwise encumber the shares or assets of, any Unrestricted Subsidiary or any subsidiary of an Unrestricted Subsidiary and no Unrestricted Subsidiary or any subsidiary of an Unrestricted Subsidiary will be required to become a Guarantor;

- in the Security Documents, there will be no repetition or extension of clauses set out in the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement, such as those relating to notices, costs and expenses, indemnities, tax gross-up, distribution of proceeds and release of security; and
- no member of the Sisal Pay Group will be required to create security over or otherwise encumber any Restricted Asset (including, without limitation, any bank accounts which contain or are reasonably likely to contain any Restricted Assets).

For the purposes of this paragraph, "**Restricted Asset**" means:

(i) the regulatory capital that a regulated entity is required to maintain pursuant to any applicable law or regulation or the views, guidance or interpretation of any relevant regulator;

(ii) the settlement cash balances of that regulated entity and any other cash held by or on behalf of that regulated entity for merchants, card schemes, cardholders of any card scheme, banks, financial institutions or other similar entity or person;

(iii) any amounts held by or on behalf of that regulated entity in segregated funds under the Payment Services Directive (PSD, 2007/64/EC) (or any relevant local implementing regulation or legislation) for merchants or other payment service users or payment service providers or card schemes, cardholders of any card scheme, banks, financial institutions or other similar entity or person;

(iv) any sums receivable by or on behalf of that regulated entity from or under any card scheme, bank, financial institution or other similar entity or person for onward transmission or remittance to a merchant;

(v) any sums receivable by or on behalf of that regulated entity from a merchant for onward transmission or remittance to a card scheme bank, financial institution or other similar entity or person; and

(vi) any right, title or interest of that regulated entity in or under any letter of credit, guarantee, cash collateral or other financial support or security provided by a bank, financial institution or other similar entity (or an affiliate thereof) for its account to any card scheme counterparty.

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 the liabilities under the Revolving Credit Facility as well as certain 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 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*" below. See also, "*Risk Factors—Risks Related to the Notes, the Notes Collateral and any Future Notes Guarantees—Creditors under the Revolving Credit Facility, certain hedging liabilities and certain debt that we may incur in the future will be entitled to be repaid with the proceeds of the Notes Collateral sold in any enforcement sale in priority to the Notes*". The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes.

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 Collateral and any Future Notes Guarantees—The proceeds from the enforcement of the Notes Collateral may not be sufficient to satisfy the obligations under the Notes*".

Priority

The relative contractual priority with regard to the security interests in the Collateral that are created by the Security Documents (the "**Security Interest**") as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations and (c) the Trustee, the Security Agent and the Holders of the Notes under the Indenture, respectively, is established by the terms of the Intercreditor Agreement, the Indenture, the Security Documents and the security documents relating to the Revolving Credit Facility, and such Hedging Obligations, which 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 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 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 (as defined below) and legal representative (*mandatario con rappresentanza*), and, with respect to the Security Documents governed by Italian law, the Trustee acting for itself and in its capacity as the Trustee, under the Indenture and also as Noteholders' Representative (as defined below).

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by the applicable laws, only the Security Agent (including in its role as Security Representative) will have the right to enforce the Security Documents on behalf of the Trustee (including in its role as Noteholders' Representative) and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture (including in its role as Noteholders' Representative), who will (subject to the provisions of the Indenture) provide instructions to the Security Agent (including in its role as Security Representative) for the Collateral. Under the Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain hedging agreements in relation to the Security Interest in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, please see the section entitled "*Risk Factors—Risks Related to the Notes, the Notes Collateral and any Future Notes Guarantees*". 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 Collateral and any Future Notes Guarantees*" and "*Limitations on Validity and Enforceability of any Future Notes Guarantees and the Security Interests and Certain Insolvency Law Considerations*".

The Security Documents will provide that the rights under the Security Documents and the Indenture must be exercised by the Security Agent. The Holders may only act through the Trustee (including in its role as Noteholders' Representative), who will instruct the Security Agent (including in its role as Security Representative) in accordance with the terms of the Indenture and the Intercreditor Agreement.

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interest 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 Interest 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 Collateral and any Future Notes Guarantees*".

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement 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. These limitations are described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Limitations on Validity and Enforceability of any Future Notes Guarantees and the Security Interests and Certain Insolvency Law Considerations*". The ability to enforce may also be restricted by similar arrangements in relation to future indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to Hedging Obligations secured by the Collateral and the Trustee (including in its role as Noteholders' Representative) 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 security representative (*rappresentante per le garanzie*) pursuant to article 2414-bis, paragraph 3, of the Italian Civil Code to act on its behalf. The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, 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 p.l.c. also as common representative (*rappresentate comune*) of the Holders pursuant to articles 2417 and 2418 of the Italian Civil Code;

(5) agreed to, and accepted, the appointment of BNP Paribas Italian Branch as security representative (*rappresentante per le garanzie*) 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 Collateral and any Future Notes Guarantees—The holders of the Notes may not control certain decisions regarding the Notes 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*".

IPO Debt Pushdown

On, in contemplation of, or following an Initial Public Offering, the terms of the Intercreditor Agreement (and any Additional Intercreditor Agreement) will provide (and the Indenture and the Notes shall be subject to such provisions) that the Issuer or its successor shall be entitled to require (by written notice to the Trustee and the Security Agent) that the terms of the Indenture, the Intercreditor Agreement (and any Additional Intercreditor Agreement) and the Security Documents shall operate (with effect from the date specified in such notice) as described under "*Description of Certain Financing Arrangements—Intercreditor Agreement—Release and/or Transfer of Claims and Liabilities in Respect of any Senior Notes and the Notes and the Transaction Security—Provisions Following an IPO*." The Trustee and the Security Agent shall be required to enter into any amendment to the Indenture, the Intercreditor Agreement (and any Additional Intercreditor Agreement) and/or the Security Documents required by the Issuer and/or take such other action as is required by the Issuer in order to facilitate or reflect any of the matters contemplated by this paragraph, provided that any such amendment or action will not impose any personal obligations on the Trustee or the Security Agent or, in the reasonable opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents. See "*Risk Factors—Risks Related to the Notes, the Notes Collateral and any Future Notes Guarantees—There are circumstances other than repayment or discharge of the Notes under which the Notes Collateral will be released automatically without your consent or the consent of the Trustee.*"

Release of Liens

The Issuer, 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) (a) subject to clause (b) below, in connection with any sale or other disposition of Collateral to (i) a Person that is not a Parent, the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Indenture or (ii) any Restricted Subsidiary; *provided* that this clause 1(a)(ii) shall not be relied upon in the case of a transfer of capital stock or of accounts receivable to a Restricted Subsidiary (except 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; and

(b) any release of the Security Interest in respect of the Capital Stock of the Issuer pursuant to clause 1(a) shall only be permitted if such Capital Stock is subject to a Lien of at least equivalent ranking (in the good faith judgment of the Issuer) in favor of the Holders of the Notes as soon as reasonably practicable after such release;

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

(3) as described under "*—Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations on the Notes or 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 case of a Restricted Subsidiary that is not a Significant Subsidiary following the release of its Liens granted in favor of the Revolving Credit Facility, so long as no Event of Default has occurred and is continuing, the release of the property and assets and Capital Stock of such Restricted Subsidiary, *provided* that there is no other Indebtedness secured by a Lien on the assets of such Restricted Subsidiary that would result in the requirement for the Notes and the Notes Guarantees to be secured on such property, assets or Capital Stock pursuant to the covenant described under "*—Certain Covenants—Additional Notes Guarantees*" or the covenant described under "*—Certain Covenants—Limitation on Liens*";

(7) only with respect to the Security Interests in respect of the entire Capital Stock of the Issuer, within a reasonable time to facilitate an Initial Public Offering in which the Issuer is the IPO Entity; *provided* that such Security Interests so released shall be promptly granted in favor of the Notes in the event that the Initial Public Offering does not complete for any reason;

(8) in connection with a Permitted Reorganization; or

(9) as otherwise permitted in accordance with the Indenture.

In addition, the Security Interest created by the Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under "*—Certain Covenants—Impairment of Security Interest*".

At the request of the Issuer, the Security Agent and the Trustee (if required) will take all necessary action required to effectuate any release of Collateral securing the Notes and the Notes Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. 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.

Optional Redemption

Except as described below and except as described under "*Redemption for Taxation Reasons*", the Notes are not redeemable until December 17, 2020. On and after December 17, 2020, the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on December 17 of the years indicated below:

Year	Redemption Price
2020	101.000%
2021 and thereafter	100.000%

In addition, prior to December 17, 2020, the Issuer may redeem all or, from time to time, a part of each of the Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium and 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).

Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent. If such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs. 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, and such notice of redemption may be extended if such conditions precedent have not been satisfied or waived by the Issuer by notice to the Holders.

General

We may repurchase the Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under "—*Selection and Notice*" below.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent.

If requested in writing by the Issuer, which request may be included in the applicable notice of redemption or pursuant to the applicable Officer's Certificate, the Trustee or the Paying Agent (or such other entity directed, designated or appointed (as agent) by the Trustee, for this purpose) shall distribute any amounts deposited to the Holders prior to the applicable redemption date; *provided*, *however*, that Holders shall have received at least three Business Days' notice from the Issuer of such earlier repayment (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the applicable redemption date as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts. To the extent the Notes are represented by a Global Note deposited with a common depositary for a clearing system, any payment to the beneficial holders holding Book-Entry Interests as participants of such clearing system will be subject to the then applicable procedures of such clearing system. The Trustee and the Paying Agent shall not be liable to any Holder by virtue of the Issuer instructing the Trustee or the Paying Agent to make an early distribution of funds as described in this paragraph.

Sinking Fund

Other than a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Post-Tender Optional Redemption

Notwithstanding the foregoing, in connection with any tender offer or other offer to purchase for the Notes (including, without limitation, any Change of Control Offer and any Asset Disposition Offer), 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, all of the holders of the Notes will be deemed to have consented to such tender or other offer and accordingly, 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 at Maturity

On December 17, 2026, the Issuer will redeem the Notes that have not been previously redeemed or purchased and canceled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to, but excluding, the 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).

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Principal 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 or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a *pro rata* basis by use of a pool factor; *provided, however*, that no Definitive Registered 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 Principal Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. While in global form, notices to Holders may be delivered via Euroclear and Clearstream in lieu of notice via registered mail. Such notice of redemption may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) in lieu of publication in the *Luxemburger Wort* so long as the rules of the Luxembourg Stock Exchange are complied with.

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.

Redemption for Taxation Reasons

The Issuer may redeem any series of Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the relevant series of Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to 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) and all Additional Amounts (as defined below under "*Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official application or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a "**Change in Tax Law**"),

a Payor (as defined below) is, or on the next interest payment date in respect of the relevant series of Notes would be, required to pay Additional Amounts with respect to such series of Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts) and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*Selection and Notice*". Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of any series of 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 and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (each, a "**Payor**") in respect of the Notes or with respect to any Notes Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note is made by or on behalf of a Payor, or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which a Payor is organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "**Relevant Taxing Jurisdiction**"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor with respect to any Note, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received by each Holder in respect of such payments, after such withholding, or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Notes Guarantee;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters,

which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax but, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed as a result of the presentation of the Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder;

(4) any Taxes that are payable otherwise than by withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or with respect to any Notes Guarantee;

(5) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("**Legislative Decree No. 239**") and any related implementing regulations, and pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("**Legislative Decree No. 461**") and any related implementing regulations)) and any related implementing regulations; *provided* that:

    (i) Additional Amounts shall be payable in circumstances where the procedures required under Legislative Decree No. 239 or Legislative Decree No. 461 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due solely to the actions or omissions of the Payor or their agents; and

    (ii) for the avoidance of doubt, no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the Holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of amendments to the list of countries which allow for a satisfactory exchange of information with Italy, currently provided for by Italian Ministerial Decree dated September 4, 1996, as subsequently amended, or by reason of the approval of the ministerial Decree to be issued under art. 11 par .4 let c) of Legislative Decree No. 239, as subsequently amended or superseded, providing for a new list of countries which allow for a satisfactory exchange of information with Italy, whereby such Holders country of residence does not appear on the aforesaid amended or new list (the "**White List**");

(7) 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 is resident in a country which does not appear on the White List;

(8) any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), as of the Issue Date (or any amended or successor version of such sections that are substantively comparable), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code; or

(9) any combination of the items (1) through (8) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies, or if, notwithstanding the Payor's reasonable efforts to obtain such tax receipts, such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee and the Paying Agent. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Notes Guarantee, at least 45 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 30 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of the Notes*" there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a redemption of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Notes Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay (and will indemnify the Holder for) any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest, penalties or additions to tax) or any other excise, property or similar taxes or similar charges or levies (including any related interest, penalties or additions to tax) that arise in a Relevant Taxing Jurisdiction from the execution, delivery or registration of any Notes, any Notes Guarantee, the Security Documents, 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) or the receipt of any payments with respect thereto or any such taxes or similar charges or levies (including any related interest, penalties, collection duties or additions to tax) imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes or any Notes Guarantee or any Security Documents (limited, solely in the case of any such taxes or similar charges or levies attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Relevant Taxing Jurisdiction that are not excluded under clauses (1) through (3) and (5) through (8) or any combination thereof) excluding, for the avoidance of doubt, any registration, stamp duty, documentary or other similar tax, charge or levy arising from the execution of any formality made directly by, or on behalf of the Holder and not necessary to maintain, preserve, establish, or enforce the rights of such Holder under the Notes, any Notes Guarantee, any Security Document, the Indenture, or any other document or instrument in relation thereto.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control*", each Holder will have the right to require the Issuer to repurchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obligated to repurchase any series of Notes as described under this heading, "*Change of Control*", in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes of such series 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 may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest 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) (the "**Change of Control Payment**");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) and the record date (the "**Change of Control Payment Date**");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Principal 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 mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

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. In addition, certain events that may constitute a change of control under the Revolving Credit Facility and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or 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. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes, the Notes Collateral and any Future Notes Guarantees—Future liquidity and cash flow difficulties could prevent us from repaying the Notes when due or repurchasing the Notes when we are required to do so pursuant to certain events constituting a change of control or otherwise, and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events*".

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 5.25 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("**Permitted Debt**"):

(1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of (i) €100.0 million and (ii) 100% of Consolidated EBITDA, *plus* (iii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture; or

(b) without limiting the covenant described under "*—Limitation on Liens*", 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;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, *however*, that:

(a) in the case of Indebtedness owing to and held by any Restricted Subsidiary that is not a Guarantor (except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with cash management positions of the Issuer and its Restricted Subsidiaries), such Indebtedness shall be unsecured and expressly subordinated in right of payment to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, and the respective Notes Guarantee, in the case of a Guarantor to the extent required by the Intercreditor Agreement and any Additional Intercreditor Agreement; and

(b) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary; and (ii) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes) outstanding on the Issue Date, the related Notes Guarantees, and any related "parallel debt" obligations under the Intercreditor Agreement and the Security Documents, (b) any Indebtedness (other than Indebtedness Incurred under the Revolving Credit Facility and Indebtedness described in clause (3) of this paragraph) outstanding on the Completion Date, after giving effect to the Transactions; (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clauses (5) and (13) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (d) Management Advances, (e) any loan or other instrument contributing the proceeds of the Notes and (f) any loan or other instrument contributing the proceeds of any Indebtedness Incurred in accordance with the Indenture;

(5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided*, *however*, with respect to this clause (5), that, after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness (including pursuant to this clause (5)) (x) either (A) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of this covenant or (B) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness and (y) to the extent that the Indebtedness Incurred under this clause (5) constitutes Senior Secured Indebtedness, either (A) the Issuer would have been able to Incur €1.00 of additional Senior Secured Indebtedness pursuant to the first paragraph of this covenant or (B) the Consolidated Senior Secured Net Leverage Ratio for the Issuer would not be greater than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase or lease of assets or the purchase of Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of 30% of Consolidated EBITDA or €30.0 million; so long as the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 270 days thereafter;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or consistent with past practice or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, consistent with past practice or in respect of any governmental requirement, *provided*, *however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business, (d) any customary treasury and/or cash

management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of checks and direct debits, cash pooling and other cash management arrangements, in each case, in the ordinary course of business or consistent with past practice and (e) Indebtedness representing (i) deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent, the Issuer or any of its Subsidiaries in the ordinary course of business or consistent with past practice or (ii) deferred compensation or other similar arrangements in connection with the Transactions, the Gallo Investment or any other Investment or acquisition permitted hereby;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in the case of a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business or consistent with past practice; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business or consistent with past practice from customers for goods or services purchased in the ordinary course of business or consistent with past practice;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business or consistent with past practice of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries;

(d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business or consistent with past practice; and

(e) Guarantees Incurred in the ordinary course of business or consistent with past practice in respect of obligations of (or to) suppliers, customers, franchisees, lessors and licensees that, in each case, are not Affiliates of the Issuer;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of 50% of Consolidated EBITDA or €50.0 million;

(12) Indebtedness Incurred pursuant to factoring, securitizations, receivables financings or similar arrangements, including (without limitation) by a Receivables Subsidiary in a Qualified Receivables Financing, that is either (a) non-recourse to the Issuer or any Restricted Subsidiary other than as set out in the definition of Receivables Subsidiary or (b) does not exceed the greater 15% of Consolidated EBITDA and €15.0 million;

(13) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding (other than amounts under the Deferred Purchase Price Agreement) or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, the Equity Contribution, Excluded Amounts or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, the Equity Contribution, Excluded Amounts, an Excluded Contribution or amounts under the Deferred Purchase Price Agreement) of the Issuer, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making

Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the fourth paragraph of the covenant described below under "—*Limitation on Restricted Payments*" to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the fourth paragraph of the covenant described below under "—*Limitation on Restricted Payments*" in reliance thereon;

(14) Indebtedness in connection with Investments in Associates not exceeding the greater of 15% of Consolidated EBITDA and €15.0 million;

(15) Indebtedness under daylight borrowing facilities Incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred; and

(16) Indebtedness under local Credit Facilities in an aggregate principal amount not to exceed, at any one time outstanding, the greater of 20% of Consolidated EBITDA and €20.0 million.

Notwithstanding the foregoing, the aggregate principal amount of Indebtedness Incurred by Restricted Subsidiaries that are not Guarantors pursuant to the first paragraph of this covenant and clauses (11) and (13) of the second paragraph of this covenant at any time outstanding shall not exceed the greater of 30% of Consolidated EBITDA and €30.0 million at any time.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one (or more, if applicable) of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that any Indebtedness Incurred pursuant to clauses (7), (11), (12)(b), (14), and (16) of the second paragraph of this covenant shall cease to be deemed Incurred or outstanding pursuant to such clauses (7), (11), (12)(b), (14) and (16), as applicable, but shall be deemed Incurred and outstanding pursuant to the first paragraph of this covenant from and after the first date on which the Issuer or its Restricted Subsidiaries, as the case may be, could have Incurred such Indebtedness thereunder (to the extent the Issuer or its Restricted Subsidiaries are able to Incur any Liens related to such Indebtedness as Permitted Liens or Permitted Collateral Liens after such reclassification);

(2) all Indebtedness outstanding on the Completion Date under the Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant, and may not be reclassified;

(3) 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;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to the first or second paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(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" *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries;

(8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS;

(9) the amount of Indebtedness that may be Incurred pursuant to any provision of this covenant or secured pursuant to the covenant set forth under "*—Limitation on Liens*" (a) shall be deemed to include all amounts necessary to renew, refund, redeem, refinance, replace, restructure, defease or discharge any such Indebtedness Incurred and/or secured pursuant to such provisions, including after giving effect to additional Indebtedness in an amount equal to the aggregate amount of fees, premia and other costs and expenses Incurred in connection with such renewal, refund, redemption, refinancing, replacement, restructuring, defeasance or discharge; and (b) 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 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); and

(10) in the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur Indebtedness or commits to Incur any Lien pursuant to clauses (10), (29) or (32) of the definition of "Permitted Liens" or any Permitted Collateral Lien, the Incurrence thereof for all purposes under the Indenture, including, without limitation, for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Net Leverage Ratio or the Consolidated Senior Secured Net Leverage Ratio, as applicable, or use of clauses (1) through (16) 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, and, if such Fixed Charge Coverage Ratio, Consolidated Net Leverage Ratio or Consolidated Senior Secured Net Leverage Ratio, as applicable, test or other provision of the Indenture is satisfied with respect thereto at such time, any borrowing or re-borrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be permitted under this covenant and under the covenant described under "*—Limitation on Liens*" irrespective of the Fixed Charge Coverage Ratio, Consolidated Net Leverage Ratio, Consolidated Senior Secured Net Leverage Ratio, as applicable, or other provision of the Indenture at the time of any borrowing or re-borrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this clause (a) shall be the "**Reserved Indebtedness Amount**" as of such date for purposes of the Fixed Charge Coverage Ratio, Consolidated Net Leverage Ratio, Consolidated Senior Secured Net Leverage Ratio, as applicable, or other provision of the Indenture, and, to the extent the usage of clauses (1) through (16) of the second 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, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness*". Except as otherwise specified, the amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

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 this "*—Limitation on Indebtedness*", the Issuer will not be permitted to designate such Unrestricted Subsidiary as a Restricted Subsidiary and any such designation will not be deemed operative under the Indenture).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Issuer, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

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 on a first or junior Lien basis.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

   (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and

   (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");

(4) make any payment (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); or

(5) make any Restricted Investment in any Person,

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "**Restricted Payment**"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10) and (18) of the third succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

   (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date (other than amounts under the Deferred Purchase Price Agreement) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (u) amounts under the Deferred Purchase Price Agreement, (v) the Equity Contribution, (w) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the third succeeding paragraph and (z) Excluded Contributions or Parent Debt Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (u) amounts under the Deferred Purchase Price Agreement, (v) the Equity Contribution, (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the third succeeding paragraph, and (y) Excluded Contributions or Parent Debt Contributions;

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment"; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary,

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clause (iv), (v) or (vi).

Notwithstanding the foregoing, any amounts (such amounts, the "**Excluded Amounts**") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clause (ii) or (iii) 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 repay indebtedness to reduce the Consolidated Net Leverage 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.

The fair market value of property or assets other than cash covered by the preceding two sentences shall be the fair market value thereof as determined in good faith by an Officer of the Issuer, or, if such fair market value exceeds the greater of (i) 15% of Consolidated EBITDA and €15.0 million, by the Board of Directors.

The foregoing provisions will not prohibit any of the following (collectively, "**Permitted Payments**"):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) 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, Designated Preference Shares or Excluded Amounts), Subordinated Shareholder Funding (other than amounts under the Deferred Purchase Price Agreement) or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Excluded Amounts, Parent Debt Contribution or amounts under the Deferred Purchase Price Agreement) of the Issuer; *provided, however, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;*

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

    (a) (i) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

    (b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "*—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

    (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €5 million, plus €2.5 million multiplied by the number of calendar years that have commenced from the Issue Date (with unused amounts being carried over to succeeding 12-month periods), plus (2) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent (other than amounts under the Deferred Purchase Price Agreement)) from, or as a contribution to the equity (in each case under this clause (2), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), plus (3) the net cash proceeds of any key man life insurance policies, to the extent such net cash proceeds are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*";

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or Parent Obligor or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

    (a) the amounts required for any Parent or Parent Obligor to pay any Parent Expenses or any Related Taxes; or

    (b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or disclosed in the Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Excluded Amounts or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 4.00 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 4.25 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of 30% of Consolidated EBITDA and €30.0 million;

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other

return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (13);

(14) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a factoring financing, securitization, Receivables Financing, Settlement Obligations or similar arrangements;

(15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided*, *however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution, Excluded Amounts or a Parent Debt Contribution or, in the case of Designated Preference Shares by Parent or an Affiliate the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer (other than amounts under the Deferred Purchase Price Agreement), as applicable, from the issuance or sale of such Designated Preference Shares;

(16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(17) dividends or other distributions in amounts required for a direct or indirect parent of the Issuer to pay interest on Indebtedness the proceeds of which have been contributed to the Issuer or any of its Restricted Subsidiaries and that has been Guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under "*—Limitation on Indebtedness*"; and

(18) so long as no Default or Event of Default has occurred and is continuing (or would result from), any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio does not exceed 3.75 to 1.0 on a *pro forma* basis after giving effect to any such Restricted Payment.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) through (18) of the fourth paragraph of this covenant, or is permitted pursuant to the first paragraph of this covenant and/or one or more of the clauses contained in the definition of "Permitted Investment," the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as an Investment pursuant to one of more clauses contained in the definition of "Permitted Investment".

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "**Initial Lien**"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Notes Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*".

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility), (b) the Intercreditor Agreement, (c) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date or (d) any other agreement or instrument with respect to the Transactions and the Gallo Investment, in each case, in effect at or entered into on the Completion Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company (as defined under "*—Merger and Consolidation*"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "**Initial Agreement**") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(4) any encumbrance or restriction:

   (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

   (b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

   (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so

acquired, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) 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;

(12) any encumbrance or restrictions effected in connection with factoring, securitizations, receivables financings or similar arrangements, including (without limitation) by a Receivables Subsidiary in a Qualified Receivables Financing or Settlement Obligations that, in the good faith determination of the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such factoring, securitizations, receivables financings or similar arrangements or Settlement Obligations;

(13) any encumbrance or restriction existing by reason of any lien permitted under "*—Limitation on Liens*";

(14) any encumbrance or restriction existing by reason of a Permitted Reorganization effected in compliance with the definition thereof;

(15) provisions restricting assignment of any agreement entered into in the ordinary course of business or consistent with past practice; or

(16) customary restrictions included in shareholder agreements, including, without limitation, those relating to non-wholly owned Subsidiaries.

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Issuer's Board of Directors); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

    (i) cash (including any Net Cash Proceeds received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

    (ii) Cash Equivalents;

    (iii) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's or such Restricted Subsidiary's balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;

(iv) Replacement Assets;

(v) any Capital Stock or assets of the kind referred to in clause (D) or (F) in the second paragraph of this covenant;

(vi) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(vii) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of 10% of Consolidated EBITDA and €10.0 million (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(viii) a combination of the consideration specified in clauses (i) through (vii) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Cash Proceeds of the Asset Disposition, within 365 days (or 545 days in the circumstances described in clause (H) below) of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Cash Proceeds, may be used by the Issuer or such Restricted Subsidiary to:

(A) (i) prepay, repay, purchase or redeem (including through open market purchases, voluntary tender offers or privately negotiated transactions at market prices) any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof; (ii) unless included in (A)(i), prepay, repay, purchase or redeem (including through open market purchases, voluntary tender offers or privately negotiated transactions at market prices) Notes or Indebtedness that is secured by a Lien on the Collateral that is not subordinated in right of payment to the Notes at a price of no more than 100% of the principal amount of the Notes or such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured 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 shall prepay, repay, purchase or redeem Public Debt (other than the Notes) pursuant to clause (ii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum total aggregate principal amount of the Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(B) 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 Disposition Offer to all Holders of the Notes (in accordance with the procedures set out below);

(C) invest in any Replacement Assets;

(D) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(E) make a capital expenditure;

(F) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(G) consummate any combination of the foregoing; or

(H) enter into a binding commitment to apply the Net Available Cash pursuant to clause (A), (C), (D), (E) or (F) of this paragraph or a combination thereof, *provided* that, a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated, (y) the 180th day following the expiration of the aforementioned 365-day period, if the investment has not been consummated by that date.

The amount of such Net Cash Proceeds not so used as set forth in this paragraph constitutes "**Excess Proceeds**". Pending the final application of any such Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

On the 366th day (or the 546th day if a binding commitment as described in clause (H) is entered into) after an Asset Disposition, or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds €20.0 million, the Issuer will be required within 10 Business Days thereof to make an offer ("**Asset Disposition Offer**") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof in the case of the Notes.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be repaid or purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "**Asset Disposition Offer Period**"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "**Asset Disposition Purchase Date**"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be repaid or purchased by it pursuant to this covenant (the "**Asset Disposition Offer Amount**") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "**Affiliate Transaction**") involving aggregate value in excess of the greater of (i) 10% Consolidated EBITDA and (ii) €10.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of the greater of (i) 20% Consolidated EBITDA and (ii) €20.0 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*", any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, 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 by the Board of Directors of the Issuer, in each case in the ordinary course of business or consistent with past practice;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary, any Parent Obligor or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) transactions to effect the Transactions and payment of all transaction, underwriting, commitment and other fees and expenses related to the Transactions (including any Transactions costs), (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 or instrument in effect as of or on the Completion Date or described in "*Related Party Transactions*" in the Offering Memorandum, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, including in respect of Settlement Obligations or other similar arrangements, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent or Parent Obligor) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €2.5 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent or Parent Obligor) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors in good faith;

(12) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(13) investments by any of the Investors in securities of any of the Issuer's Restricted Subsidiaries (and the payment of reasonable out-of-pocket expenses of the Investors in connection therewith) so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favorable terms and (iii) the investment constitutes less than 5% of the proposed issue amount of such class of securities;

(14) any transaction effected as part of a Qualified Receivables Financing or Settlement Obligations;

(15) 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;

(16) pledges of Capital Stock or receivables owing from Unrestricted Subsidiaries;

(17) any contribution to the equity of the Issuer in exchange for Capital Stock (other than Disqualified Stock and Preferred Stock) or any investments by any Permitted Holders in securities of any Restricted Subsidiary (and the payment of reasonable out-of-pocket expenses of the Permitted Holders in connection therewith); and

(18) any transaction as part of or in connection with a Permitted Reorganization or in connection with an Initial Public Offering in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 150 days after the end of the fiscal year of the Issuer ending December 31, 2019 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 and liquidity and capital resources; (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 annual report relates (other than the Gallo Investment and unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, 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) a description of the management and shareholders of the Issuer, material affiliate transactions and a description of all material debt instruments; (v) a description of material operational risk factors and material subsequent events; and (vi) consolidated EBITDA; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;

(2) within 60 days following the end of each of the Issuer's first and third fiscal quarters of each fiscal year of the Issuer (or 90 days for the quarter ending March 31, 2020) and within 75 days following the end of the Issuer's second fiscal quarter of each fiscal year, quarterly financial statements 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 (other than the Gallo Investment and, *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, 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, including a discussion of the consolidated financial condition, results of operations, consolidated EBITDA and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to 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 (other than the Gallo Investment), taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

Notwithstanding the above, to the extent the Issuer's consolidated financial statements or consolidated prior year financial statements are not available or, in the reasonable opinion of the Issuer, do not provide a comprehensive overview of the consolidated SisalPay Group (as defined in the Offering Memorandum) for the current or comparable prior period for the fiscal year ending December 31, 2019 and/or the fiscal quarter ending March 31, 2020, the Issuer will use reasonable efforts to present financial information relating to the Sisal Payments Business and the Banca 5 Payments Business (each as defined in the Offering Memorandum) on a stand-alone basis with key *pro forma* metrics or *pro forma* financial information relating to the combined SisalPay Group business for the relevant period.

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*). Notwithstanding the foregoing, in the event the Issuer posts copies of the reports specified in clauses (1), (2) and (3) of the first paragraph of this covenant on such website, it will be deemed to have furnished such reports to the Trustee.

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.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "*Reports*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All reports provided pursuant to this "*Reports*" covenant shall be made in the English language.

Subject to compliance with the paragraph below, in the event that, and for so long as, the equity securities of the Issuer or any Parent or IPO Entity are listed on the Main Market of the London Stock Exchange, the Euronext Amsterdam Stock Exchange, the Milan Stock Exchange, the Frankfurt Stock Exchange, the New York Stock Exchange, NASDAQ or any regulated stock exchange established in a Member State of the European Union, 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 the Main Market of the London Stock Exchange, the Euronext Amsterdam Stock Exchange, the Milan Stock Exchange, the Frankfurt Stock Exchange, the New York Stock Exchange, NASDAQ or any regulated stock exchange established in a Member State of the European Union, for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer or such Parent or IPO Entity is, or would be, required to file with such stock exchange. Upon complying with the foregoing requirements, and provided that such requirements require the Issuer or any Parent or IPO Entity to prepare and file annual reports, information, documents and other reports with the Main Market of the London Stock Exchange, the Euronext Amsterdam Stock Exchange, the Milan Stock Exchange, the Frankfurt Stock Exchange, the New York Stock Exchange, NASDAQ or any regulated stock exchange established in a Member State of the European Union, as applicable, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

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.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one transaction or a series of related transactions to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "**Successor Company**") will be a Person organized and existing under the laws of any member state of the European Union, or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the

obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness*".

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "*Merger and Consolidation*" covenant) shall not apply to (i) any transactions which constitute an Asset Disposition if the Issuer has complied with the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*", (ii) the creation of a new subsidiary as a Restricted Subsidiary or (iii) a Permitted Parent Reorganization.

The Guarantors

No Guarantor (other than a Guarantor whose guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement and any Additional Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the assets of such Guarantor and its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it unless:

(A) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or, subject to the Agreed Security Principles, becomes a Guarantor;

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or, subject to the Agreed Security Principles, the transferee Person expressly assumes all of the obligations of the Guarantor under its Notes Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee); and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture,

provided however, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (A) and (B)(1) 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.

The provisions set forth in this "*Merger and Consolidation*" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) a Guarantor transferring all or part of its properties and assets to a Restricted Subsidiary that is not a Guarantor in order to comply with any law, rule, regulation or order, recommendation or directions of, or agreement with, any regulatory authority having jurisdiction over the Issuer or any of its Restricted Subsidiaries; (iv) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading "*—The Issuer*" shall apply to such transaction; (v) a Permitted Reorganization or the solvent liquidation of any Restricted Subsidiary that is not a Guarantor; and (vi) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, *however*, that clauses (1), (2) and (4) under the heading "*—The Issuer*" or clauses (3)(A) and (3)(B) under the heading "*—The Guarantors*", as the case may be, shall apply to any such transaction.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "**Suspension Event**"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "**Reversion Date**"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "*—Limitation on Restricted Payments*";

(2) "*—Limitation on Indebtedness*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) "*—Additional Notes Guarantees*";

(6) "*—Limitation on Sales of Assets and Subsidiary Stock*";

(7) "*—Limitation on Activities prior to the Completion Date*"; and

(8) the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation*",

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness

Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*". In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption has been satisfied, *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Issuer shall not, and 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 the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens and may effect a Permitted Reorganization and the Collateral may be discharged and released and retaken, if applicable, in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement and (ii) the applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, from time to time to cure any ambiguity, mistake, omission, defect or inconsistency therein; *provided*, *however*, that in the case of clause (i) above, except with respect to any discharge or release in accordance with the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Documents may not be amended, extended, renewed, restated, supplemented, released and retaken, if applicable, or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, 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, modification or replacement.

In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Notes Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Credit Facility, any Credit Facility or any other Public Debt, in each case of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor by no later than 10 Business Days after the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee, which Notes Guarantee will be senior to or pari passu with such Restricted Subsidiary's Guarantee of such other Indebtedness; *provided*, *however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Notes Guarantee 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 and other than reasonable expenses Incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (2) undertaken in connection with such Guarantee which cannot be avoided through measures reasonably available to the Issuer or any Restricted Subsidiary. At the option of the Issuer, any Notes Guarantee may contain limitations on such Guarantor's liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financials assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Notes Guarantees granted pursuant to this provision shall be released as set forth under "*—Notes Guarantees*". A Notes Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Notes Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors*".

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 Indebtedness permitted pursuant to the covenant described under "*—Limitation on Indebtedness*", 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 Notes Guarantees and priority and release of the Security Interest; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. 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 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 or at the offices of the listing agent.

Limitation on Activities prior to the Completion Date

Prior to the Completion Date, the Issuer will not and will not permit any of its Restricted Subsidiaries to, engage in any business activities or undertake any other activity, except that activity (i) reasonably relating to the Gallo Investment, the Transactions and any related document (including without limitation, the Notes, the Indenture, the Revolving Credit Facility, the Escrow Agreement, the Shortfall Agreement, the Security Documents, and the Intercreditor Agreement; (ii) undertaken with the purpose of fulfilling any other obligations relating to the Gallo Investment, the Transactions and any related document (including without limitation the Notes, the Indenture, the Revolving Credit Facility, the Escrow Agreement, the Shortfall Agreement, the Security Documents, or the Intercreditor Agreement); (iii) the establishment of the Issuer; and (iv) other activities not specifically enumerated above that are de minimis in nature.

Financial Calculations

When determining the availability under any basket or ratio under the Indenture in connection with any transaction or whether such transaction is permitted under the Indenture (including, for the avoidance of doubt and without limitation, any Incurrence or assumption of Indebtedness or Liens, the making of any Restricted Payment, Permitted Payment or Investment, any Asset Disposition, any acquisition, merger, joint venture, consolidation, amalgamation or other business combination and any other transaction requiring the testing of any basket, including, without limitation, in determining whether a Change of Control constitutes a Specified Change of Control Event), the date of determination of such basket or ratio or the testing of any such transaction and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements for such transaction are entered into, and such baskets or ratios shall be calculated with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* provisions set forth in the definition of Fixed Charge Coverage Ratio and Consolidated Net Leverage Ratio after giving effect to such transaction and other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such transaction (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Consolidated Net Income 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 for purposes other than Incurrences of Indebtedness or Liens or the making of Restricted Payments (not related to such acquisition, merger or consolidation) shall not reflect such transaction until it has been consummated.

Events of Default

Each of the following is an "**Event of Default**" under the Indenture:

(1) default in any payment of interest on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any of its Restricted Subsidiaries to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

    (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("**payment default**"); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the "**cross acceleration provision**"),

    and, in each case, either the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25.0 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "**bankruptcy provisions**");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €25.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "**judgment default provision**");

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture 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 €25.0 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 any such Default continues for 10 days;

(8) any Notes Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for 10 days; and

(9) failure by the Issuer, any Parent Obligor or Restricted Subsidiary to provide security over the Completion Date Collateral as described above under the caption "*—Security—General*" and such Default continues for 30 days.

However, a default under clauses (3), (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders 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.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year (or 150 days for the fiscal year ending on

December 31, 2019), an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "**Initial Default**") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*—Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions, steps or proceedings in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action, steps or proceedings directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). 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 or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the proportion of the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under "*—Optional Redemption*";

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under "*Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Intercreditor Agreement, any applicable Additional Intercreditor Agreement, the Indenture or the applicable Security Documents;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Notes Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement;

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in clauses (1) through (10) of this sentence,

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;

(3) add to the covenants or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or "*Certain Covenants—Additional Notes Guarantees*", to add Notes Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Security Documents, the Escrow Agreement or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents, the Escrow Agreement or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility, in any property which is required by the Security Documents or the Revolving Credit Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with; or

(10) 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 Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

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 in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of any amendment, supplement and waiver may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

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, the Notes Collateral and any Future Notes Guarantees—The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all holders of the Notes with the vote of either 75% or 50% of the outstanding aggregate principal amount of the 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 BNP Paribas Italian Branch, as security representative (*rappresentante per le garanzie*) 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 BNP Paribas Italian Branch 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 p.l.c. 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.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Notes and the Indenture ("**legal defeasance**") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) of "*—Certain Covenants—Merger and Consolidation*") and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("**covenant defeasance**").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation*"), (4), (5) (with respect only to the Issuer and Significant Subsidiaries), (6), (7) or (8) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "**defeasance trust**") with the Trustee (or another entity designated by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Principal Paying Agent for cancellation; or (b) all Notes not previously delivered to the Principal Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Principal Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated by the Trustee for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Principal Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee to apply the funds deposited towards the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

If requested in writing by the Issuer, which request may be included in the applicable notice of redemption or pursuant to the applicable Officer's Certificate, the Trustee or the Paying Agent (or such other entity directed, designated or appointed (as agent) by the Trustee, for this purpose) shall distribute any amounts deposited to the Holders prior to the applicable redemption date, provided, however, that Holders shall have received at least three Business Days' notice from the Issuer of such earlier repayment (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the applicable redemption date as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts. To the extent the Notes are represented by a Global Note deposited with a common depositary for a clearing system, any payment to the beneficial holders holding Book-Entry Interests as participants of such clearing system will be subject to the then applicable procedures of such clearing system. The Trustee and the Paying Agent shall not be liable to any Holder by virtue of the Issuer instructing the Trustee or the Paying Agent to make an early distribution of funds as described in this paragraph.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

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, 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 is aware, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, (b) fails to meet certain eligibility requirements or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than 6 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.

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 with respect to the Notes of the Issuer will be published in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe. 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 on the website of the Luxembourg Stock Exchange *(www.bourse.lu)* in lieu of publication in the *Luxemburger Wort* so long as the rules of the Luxembourg Stock Exchange allow.

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, notices to Holders of the Notes may be delivered via Euroclear and Clearstream in lieu of notice via registered mail.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with the Notes and the Notes 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, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, 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 to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer’s and the Guarantors’ other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market thereof. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes on the Euro MTF Market will be approved and settlement of the Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since substantially all the assets of the Issuer are located outside the United States, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement, the Escrow Agreement, the Escrow Charge and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Revolving Credit Facility, as of the Completion 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) the excess (to the extent positive) of:

(i) the present value at such redemption date of (1) the redemption price of such Note at December 17, 2020 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "*Optional Redemption*" (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such Note to and including December 17, 2020 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points and assuming that the rate of interest on the Notes for the period from the redemption date through December 17, 2020 will equal the rate of interest on the Notes in effect on the date on which the applicable notice of redemption is given; over

(ii) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee, the Calculation Agent, or any Paying Agent or Registrar.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business or consistent with past practice), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business or consistent with past practice), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items (the "**Permitted Dispositions**") shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business or consistent with past practice;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control or any transaction effected as a part of a Permitted Reorganization;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of less than the greater of 10% Consolidated EBITDA and €10.0 million;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*", asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or consistent with past practice or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business or consistent with past practice;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business or consistent with past practice, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables in connection with any Qualified Receivables Financing, or any factoring transaction or in the ordinary course of business or consistent with past practice;

(15) any issuance, sale, pledge or other disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any issuance, transfer or other disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets, made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole); *provided further* that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed the greater of 20% of Consolidated EBITDA and €20.0 million;

(19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Stock that is permitted by the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors;

(20) sales, transfers or other dispositions of Investments (including Capital Stock) in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; provided that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture;

(22) the unwinding of any Cash Management Services or Hedging Obligations; and

(23) dispositions in connection with any Settlement and dispositions of Settlement Assets and Merchant Agreements.

In the event that a transaction (or any portion thereof) meets the criteria of a Permitted Disposition and would also be a Permitted Investment or an Investment permitted under "*Certain Covenants—Limitation on Restricted Payments*," the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or such portion thereof) as a Permitted Disposition and/or one of more of the types of Permitted Investments or Investments permitted under "*Certain Covenants—Limitation on Restricted Payments*".

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers or the sole director, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). 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 Parent 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 December 17, 2020; *provided, however*, that if the period from the redemption date to December 17, 2020 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 December 17, 2020 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 Milan, Italy or London, United Kingdom are authorized or required by law to close and, with respect to payments to be made under the Indenture, other than any day which is not a TARGET Settlement Day.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis 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.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof (a "**Deposit**") or cash in credit balance or deposit which are freely transferable or convertible within 90 days issued or held by any lender party to the Revolving Credit Facility or by any bank or trust company (a) if at any time since January 1, 2007 the Issuer or any of its Subsidiaries held Deposits with such bank or trust company (or any branch or subsidiary thereof), (b) whose commercial paper is rated at least "A-3" or the equivalent thereof by S&P or at least "P-3" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (c) (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;

(3) Deposits in connection with the payment services business of the Issuer or its Subsidiaries in the ordinary course of business and consistent with past practice issued by a bank or a trust company organized, or authorized to operate as a bank or trust company, under the laws of any state of the United States of America, any province of Canada, any member of a Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof;

(4) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(5) commercial paper rated at the time of acquisition thereof at least "A-3" or the equivalent thereof by S&P or "P-3" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named Rating Agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(6) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, a Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither 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 with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(8) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(9) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (8) above; and

(10) for purposes of clause (2) of the definition of "Asset Disposition", the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Completion Date.

"*Cash Management Services*" means any customary cash management, cash pooling or netting or setting off arrangements or arrangements for the honoring of checks, drafts or similar instruments, including automated clearing house transactions, treasury, depository, credit or debit card, purchasing card, stored value card, electronic fund transfer services, operational intra-group balances and/or cash management services, controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts and merchant services or other cash management arrangements in the ordinary course of business or consistent with past practice.

"*Change of Control*" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer, *provided* that for the purposes of this clause, (x) no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent; and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any "person" or "group of related persons" is the "beneficial owner" (as so defined) unless that person or group is not an Affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock than Permitted Holders; 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.

"*Clearstream*" means Clearstream Banking S.A., as currently in effect or any successor securities clearing agency.

"*Collateral*" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date and the Completion Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Guarantee.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Completion Date*" means the date of completion of the Gallo Investment.

"*Consolidated EBITDA*" for the period of the four most recent fiscal quarters ending prior to the relevant date of measurement for which internal consolidated financial statements are available, means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense (excluding any depreciation expense reflecting the application of IFRS 16 (*Leases*), *provided* that the Issuer has elected to apply IFRS immediately prior to the adoption of

IFRS 16 (*Leases*) pursuant to the definition of "IFRS" for the purposes of determining the treatment of leases for any relevant calculation, ratio or determination);

(4) consolidated amortization or impairment expense;

(5) any expenses, charges, fees or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence, issuance, redemption or refinancing of any Indebtedness permitted by the Indenture or any amendment, waiver, consent or modification to any document governing any such Indebtedness (whether or not successful), in each case, including such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*";

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);

(9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;

(10) payments received or that become receivable with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;

(11) any Receivables Fees and discounts on the sale of accounts receivable in connection with any Qualified Receivables Financing or Settlement Obligations representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period; and

(12) (i) the "run rate" cost savings, operating expense reductions and synergies that are expected (in good faith) to be realized as a result of actions relating to any acquisition or investment (including the Gallo Investment), disposition, divestiture, restructuring, cost savings initiative, operational improvements, procurement rationalization, information and technology system establishment, modernization or modification, modification or renegotiation of contracts (including the effect of increased pricing in customer contracts or the renegotiations of contracts or other arrangements) or any other similar initiative (calculated on a *pro forma* basis as though such cost savings, operating expense reductions and synergies had been realized from the first day of such period and during the entirety of such period), net of the amount of actual benefits realized during such period from such transaction or initiative (which adjustments, without double counting, may be incremental to *pro forma* adjustments made pursuant to the definition of "Fixed Charge Coverage Ratio"), if such actions have been taken or are expected to be taken (in the good faith determination of the Issuer) within 24 months of the determination date or substantial steps with respect to such actions have been taken or are expected to be taken within 24 months of the determination date; *provided* that no cost savings, operating expense reductions or synergies shall be added pursuant to this clause (12) to the extent duplicative of any expenses, charges or negative EBITDA contribution otherwise added to Consolidated EBITDA, whether through a *pro forma* adjustment or otherwise, for such period;

For purposes of calculating Consolidated EBITDA for the purpose of any basket or ratio under the Indenture, Consolidated EBITDA shall be the Consolidated EBITDA of the Issuer measured for the period of the most recently completed four full consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each case with such *pro forma* adjustments (including by giving effect to Indebtedness, acquisitions or Investments, as applicable, since the start of such four fiscal quarters) as are consistent with the *pro forma* adjustments set forth in the definition of "Fixed Charge Coverage Ratio."

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount (excluding deferred financing fees, debt issuance costs, commissions, fees and expenses and the expensing of any finance costs);

(3) non-cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(6) the consolidated interest expense that was capitalized during such period; and

(7) interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS, (iv) any Additional Amounts with respect to the Notes included in interest expense under IFRS or other similar tax gross up on any Indebtedness included in interest expense under IFRS and (v) interest expense in respect of Settlement Obligations.

Notwithstanding any of the foregoing, Consolidated Interest Expense shall not include (i) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Funding, (ii) any commissions, discounts, yield and other fees and charges related to Qualified Receivables Financing or (iii) any payments on any operating leases, including without limitation any payment on any lease, sublease, rental or license of property (or guarantee thereof) which would be considered an operating lease under IFRS as in effect immediately prior to the adoption of IFRS 16 (*Leases*), *provided* that the Issuer has elected to apply IFRS immediately prior to the adoption of IFRS 16 (*Leases*) pursuant to the definition of "IFRS" for the purposes of determining the treatment of leases for any relevant calculation, ratio or determination.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released,

(b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Revolving Credit Facility and the Intercreditor Agreement) and contractual restrictions in effect on the Completion Date with respect to the Issuer and its Restricted Subsidiaries, and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date or the Completion Date, as applicable, and (d) restrictions specified in clause (11) of the fourth paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions or any investments), acquisition costs, business optimization and operating improvements, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(5) the cumulative effect of a change or harmonization in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of, or investment in, another Person or business or resulting from any reorganization or restructuring or incurrence of Indebtedness involving the Issuer or its Restricted Subsidiaries;

(12) any goodwill or other intangible asset impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Net Leverage*" means the sum of the aggregate outstanding Indebtedness and the Reserved Indebtedness Amount of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) less cash and

Cash Equivalents (excluding Restricted Bank Deposits) of the Issuer and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness or has caused any Reserved Indebtedness Amount to be deemed to be Incurred subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (for the purpose of this definition, the "**Calculation Date**"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided*, *however*, that (other than in connection with making any Restricted Payment pursuant to clause (18) of the fourth paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*") the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants —Limitation on Indebtedness*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants —Limitation on Indebtedness*".

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(1) acquisitions and Investments (each, for the purpose of this definition, a "**Purchase**") that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reductions and synergies) as if they had occurred on the first day of the reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including anticipated expense and cost reductions and synergies) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated expense and cost reductions and synergies resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period;

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness, and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Net Leverage shall be treated in accordance with IFRS; and

(7) the reasonably anticipated full run rate effect of expense and cost reductions and synergies (as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting) projected to result from actions taken by the Issuer or its Restricted Subsidiaries shall be included as though such synergies had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, *provided* that such synergies (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any expense or cost reductions or synergies already included for such period.

For the purposes of the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, calculations will be determined in accordance with the terms set forth above.

"*Consolidated Senior Secured Net Leverage*" means the sum of the aggregate outstanding Senior Secured Indebtedness and the Reserved Indebtedness Amount (to the extent such Reserved Indebtedness Amount is comprised of Senior Secured Indebtedness) of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) *less* cash and Cash Equivalents (excluding Restricted Bank Deposits) of the Issuer and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Senior Secured Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Net Leverage Ratio.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("**primary obligations**") of any other Person (the "**primary obligor**"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

 (a) for the purchase or payment of any such primary obligation; or

 (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "**Credit Facility**" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Deferred Purchase Price Agreement*" means the agreement to be entered into on the Completion Date among the Issuer, Sisal Group S.p.A. and Banca 5 S.p.A. governing the deferred purchase price consideration relating to the Gallo Investment and which shall constitute Subordinated Shareholder Funding as of the Completion Date, as may be amended from time, *provided* that any such amendment is consistent with the definition of Subordinated Shareholder Funding.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*".

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Contribution*" has the meaning given to such term in the section entitled "*Summary—The Transactions*" in the Offering Memorandum.

"*Equity Offering*" means (x) a sale of Capital Stock of a Parent, the Issuer or a Restricted Subsidiary (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions and other than offerings to the Issuer or any Restricted Subsidiary), or (y) the sale of Capital Stock or other securities by any Person (other than to the Issuer or a Restricted Subsidiary), the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the Issuer or any of its Restricted Subsidiaries.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "*Escrowed Proceeds*" shall include any interest earned on the amounts held in escrow.

"*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 Board of Directors or an Officer of 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 that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*European Union*" means all members of the European Union as of January 1, 2004. For the avoidance of doubt, all references to a "member" of the European Union shall include the United Kingdom.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares or an Excluded Amount) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" wherever such term is used in this "*Description of the Notes*" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Notes*" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fixed Charge Coverage Ratio*" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced), issues, repurchases or redeems Disqualified Stock or Preferred Stock or has caused any Reserved Indebtedness Amount to be deemed to be Incurred subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (for the purpose of this definition, the "**Calculation Date**"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reductions and synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds of Indebtedness Incurred pursuant to the provisions described in the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*".

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions and Investments (each, for the purpose of this definition, a "**Purchase**") that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by

any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reductions and synergies, as if they had occurred on the first day of the four-quarter reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including anticipated expense and cost reductions and synergies) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness);

(7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS; and

(8) the reasonably anticipated full run rate effect of expense and cost reductions and synergies (as determined in good faith by a responsible accounting or financial Officer) projected to result from actions taken by the Issuer or its Restricted Subsidiaries shall be included as though such synergies had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, provided such synergies (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any expense or cost reductions or synergies already included for the period.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; *plus*

(2) Fixed Charges that would have arisen from the Reserved Indebtedness Amount had such Reserved Indebtedness Amount been Incurred as of the date of its classification as a Reserved Indebtedness Amount; *plus*

(3) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on equity interests payable to the Issuer or a Restricted Subsidiary.

"*Gallo Investment*" means the creation of the Sisal Pay Group, a corporate partnership in payment services formed by contributing the Sisal Payments Business and the Banca 5 Payments Business (each as defined in the Offering Memorandum), pursuant to the Gallo Investment Agreement as further described in this Offering Memorandum under the caption "*Summary—The Transactions*".

"*Gallo Investment Agreement*" means the investment agreement dated as of July 30, 2019, as amended on October 8, 2019 and on October 23, 2019, by and among Sisal Group S.p.A., Banca 5 S.p.A., Sisal S.p.A. and Sisal Point S.p.A., as may be further amended from time to time.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor*" means any Person that Guarantees the Notes in accordance with the provisions of the Indenture, and its respective successors and assigns, in each case, until the Notes Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. 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 as in effect from time to time; *provided* that at any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election.

Solely with respect to all ratios, calculations and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture, any lease, concession or license of property that would be considered an operating lease under IFRS as applied by the Issuer immediately prior to the adoption of IFRS 16 (*Leases*), and any guarantee in respect thereof shall be accounted for, at the election of the Issuer (i) in accordance with IFRS as per the definition of IFRS or (ii) in accordance with IFRS as applied by the Issuer immediately prior to the adoption of IFRS 16 (Leases).

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect immediately prior to the adoption of IFRS 16 (*Leases*), *provided* that the Issuer has elected to apply IFRS immediately prior to the adoption of IFRS 16 (*Leases*) pursuant to the definition of "IFRS" for the purposes of determining the treatment of leases for any relevant calculation, ratio or determination, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, or (v) any asset retirement obligations.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(2) 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 within 30 days thereafter;

(3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(4) Capital Stock (other than Disqualified Stock of the Issuer and Preferred Stock of a Restricted Subsidiary);

(5) trade payables and accrued commissions owed to banks in the ordinary course of business;

(6) Indebtedness of any Parent appearing on the balance sheet of the Issuer solely by reason of push down accounting under IFRS;

(7) amounts owed to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, taken as a whole, that complies with the covenant described under "*—Certain Covenants—Merger and Consolidation*";

(8) Cash Management Services; and

(9) Settlement Obligations.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means (i) CVC Capital Partners SICAV FIS S.A. and its subsidiaries, CVC Advisers (Luxembourg) S.à r.l., any funds, partnerships or entities managed or advised by CVC Advisers (Luxembourg) S.à r.l or any of its Affiliates and investors in those funds, partnerships or entities at the Completion Date (but excluding, in each case, (A) any portfolio companies in which such funds, partnerships or entities hold an investment and (B) CVC Credit Partners Group Holding Foundation and each of its direct and indirect Subsidiaries and any funds, partnerships or entities managed or advised by such entities that are engaged in the same or a similar business to CVC Credit Partners Group Holding Foundation from time to time), and (ii) Intesa Sanpaolo S.p.A. and its Subsidiaries.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any successor 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.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated on or about the Issue Date, by and among, *inter alios*, the Issuer, BNP Paribas Italian Branch, as RCF Agent, the Security Agent and the Trustee, as amended from time to time.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the fifth paragraph of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*".

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United Kingdom, the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB–" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall occur when all of the Notes receive both of the following:

(1) a rating of "BBB–" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Entity*" has the meaning given it in the definition of Initial Public Offering.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means December 17, 2019.

"*Issuer*" means Sisal Pay S.p.A. (to be subsequently renamed SisalPay Group S.p.A.), or any other Successor Company in accordance with the Indenture.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, any Parent Obligor, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or consistent with past practice or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €7.5 million in the aggregate outstanding at any time.

"*Management Investors*" means (i) members of the management team of the Issuer or its Subsidiaries who subsequently invest directly or indirectly in the Issuer from time to time and (ii) any entity that may hold shares transferred by departing members of the management team of the Issuer or its Subsidiaries for future redistribution to the management team of the Issuer or its 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 the Issuer and its Restricted Subsidiaries.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds",* with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding (other than amounts under the Deferred Purchase Price Agreement), means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Escrow Agreement, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Notes Guarantees*" means a Guarantee of the Notes by a Guarantor.

"*Offering Memorandum*" means this offering memorandum in relation to the Notes.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person. The obligations of an "Officer of the Issuer" may be exercised by the Officer of any Restricted Subsidiary who has been delegated such authority by the Board of Directors of the Issuer.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"*Parent*" means (1) any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and (2) any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent referred to in clause (1).

"*Parent Debt Contribution*" means a contribution to the equity of the Issuer or any of its Restricted Subsidiaries pursuant to which dividends or other distributions may be paid pursuant to clause (17) of the fourth paragraph under "*—Certain Covenants—Limitation on Restricted Payments."*

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent or Parent Obligor in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent or Parent Obligor owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent or Parent Obligor in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees and expenses payable by any Parent or Parent Obligor in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent or Parent Obligor related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or Parent Obligor or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed the greater of 3% of Consolidated EBITDA and €3.0 million in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes provided, however, that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its consolidated Subsidiaries would be required to pay in respect of such taxes for such fiscal year were the Issuer and each of these Subsidiaries to pay such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and such Subsidiaries; and

(8) expenses Incurred by any Parent or Parent Obligor in connection with any public offering or other sale of Capital Stock or Indebtedness:

    (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

    (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

    (c) otherwise on an interim basis prior to completion of such offering so long as any Parent or Parent Obligor shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Parent Obligor*" means as of the Issue Date, each of (i) Sisal Group S.p.A. and (ii) Banca 5 S.p.A., and its respective successors and assigns, and following a Permitted Parent Reorganization, shall mean a New Holdco, and its successors and assigns.

"*Pari Passu Indebtedness*" means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

"*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.

"*Permissible Jurisdiction*" means the United Kingdom and any member state of the European Union.

"*Permitted Collateral Liens*" means Liens on the Collateral:

(a) that are described in one or more of clauses (2), (3), (4), (5), (8), (9), (11), (12), (14), (18), (20), (22) and (23) 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 Interest in the Collateral;

(b) to secure:

    (i) the Notes (including any Additional Notes);

    (ii) Indebtedness permitted to be Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

    (iii) Indebtedness described under clause (1) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*", which Indebtedness may have super seniority priority status not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

(iv) Indebtedness described under clause (2) of the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*", to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(v) Indebtedness described under paragraph (c) of clause (4) of the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*";

(vi) Indebtedness described under clause (5) of the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*" Incurred by the Issuer or, with respect to clause (5)(ii) only, a Guarantor;

(vii) Indebtedness described under clause (6) of the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*" which Indebtedness may have super senior priority status not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

(viii) Indebtedness described under clauses (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*";

(ix) Indebtedness of any Parent, the Issuer or any Guarantor secured on the Collateral on a junior basis to the Notes; or

(x) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (ix) and this clause (x); or

(c) Incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries with respect to obligations that in total do not exceed the greater of 10% of Consolidated EBITDA and €10 million at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money or business) 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.

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 Holders*" means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Persons specified in clause (1) or (2), (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, 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 (or any Persons mentioned in the following sentence) 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 and such Persons referred to in the following sentence, collectively, have 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 held by such group. Any person or group 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 Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business or consistent with past practice, including Investments in connection with any factoring, securitization, Qualified Receivables Financing or similar arrangement or Settlement Obligations;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances and any advances or loans not to exceed €7.5 million at any one time outstanding to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock (other than Disqualified Stock) of the Issuer or a Parent of the Issuer;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business or consistent with past practice and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date (or the Completion Date with respect to the Issuer and its Restricted Subsidiaries), and any extension, modification or renewal of any such Investment; provided that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date (or the Completion Date with respect to the Issuer and its Restricted Subsidiaries) or (b) as otherwise permitted under the Indenture;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of 30% of Consolidated EBITDA and €30.0 million; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or consistent with past practice or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);

(15) Guarantees not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business or consistent with past practice;

(16) Investments in Associates in an aggregate amount when taken together with all other Investments made pursuant to this clause (16) that are at any time outstanding not to exceed the greater of 25% of Consolidated EBITDA and €25.0 million; provided that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the Indenture, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(17) Investments in loans under the Revolving Credit Facility, the Notes and any Additional Notes;

(18) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into

the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger and Consolidation*" 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;

(19) Investments in licenses, concessions, authorizations, franchises, permits or similar arrangements that are related to the Issuer's or any Restricted Subsidiary's business;

(20) Investments in joint ventures or a Similar Business, taken together with all other Investments made pursuant to this clause (20) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of 20% of Consolidated EBITDA and €20 million; *provided* that, if an Investment is made pursuant to this clause (20) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "Unrestricted Subsidiary," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(21) Investments in Unrestricted Subsidiaries, taken together with all other Investments made pursuant to this clause (21) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of 10% of Consolidated EBITDA and €10 million; *provided* that, if an Investment is made pursuant to this clause (21) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "Unrestricted Subsidiary," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause; and

(22) Investments in or constituting Cash Management Services.

For purposes of determining compliance with this definition, (a) Permitted Investments need not be Incurred solely by reference to one category of Permitted Investments described in this definition but are permitted to be made in part under any combination thereof and of any other available exemption and (b) in the event that a Permitted Investment (or any portion thereof) meets the criteria of one or more of the categories of Permitted Investment, the Issuer will, in its sole discretion, classify or reclassify such Permitted Investment (or any portion thereof) in any manner that complies with this definition.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business or consistent with past practice;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmens' and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties

which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing (i) Hedging Obligations permitted under the Indenture or (ii) Cash Management Services;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business or consistent with past practice;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary 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 or consistent with past practice; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" 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;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens (a) existing on, or provided for or required to be granted under written agreements existing on, the Issue Date, (b) entered into in connection with the Transactions or (c) existing on, or provided for or required to be granted under written agreements existing on, the Completion Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided*, however, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on Receivables Assets Incurred in connection with (i) Qualified Receivables Financing or securing Indebtedness or other financing arrangements described in clause (12)(b) under the second paragraph of "*—Certain Covenants—Limitation on Indebtedness*" or (ii) Settlement Obligations;

(22) Liens arising under general business conditions in the ordinary course of business, including without limitation the general business conditions of any bank or financial institution with whom the Issuer or any of its Restricted Subsidiaries maintains a banking relationship in the ordinary course of business (including arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement or other trading activities);

(23) 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;

(24) Liens securing Indebtedness or other obligations of a Receivables Subsidiary;

(25) Liens on Capital Stock or other securities, assets or property of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(27) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens pursuant to the Intercreditor Agreement and the senior security documents entered into pursuant to the Revolving Credit Facility, (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing or sharing of recoveries as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement and (d) Liens securing Indebtedness under clause (1) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" to the extent the Agreed Security Principles would permit such Lien to be granted to such Indebtedness and not to the Notes;

(28) Liens on the Escrow Account created for the benefit of, or to secure, directly or indirectly, the Notes;

(29) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (29) does not exceed the greater of 30% of Consolidated EBITDA and €30.0 million;

(30) Liens on (a) Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

(31) 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; and

(32) Liens on assets or property of a Restricted Subsidiary securing Indebtedness of such Restricted Subsidiary permitted by clause (16) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*".

For purposes of determining compliance with this definition, (a) Liens need not be Incurred solely by reference to one category of Permitted Liens described in this definition but are permitted to be Incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"*Permitted Parent Reorganization*" means (1) the Demerger and Merger on the terms described in the Offering Memorandum, *provided* that (x) any entity that acquires the Capital Stock of the Issuer shall have entered into (i) a confirmation deed or similar instrument confirming the first-ranking pledge of such Capital Stock in favor of the Holders of the Notes and assuming all relevant obligations of the former Parent Obligor under any Security Document and (ii) an accession deed or similar instrument assuming all relevant obligations of such former holder of the Capital Stock of the Issuer under the Intercreditor Agreement and (y) any entity that acquires any liabilities owed by the Issuer under the Deferred Purchase Price Agreement shall have entered into an accession deed or similar instrument assuming all relevant obligations of the former holder of such liabilities owed by the Issuer under the Deferred Purchase Price Agreement under the Intercreditor Agreement or (2) a reorganization transaction resulting in a new direct holder of the Capital Stock of the Issuer ("**New Holdco**") and the transfer of the Capital Stock or receivables, as applicable, of the Issuer held by a Parent Obligor to New Holdco; *provided* that (1) New Holdco shall be a person organized and existing under a Permissible Jurisdiction; (2) New Holdco will acquire the Capital Stock or receivables, as applicable, of the Issuer, (3) New Holdco shall have entered into (A) a confirmation deed or similar instrument confirming the first-ranking pledge of such Capital Stock and receivables, as applicable, in favor of the Holders of the Notes and assuming all relevant obligations of such Parent Obligor under any Security Document, (B) if applicable, an accession deed or similar instrument assuming all relevant obligations of such Parent Obligor under the Intercreditor Agreement and (C) a Security Document granting, if relevant, a first-priority pledge over any intercompany receivables payable by the Issuer to New Holdco, (4) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default is continuing or would arise as a result of such Permitted Parent Reorganization and (5) the Issuer will provide to the Trustee a certificate from the Board of Directors of New Holdco which confirms the solvency of New Holdco after giving effect to the Permitted Parent Reorganization. Upon such Permitted Parent Reorganization, the relevant Parent Obligor shall be released from its obligations under the Notes Documents.

"*Permitted Reorganization*" means any Permitted Subsidiary Reorganization or Permitted Parent Reorganization.

"*Permitted Subsidiary Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intragroup receivables and payables among the Issuer and its Restricted Subsidiaries in connection therewith that is made on a solvent basis; *provided* that, after giving effect to such Permitted Subsidiary Reorganization: (a) all of the business and assets of the Issuer or such Restricted Subsidiaries remain owned by the Issuer or its Restricted Subsidiaries, (b) any payments or assets distributed in connection with such Permitted Subsidiary Reorganization remain within the Issuer and its Restricted Subsidiaries, (c) if any shares or other assets form part of the Collateral, substantially equivalent Liens (in the good faith judgment of the Issuer) must be granted over such shares or assets of the recipient such that they form part of the Collateral, subject to the Agreed Security Principles; *provided*, *however*, that any release of the Security Interest in respect of the Capital Stock of the Issuer in connection with a Permitted Subsidiary Reorganization shall only be permitted if such Capital Stock is subject to a Lien of at least equivalent ranking (in the good faith judgment of the Issuer) as soon as reasonably practical after such release, (d) if any Notes Guarantee is released in connection with such Permitted Subsidiary Reorganization in accordance with the guarantee release provisions of the Indenture, Notes Guarantees must be provided reasonably promptly following the completion of such Permitted Subsidiary Reorganization (subject to the Agreed Security Principles) such that the Notes Guarantees in place following the Permitted Subsidiary Reorganization are substantially equivalent to the pre-existing Notes Guarantees (in the good faith judgment of the Issuer), (e) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default is continuing or would arise as a result of such Permitted Subsidiary Reorganization; and (f) the Issuer will provide to the Trustee a certificate from the Board of Directors of the relevant pledgor which confirms the solvency of the relevant pledgor after giving effect to the Permitted Subsidiary Reorganization.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of 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 Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer as a replacement agency.

"*Receivables Assets*" means any accounts receivable of the Issuer or a Restricted Subsidiary and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization, factoring or similar transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Issuer or a Restricted Subsidiary in connection with, any factoring, securitization, Receivables Financing or similar arrangement.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any Subsidiary of the Issuer pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer (including any synthetic transfer) to (a) a Receivables Subsidiary or (b) any other Person (in the case of a transfer by the Issuer or any of its Subsidiaries), or may grant a security interest in, Receivables Assets.

"*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 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 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, 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 or an Officer of the Issuer (as provided below) as a Receivables Subsidiary which complies with the following conditions:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary, 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 Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances", "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *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 Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith);

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related 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; or

(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; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means:

any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent or any Parent Obligor), required to be paid (*provided* such Taxes are in fact paid) by any Parent or any Parent Obligor by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries; or

(e) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent or any Parent Obligor pursuant to "*—Certain Covenants—Limitation on Restricted Payments*".

"*Replacement Assets*" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or any Officer of the Issuer are reasonably related.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Bank Deposits*" means bank deposits and other cash and Cash Equivalents relating to funds received from customers that are required to be segregated pursuant to regulatory requirements to safeguard client funds applicable to the Issuer or any of its Restricted Subsidiaries.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the revolving credit facility established pursuant to the super senior revolving facility agreement to be dated on or prior to the Issue Date, among, *inter alios*, the Issuer, the senior lenders (as named therein), BNP Paribas Italian Branch, 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 Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"*Senior Secured Indebtedness*" means any Indebtedness secured by a Lien on the Collateral on a basis *pari passu* with or senior to the security in favor of the Notes or the Notes Guarantees.

"*Settlement*" means the transfer of cash or other property with respect to any credit card, charge card, stored-value card or debit card charge, check or other instrument, electronic funds transfer, or other type of paper-based or electronic payment, transfer or charge transaction for which a Person acts as issuer, acquirer, processor, remitter, funds recipient, funds transmitter or funds receiver in the ordinary course of its business.

"*Settlement Asset*" means any cash, receivable or other property, including a Settlement Receivable, due or conveyed to a Person in consideration for a Settlement made or arranged, or to be made or arranged, by such Person or an Affiliate of such Person.

"*Settlement Obligations*" means any short-term payment or reimbursement obligation in respect of a Settlement Payment or Settlement Receivable and other financings or liabilities due to banks or customers, in each case of the type incurred in the ordinary course of business by the Company and its Subsidiaries, including under any facility in respect thereof.

"*Settlement Payment*" means the transfer, or contractual undertaking (including by automated clearing house transaction) to effect a transfer, of cash or other property to effect a Settlement.

"*Settlement Receivable*" means any general intangible, payment intangible, or instrument representing or reflecting an obligation to make payments to or for the benefit of a Person in consideration for and in the amount of a Settlement made or arranged, or to be made or arranged, by such Person.

"*Significant Subsidiary*" means any Restricted Subsidiary 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 businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date or by the Issuer and its Restricted Subsidiaries or any of its Associates on the Completion Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that after giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries would have been equal to or less than 4.55 to 1.0.

Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"*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 those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*—Change of Control*" and the covenant under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*", to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, (1) with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or any Guarantee of the Notes pursuant to a written agreement and (2) any "Senior Notes Issuer Liabilities" or "Future Senior Issuer Liabilities" as defined in the Intercreditor Agreement or any equivalent term in any Additional Intercreditor Agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, any Parent Obligor, any Affiliate of any Parent or any Parent Obligor, or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the six-month 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 six-month 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 six-month 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 six-month 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 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 six-month 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 six-month 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 to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Shareholder Liabilities" (as defined therein).

"*Subsidiary"* means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

   (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

   (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner", as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent, any Parent Obligor or their respective Subsidiaries, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and collection duties with respect thereto) that are imposed by any government or other taxing authority.

"*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) a Permissible Jurisdiction, (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 or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(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;

(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 "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, a Permissible Jurisdiction 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 Permissible Jurisdiction, 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 "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 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.

"*Transactions*" shall have the meaning assigned to such term in this Offering Memorandum under the caption "*Summary—The Transactions*".

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*".

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least €1.00 of additional Indebtedness under clause (1) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes sold within the United States to QIBs in reliance on Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Rule 144A Global Notes**").

The Notes sold outside the United States pursuant to Regulation S (will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). On the Issue Date, the 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. Except as set forth below, each series of the Notes will be issued in registered, global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Ownership of interests in the Rule 144A Global Notes (the "**Rule 144A Restricted Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the Rule 144A Restricted Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture governing the Notes and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be effected 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 owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, the Common Depositary for Euroclear and/or Clearstream (or its nominees), as applicable, will be considered the sole holders of Global Notes for all purposes under the Indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

None of the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominee), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The Common Depositary will surrender such Global Note to the Paying Agent for a cancellation or, in the case of a partial redemption, the Common Depositary will request the Paying Agent to mark down, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; *provided*, *however*, that, subject to applicable procedures of Euroclear and Clearstream, no Book-Entry Interest of less than €100,000 in principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional interest, if any) to the Paying Agent who will make payment to or to the order of the Common Depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts.*" If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*," the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or any of their respective agents will treat the registered holders of the Global Notes (i.e., the Common Depositary (or its nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent nor any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- 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 euros.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither the Issuer nor the relevant 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 the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the "**Definitive Registered Notes**"), and to distribute such Definitive Registered Notes to its participants.

Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in "*Transfer Restrictions.*" Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers as discussed in "*Transfer Restrictions.*"

Transfers of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the Rule 144A Global Note, as set forth in "*Transfer Restrictions.*"

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the

Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available) under the Securities Act.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Restricted Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

The Notes represented by the Global Notes are expected to be listed on the Euro MTF Market. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures, which rules and operating procedures may change from time to time.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent, nor any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes if:

- Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Notes, and the Issuer fails to appoint a successor;
- Euroclear or Clearstream so requests following an event of default under the Indenture; or
- the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the Indenture.

Euroclear has advised the Issuer that upon request by an owner of a Book-Entry Interest, its current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes (subject to receipt of the same from the Issuer), registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend set forth in "*Transfer Restrictions*," unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent and any of their respective agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; *provided* that no Definitive Registered Note in a denomination less than €100,000 and in integral multiples of €1,000, in excess thereof, will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. Holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee (or its authenticating agent) will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee, the Paying Agent or the Registrar appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for the expenses of replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer Restrictions*."

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which is expected to be the d'Wort). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent in Luxembourg so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require.

Global Clearance and Settlement Under the Book-Entry System

Initial Settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional euro bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information

The Issuer expects that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes numbers for the Notes are set out under "*Listing and General Information*."

Information Concerning Euroclear and Clearstream

The following description of the operations and procedures of Euroclear and Clearstream 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 the Issuer, Trustee nor the Initial Purchasers nor their respective agents take any responsibility for these operations and procedures and the Issuer urges investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream also interface with domestic securities markets in several countries. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Since Euroclear and Clearstream only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The Issuer understands that, under existing industry practices, if either the Issuer or the relevant Trustee requests any action by owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give or take any action that a holder is entitled to give or take under the Indenture, Euroclear and Clearstream would authorize participants owning the relevant Book-Entry Interest to give or take such action, and such participants would authorize indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

CERTAIN ERISA CONSIDERATIONS

General

The Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") and the Code impose certain requirements on employee benefit plans subject to Title I of ERISA and other plans and arrangements that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts, as well as on entities that are deemed to hold the assets of such plans within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (collectively, "**Plans**"), and on those persons who are fiduciaries with respect to such Plans. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Plan or the management or disposition of the assets of such a Plan, or who renders investment advice for a fee or other compensation to such a Plan, is generally considered to be a fiduciary of the Plan.

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, but not limited to, the requirement of investment prudence and diversification and delegation of control.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and certain persons (referred to as "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of Section 4975 of the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and/or other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code or any Similar Law (as defined below) to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Law**") (collectively, "**Similar Law Plans**"). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such law or regulations.

Each Plan should consider the fact that none of the Issuer, the Initial Purchasers, the Guarantors, the Escrow Agent or any other party to the transactions contemplated by this offering memorandum or any of their respective affiliates (the "**Transaction Parties**") is acting, or will act, as a fiduciary to any 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 Plan purchaser on an arm's length basis.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase and hold any Notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. The acquisition and/or holding of Notes by a 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 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. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or certain prohibited transaction class exemptions issued by the United States Department of Labor, including Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (relating to transactions effected by an independent "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the "**Class Exemptions**") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Representation

Accordingly, by acceptance of a Note, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that (A) either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes constitutes assets of any Plan or Similar Law Plan, or (ii)(x) the acquisition and holding of the Notes by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under ERISA and the Code or similar violation under any applicable Similar Law, and (y) none of the Transaction Parties 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, and (B) it will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its purchase and holding of such Note or any interest therein.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that each Plan fiduciary (and each fiduciary for a Similar Law Plan) consult with its legal advisor concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in 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.

CERTAIN TAX CONSIDERATIONS

OECD COMMON REPORTING STANDARDS

The Organization for Economic Co-operation and Development ("**OECD**") has developed a common reporting standard ("**CRS**") to achieve a comprehensive and multilateral automatic exchange of information on a global basis. A number of jurisdictions (including Italy) signed the OECD's multilateral competent authority agreement ("**Agreement**") to automatically exchange information under the CRS.

The CRS requires certain financial institutions to report information regarding certain accounts (which may include the Notes credited to such accounts) to their local tax authority and follow related due diligence procedures. A jurisdiction that has signed the Agreement may provide this information to other jurisdictions that have signed the Agreement.

Consequently, holders of the Notes may be requested to provide certain information and certifications to any financial institution resident in a jurisdiction that has signed the Agreement (including Italy) through which payments on the Notes are made.

The holders of Notes who are in any doubt as to their position should consult their professional advisors on the individual impact of CRS on their position.

CERTAIN ITALIAN TAX CONSIDERATIONS

The statements herein regarding Italian taxation are based on the laws and published practices 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 and interpretation 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 Notes for Italian resident and non-Italian resident beneficial owners only and 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 tax considerations which may be relevant to make 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 additional or special rules. Prospective purchasers of the Notes are advised to consult their own tax advisors concerning the overall tax consequences of their acquiring, holding and disposing of Notes and receiving payments on interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional and local tax laws.

Tax Treatment of the Notes issued by the Issuer

Tax Treatment of Interest

Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**") sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price and any relevant make-whole premium, hereinafter collectively referred to as "**Interest**") deriving from Notes falling within the category of bonds or similar securities (*obbligazioni o titoli similari alle obbligazioni*), pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**"), according to which securities qualify as *titoli similari alle obbligazioni* (securities similar to bonds), if they:

(i) incorporate an unconditional obligation to pay at maturity an amount not lower than their nominal value or principal amount; and

(ii) attribute to the holders no direct or indirect right to control or participate in the management of the Issuer or in the management of the business in respect of which the Notes have been issued; and

(iii) not provide for a remuneration which is entirely linked to profits of the Issuer, or other companies belonging to the same group or to the business in respect of which the Notes have been issued.

Decree No. 239 regulates the tax treatment of Interest related to bonds or similar securities to the extent they are, *inter alia*:

(A) issued by companies whose shares are listed on a regulated market or on a multi-lateral trading platform of EU Member States and of the States party to the EEA Agreement included in the list provided for by Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or, as from the tax year in which the Ministerial Decree to be issued under Article 11, paragraph 4, let. c) of Decree No. 239 is effective, included in the list therein provided (the "**White List**"); or

(B) 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 White List

(C) subscribed and held by qualified investors (as defined under Article 100 of the Italian Financial Services Act) only.

Italian resident Noteholders

Noteholders not engaged in an entrepreneurial activity

Where the beneficial owner of the Notes (a "**Noteholder**") is an Italian resident and is:

(a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime —see "—*Tax treatment of capital gains*"— or he has included the Notes in a long-term savings account —see "*Long-term Savings Accounts*"—);

(b) a non-commercial partnership (*società semplice*) and professional association;

(c) a non-commercial private or public institution, trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or

(d) an investor exempt from Italian corporate income taxation,

then Interest derived from the Notes, and paid during the relevant holding period, is subject to a withholding tax, referred to as "*imposta sostitutiva,*" levied at the rate of 26% (either when Interest is paid or obtained upon disposal of the Notes). All the above categories are qualified as "net recipients."

Noteholders Engaged in an Entrepreneurial Activity

In the event that the Italian resident Noteholders described under clauses (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and may be deducted from the taxation on income due or be claimed for refund in the relevant tax return.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an Intermediary (as defined below), Interest from the Notes will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Noteholder's income tax return and are therefore subject to the Italian corporate tax ("**IRES**," levied at the rate of 24% although certain surcharges may apply) and, in certain circumstances, depending on the "status" of the Noteholder, the Italian regional tax on productive activities ("**IRAP**," generally levied at the base rate of 3.9%, even though regional surcharges may apply).

Long-term Savings Accounts

Subject to certain conditions (including a minimum holding period) and limitations, 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 savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraphs 100-114 of Law No. 232 of December 11, 2016 ("**Law No. 232**") as well as the requirements set forth in Article 1 (211-215) of Law No. 145 of 30 December 2018 (the "**Finance Act 2019**"), if the long-term saving account is set up with effect from 1 January 2019.

Real Estate Investment Funds

Payments of Interest deriving from the Notes made to Italian resident real estate collective investment funds and real estate *Società di Investimento a Capitale Fisso* ("**SICAFs**") established pursuant to Article 37 of the Legislative Decree of 25 January 1994, n. 58, as amended and supplemented, and article 14-bis of Law No. 86 of 25 January 1994, provided that the Notes, together with the coupons relating thereto, are timely deposited directly or indirectly with an Intermediary (as defined below) are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund. However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders in the event of distributions, redemption or sale of the units or shares.

Funds and SICAV

Where an Italian resident Noteholder is a non real estate open-ended or closed-ended collective investment fund (a "**Fund**") or *Società di Investimento a Capitale Variabil*e ("**SICAV**") or a non-real estate SICAF established in Italy and either (i) the Fund or SICAV or non-real estate SICAF or (ii) its manager is subject to the supervision of a regulatory authority and the Notes are deposited with an Intermediary (as defined below), Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund, SICAV or SICAF. The Fund, the SICAV or the SICAF will not be subject to taxation on such results, but a withholding or substitute tax of 26% will instead levied on proceeds distributed or received by certain categories of unitholders or shareholders upon redemption or disposal of the units.

Pension Funds

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree of 5 December 2005, n. 252) and the Notes are deposited with an Intermediary (as defined below), Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must intend to be included in the results of the relevant portfolio accrued at the end of the tax period (which will be subject to a 20% substitute tax).

Subject to certain conditions (including minimum holding period) and limitations, Interest relating to the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account *(piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraphs 100 to 114 of Law No. 232, as well as the requirements set forth in Article 1 (210-215) of Law No. 145 of Finance Act 2019, if the long-term savings account is set up with effect from 1 January 2019.

Enforcement of Imposta Sostitutiva

Pursuant to Decree No. 239, the *imposta sostitutiva* is applied by Italian resident banks, *società di intermediazione mobiliare* ("**SIM**"), fiduciary companies, *società di gestione del Risparmio* ("**SGR**"), stockbrokers and other entities identified by a decree of the Ministry of Finance or Italian permanent establishment of equivalent foreign entities (each, an "**Intermediary**").

An Intermediary must:

(a) be resident in Italy, or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and

(b) intervene, in any way, in the collection of Interest or in the transfer of the Notes.

For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by Intermediary paying interest to a Noteholder or, absent that, 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 the suffered *imposta sostitutiva* from income taxes due.

Non-Italian Resident Noteholders

Where the Noteholder is a non-Italian resident, payments of Interest in respect of the Notes issued by the Issuer will not be subject to the *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; and

(b) such beneficial owners are residents, for tax purposes, in a country is listed in the White List; and

(c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are timely met and complied with.

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Notes made to:

(a) an international body or entity set up in accordance with international agreements which have entered into force in Italy;

(b) an "institutional investor," whether or not subject to tax, which is established in a country which is listed in the White List, and provided that they timely file with the relevant depositary an appropriate self-declaration of being an institutional investor; or

(c) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of Interest (institutional investors not subject to tax are deemed to be beneficial owners of the payments of Interest by operation of law) and must:

(a) deposit in due time, directly or indirectly, the Notes with a resident bank or a SIM or a permanent establishment in Italy of a non-Italian resident bank or a SIM or with a non-Italian resident entity or company participating in a centralized securities management system which is in contact, via computer, with the Italian Ministry of Economy and Finance having appointed an Italian representative for the purposes of Decree No. 239 (Euroclear and Clearstream are such a depositary); and

(b) file with the relevant depository, in due time, a statement of the relevant Noteholder (*auto-certificazione*), which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not required for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign central banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by the Ministerial Decree of 12 December 2001.

Failure of a non-resident Noteholder to timely comply with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-resident Noteholder.

Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for full or partial relief under an applicable tax treaty between Italy and their country of residence, subject to timely filing of required documentation provided by Measure of the Director of Italian Revenue Agency No. 2013/84404 of 10 July 2013.

Payments Made by an Italian Resident Guarantor

With respect to payments on the Notes made to Italian resident Noteholders by an Italian resident Guarantor of the Notes, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to Interest and other proceeds from the Notes may be subject to a provisional withholding tax at a rate of 26% pursuant to Article 26 of Presidential Decree of 29 September 1973, No. 600. In case of payments to non-Italian resident Noteholders, a final withholding tax may be applied at a rate of 26%.

Double taxation treaties entered into by Italy may also apply, allowing for a lower (or, in certain cases, nil) rate of withholding tax.

However, in accordance with an alternative interpretation, any such payment made by the Italian resident Guarantor will be treated, in certain circumstances, as a payment by the Issuer and will thus be subject to the Italian tax regime described above.

Tax Treatment of Capital Gains

Italian Resident Noteholders

Noteholders Not Engaged in an Entrepreneurial Activity

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to a substitute tax provided for by Legislative Decree 21 November 1997, No. 461 as subsequently amended (the "**Decree No. 461**"), levied at the rate of 26%. Under certain conditions and limitations, noteholders may set off any capital gain against capital losses.

In respect of the application of the substitute tax on capital gains, taxpayers may opt for any of the three regimes described below.

Tax Declaration Regime

Under the "tax declaration regime" (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the substitute tax on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss of the same kind) realized by the Italian resident individual holding the Notes, during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss of the same kind, in their annual tax return and pay the substitute tax on such gains of the same kind together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years.

Risparmio Amministrato Regime

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the substitute tax separately on capital gains realized on each sale or redemption of the Notes (*risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to:

i. the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediary; and

ii. an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder.

The depository must account for the substitute tax in respect of capital gains realized on each sale or redemption of the Notes, net of any incurred capital loss. The depository must also pay the substitute tax on capital gains to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, any possible capital loss resulting from a sale or redemption of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Risparmio Gestito Regime

In the *risparmio gestito* regime, any capital gains realized by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity and who have entrusted the management of their financial assets (including the Notes) to an authorized intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at tax year-end, subject to a 26% substitute tax, to be paid by the managing authorized intermediary. Any depreciation of the managed assets accrued at the tax year-end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholder is not required to declare the capital gains realized in its annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of Notes realized upon sale, transfer or redemption by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may be exempt from any income taxation, including the 26% substitute tax on capital gains, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraphs 100 – 114, of Law No. 232 as well as the requirements set forth in Article 1 (211-215) of Law No. 145 of Finance Act 2019, if the long-term saving account is set up with effect from January 1, 2019.

Noteholders Engaged in an Entrepreneurial Activity

Any gain obtained from the sale or redemption of the Notes would be treated as part of taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of net value of the production for IRAP purposes) if realized by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Real Estate Investment Funds

Any capital gains realized by a Noteholder which is an Italian real estate investment fund and real estate SICAF accrues to the tax year-end appreciation of the managed assets, which is exempt from any income tax. A withholding tax may apply in certain circumstances at the rate of 26% on distributions made by Italian real estate funds or upon redemption or disposal of the units or the shares (as applicable).

Funds and SICAV

Any capital gains realized by a Noteholder who is a non-real estate Italian Fund or a non-real estate SICAF or a SICAV will be included in the result of the relevant portfolio accrued at the end of the relevant tax period which is exempt from any income tax. A 26% withholding tax will apply in certain circumstances, to distributions by the Italian Fund or non-real estate SICAF or SICAV or received by certain categories of unitholders or shareholders upon redemption or disposal of the units or the shares (as applicable).

Pension Funds

Any capital gains realized by a Noteholder who is an Italian pension fund (subject to the regime provided for by Article 17 of Legislative Decree of 5 December 2005, n. 252) will be included in the result of the relevant portfolio accrued at the end of the relevant tax period, and subject to a 20% substitute tax.

Non-Italian Resident Noteholders

A 26% final substitute tax on capital gains may be payable on capital gains realized upon the sale or redemption of the Notes by non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23, let. f), of Decree No. 917, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer and traded on regulated markets in Italy or abroad are not subject to the substitute tax on capital gains, subject to timely filling of required documentation (in particular, a self-declaration that the Noteholder is not resident in Italy for tax purposes). As of the date of this offering memorandum, the Italian tax authorities have not been officially confirmed whether or not a multi-lateral trading platform qualifies for this exemption.

Pursuant to Article 5, paragraph 5 of Decree No. 461, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer, even if not traded on regulated markets, are not subject to the substitute tax on capital gains, provided that the effective beneficiary is:

(a) resident, for tax purposes, in a State included in the White List and does not have a permanent establishment in Italy to which the Notes are effectively connected;

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy;

(c) an "institutional investor," whether or not subject to tax, which is established in a country which is listed in the White List, and provided that they timely file with the relevant depositary an appropriate self-declaration of being an institutional investor; or

(d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito* regime, exemption from Italian taxation on capital gains will apply upon condition that they file in time with the authorized financial intermediary an appropriate self-declaration – complying with the requirements set forth by the Ministerial Decree of 12 December 2001 – stating that they are resident, for tax purposes, in a country which is listed in the White List.

If none of the above conditions above is met, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to the substitute tax at the current rate of 26%. However, non-Italian resident Noteholders might benefit from an applicable tax treaty with Italy providing that capital gains realized upon the sale or redemption of the Notes are to be taxed only in the tax residence country of the recipient.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito* regime, exemption from Italian taxation on capital gains will apply upon condition that the non-Italian residents file in time with the authorized financial intermediary appropriate documents which include, *inter alia*, a certificate of residence from the competent tax authorities of their country of residence.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Intermediary, but non-Italian resident Noteholders retain the right to waive this regime.

Italian Inheritance Tax and Gift Tax

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

(a) 4% for transfers in favor of the spouse or direct relatives exceeding, for each beneficiary, a threshold of €1.0 million;

(b) 6% for transfers in favor of siblings exceeding, for each beneficiary, a threshold of €0.1 million;

(c) 6% for transfers in favor of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, on the entire value of the inheritance or the gift; and

(d) 8% for transfers in favor of any other person or entity, on the entire value of the inheritance or the gift.

If the heir/heiress and/or the donee is a person with a severe disability pursuant to Law n. 104 of February 5, 1992, inheritance tax or gift tax is applied to the extent that the value of the inheritance or gift exceeds €1.5 million.

With respect to Notes listed on a regulated market, the relevant 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.

Stamp Taxes and Duties

According to Article 19 of Decree No. 201 of 6 December, 2011, ("**Decree No. 201**"), a proportional stamp duty applies on a yearly basis 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 of any financial product or financial instruments or in the case that the nominal value or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes) resulting from any periodic reporting communication issued by the Italian financial intermediary with which the Notes are deposited (the tax being determined in proportion to the reporting period). The stamp duty should not exceed €14,000 if the Notes are held by Noteholders who are not individuals.

Based on the wording of the law and the implementing regulations issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on June 20, 2012, as amended and supplemented) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. Therefore, stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary.

Wealth Tax

According to Article 13, para. 2-ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, as introduced by Article 19 of Decree No. 201, individuals resident in Italy holding financial assets—including the Notes—outside Italy are required to pay a wealth tax ("**IVAFE**") at the rate of 0.20% (the tax being determined in proportion to the period of ownership). The wealth tax applies on the market value at the end of the relevant year (or at the end of the holding period) or, in the absence of market value, on the nominal value or redemption value of such financial assets held outside Italy or in the case that the nominal value or redemption values cannot be determined, on the purchase value of any financial asset. Taxpayers are permitted to deduct from the wealth tax a tax credit equal to any equivalent wealth tax legitimately paid in the State where the financial assets are held (up to the amount of the Italian wealth tax due).

Transfer tax

Contracts relating to the transfer of securities are subject to the registration tax as follows:

(a) public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at rate of €200.00, and

(b) private deeds (*scritture private non autenticate*) are subject to fixed registration tax of €200.00 applicable only in case of use (*caso d'uso*), reference in a subsequent registered deed (*enunciazione*) or voluntary registration.

EU Savings Tax Directive and Implementation of the Automatic Exchange of Information in Italy

On 10 November 2015, the Council of the European Union approved the Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) which has repealed the Council Directive 2003/48/EU (the "EU Savings Tax Directive") from 1 January 2016 in the case of all Member States other than Austria and from 1 January 2017 in the case of Austria. This was intended to prevent overlap between the EU Savings Tax Directive and the new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Common Reporting Standard (**CRS**) released by the Organization for Economic Cooperation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the EU Saving Tax Directive, although it does not impose withholding taxes.

Italy has enacted Italian Law No. 95 of June 18, 2015 ("**Law 95/2015**"), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated December 28, 2015, which has entered into force on January 1, 2016, has implemented Law 95/2015 and has provided for the exchange of information starting from the calendar year 2016.

In the event that holders of the Notes hold the Notes through an Italian financial institution (as defined in the Italian Ministerial Decree of December 28, 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

Italian Financial Transactions Tax

Pursuant to Law No. 228 of 24 December 2012, Italian financial transaction tax ("**FTT**") applies to (a) transfer of ownership of shares and other participating securities issued by Italian resident companies or of financial instruments representing the said shares and/or participating securities (irrespective of whether issued by Italian resident issuers or not) (the "**Relevant Securities**"), (b) transactions on financial derivatives (i) the main underlying assets of which are the Relevant Securities, or (ii) whose value depends mainly on one or more Relevant Securities, as well as to (c) any transaction on certain securities (i) which allow to mainly purchase or sell one or more Relevant Securities or (ii) implying a cash payment determined with main reference to one or more Relevant Securities.

Securities falling within the category of bonds (*obbligazioni*), such as the Notes, don't meet the requirements set out above and, consequently, are not included in the scope of the FTT.

The Proposed European Financial Transactions Tax

On 14 February 2013, the European Commission published the FTT Proposal for a common FTT in the Participating Member States, which at the time included Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia. However, Estonia has later stated that it will not participate.

The FTT Proposal has a very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the FTT Proposal, the FTT could apply in certain circumstances to persons both within and outside of Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including by transacting with a person established in a Participating Member State or where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT Proposal remains subject to negotiation among the Participating Member States. It may therefore be altered prior to implementation. Additional Member States may also decide to participate.

Prospective holders of the Notes are strongly advised to seek their own professional advice in relation to the proposed FTT.

Italian Tax Monitoring Obligations

Italian resident individuals (and certain other entities) are required, in certain circumstances, to report in their yearly income tax return, according to Legislative Decree No. 167 of 28 June 1990, converted into law by Law No. 227/1990, for tax monitoring purposes, the amount of securities, including notes, held abroad (or beneficially owned abroad under Italian anti-money laundering provisions). This also applies in the case that at the end of the tax year, securities are no longer held by the above Italian resident individuals and entities.

However, the above reporting obligation is not required with respect to securities deposited for management with qualified Italian financial intermediaries and with respect to contracts entered into through their intervention, provided that the same intermediaries apply a withholding tax or imposta sostitutiva on any income derived from the securities.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes issued pursuant to this offering, 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 discussions on Additional Notes (under "—*Additional Notes*") and FATCA (under "—*Foreign Account Tax Compliance Act*"), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the "**IRS**"), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a holder of the Notes. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of the notes.

This discussion is limited to holders who hold the Notes as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment). In addition, this discussion is limited to persons purchasing the Notes for cash at original issue and at their original "issue price" within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash). This discussion does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding the Notes as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- 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;
- banks, insurance companies, and other financial institutions;
- real estate investment trusts or regulated investment companies;
- brokers, dealers or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- S corporations, partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations; and
- persons deemed to sell the Notes under the constructive sale provisions of the Code.

For purposes of this discussion, a "**U.S. Holder**" means a beneficial owner of a Note who or that is, for U.S. federal income tax purposes, any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (i) is subject to the primary supervision of a court within the United States and nor or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding the Notes and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND

DISPOSITION OF THE NOTES ARISING UNDER OTHER U.S. FEDERAL TAX LAWS (INCLUDING ESTATE AND GIFT TAX LAWS), UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Effect of the IPO Debt Pushdown Provisions

In the event that the Issuer of the Notes changes as a result of the provisions described under "*Description of the Notes—IPO Debt Pushdown*," such change in the Issuer could result in a deemed exchange of the Notes for "new" Notes for U.S. federal income tax purposes. In such event, U.S. holders generally would recognize any gain on such exchange (although any loss could be disallowed), and the "new" Notes could be treated as issued with original issue discount for U.S. federal income tax purposes.

Characterization of the Notes

In certain circumstances (see "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*," "*Description of the Notes—Optional Redemption*," "*Description of the Notes—Withholding Taxes*," and "*Description of the Notes—Change of Control*"), the Issuer may be obligated to redeem the Notes for an amount in excess of their adjusted issue price, or may be obligated to make certain payments on the Notes in excess of stated principal and interest. The Issuer believes that the Notes should not be treated as contingent payment debt instruments due to the possibility of such a redemption occurring or 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. If the IRS successfully challenged this position, and the Notes were treated as contingent payment debt instruments, U.S. holders could be required to accrue interest income at a rate different than their yield to maturity and to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement, redemption or other taxable disposition of a Note. 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 tax advisors regarding the potential application of 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 foreign currency interest payment (determined based on the spot rate 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 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) will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in foreign currency that has accrued with respect to its Notes during an accrual period. The U.S. dollar value of such foreign currency denominated accrued stated interest 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 elect, however, to translate such accrued stated interest income into U.S. dollars using 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, using 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 stated interest, a U.S. Holder that has made the election described in the prior sentence may translate such interest using the spot rate of exchange on the date of receipt of the stated interest. The above election will apply to other 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 exchange gain or loss with respect to accrued stated interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the foreign currency payment received (determined based on the spot rate on the date such stated interest is received) in respect of such accrual period and the U.S. dollar value of the stated 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). There are significant complex limitations on a U.S. Holder's ability to claim foreign tax credits. 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, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. Holder generally will recognize gain or loss 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 stated 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 generally will 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 on the date of 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 on the settlement date of the disposition. The special election available to accrual basis U.S. Holders in regard to the purchase and 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. If the Notes are not traded on an established securities market (or the relevant holder is an accrual basis U.S. Holder that does not make the special settlement date election), a U.S. Holder will recognize 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 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. Gain or loss attributable to fluctuations in currency exchange rates with respect to the principal amount of a Note 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, determined at the spot rate 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, determined at the spot rate 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 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 exchange gain or loss (including with respect to accrued interest) only to the extent of total gain or loss realized by such U.S. Holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of 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 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.

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 own tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

U.S. Holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. Holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. Holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Additional Notes

The Issuer may issue additional notes under the Indenture ("**Additional Notes**"). Even if these Additional Notes are treated as part of the same series as the Notes for non-tax purposes, in some cases they may be treated as a separate series for U.S. federal income tax purposes. If that were the case and the Additional Notes are issued with original issue discount for U.S. federal income tax purposes (or a different amount of original issue discount from the Notes), the market value of the Notes may be adversely affected.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**") and subject to the proposed regulations discussed below, a "foreign financial institution" (which term includes most foreign hedge funds, private equity funds, mutual funds, securitization vehicles and other investment vehicles) and certain other foreign entities may be required to withhold U.S. tax on certain 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 the date on which applicable final regulations defining foreign passthru payments are published in the U.S. Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA could apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. However, if Additional Notes are issued after the expiration of the grandfathering period, have the same CUSIP or ISIN as the original Notes issued hereby, and are subject to withholding under FATCA, then withholding agents may treat all the notes, including the Notes issued hereby, as subject to withholding under FATCA. Under recently proposed regulations, any withholding on foreign passthru payments on Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the U.S. Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "**Purchase Agreement**") to be entered into in connection with the Notes, the Issuer has agreed to sell the Notes to the Initial Purchasers and the Initial Purchasers have agreed, severally and not jointly, to purchase the Notes from the Issuer.

The Purchase Agreement provides that the Initial Purchasers are obligated, severally and not jointly, to purchase all the Notes, if any are purchased. In the event that an Initial Purchaser fails or refuses to purchase the Notes which it has agreed to purchase, the Purchase Agreement provides that the purchase commitments of the other Initial Purchasers may be increased up to a specified amount or that the Purchase Agreement may be terminated.

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 Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with the Offering and to reimburse them for certain out-of-pocket expenses.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offering price set forth on the cover page hereof.

Certain of the funds advised by CVC and/or any other investors arranged by and designated by CVC and members of management of the SisalPay Group (or any subset thereof) may place a purchase order for and may be allocated Notes at a purchase price per Note equal to the issue prices set forth on the cover page of this offering memorandum, subject to a rebate of the Initial Purchasers' discount in respect of the Notes purchased by funds advised by CVC upon release of the applicable proceeds from the Escrow Account at the Completion Date.

The Purchase Agreement will provide that the Issuer 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. We have agreed, subject to certain limited exceptions, not to offer, sell, contract to sell, issue or otherwise dispose of any debt securities issued by the Issuer or any of its subsidiaries that are substantially similar to the Notes for a period of 60 days after the Issue Date.

The Notes have not been and will not be registered under the U.S. Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Notes (i) in the United States to "qualified institutional buyers" within the meaning of Rule 144A; and (ii) outside the United States in offshore transactions to non-U.S. persons in compliance with Regulation S. Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the U.S. Exchange Act. Until 40 days after the commencement of this Offering, an offer or sale of Notes within the United States by a dealer (whether or not it is participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Transfer Restrictions*."

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the UK Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes in the European Economic Area to retail investors, defined as 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; or (iii) not a qualified investor as defined in the Prospectus Regulation.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes described in this offering memorandum has led to the conclusion that: (i) the target market for such

Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. The target market and distribution channel(s) may vary in relation to sales outside the EEA in light of local regulatory regimes in force in the relevant jurisdiction. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Notes. See "*Transfer Restrictions.*"

The Issuer has also agreed that it will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit to trading on the Euro MTF Market in accordance with the rules and regulations of that exchange. In addition, application will be made to obtain listing of the Notes on the ExtraMOT Pro Segment of the Italian Stock Exchange (*Borsa Italiana*). We cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market for the Notes as permitted by applicable law after completing the Offering. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. We cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes, the Notes Collateral and any Future Notes Guarantees—An active trading market may not develop for the Notes, which may limit your ability to sell the Notes.*"

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which will be seven business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "**T+7**"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the next four succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the Offering size, which creates a short position for the relevant Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks Related to the Notes, the Notes Collateral and any Future Notes Guarantees—An active trading market may not develop for the Notes, which may limit your ability to sell the Notes.*"

The Initial Purchasers or their respective affiliates from time to time have provided in the past, are currently providing and may provide in the future, investment banking, consultancy, financial advisory, commercial banking and cash management services to the Issuer and its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. The Initial Purchasers and/or their respective affiliates may be lenders, managers and/or agents under the Revolving Credit Facility. The Initial Purchasers have also committed to provide bridge financing in connection with the financing of the Gallo Investment in the event the Offering is not consummated. In connection with these financings, the Initial Purchasers or their respective affiliates have received and will receive customary fees and commissions for their services in such capacities.

Deutsche Bank AG, London Branch or its affiliates are acting as transfer agent, paying agent, listing agent, escrow agent and in other agent roles for the Notes. UBS AG, London Branch and/or its affiliates provided certain advisory services to Sisal Group in connection with the Gallo Investment. Banca IMI, acting as Joint Global Coordinator and Joint Bookrunner in the context of the Offering, is part of the same banking group of Banca 5, one of the shareholders of the Issuer. In connection with their services in such capacities, such Initial Purchasers or affiliates have received or will receive customary fees and commissions.

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 instruments of the Issuer or its affiliates. If the Initial Purchasers or their respective affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The Notes have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States or any other jurisdiction, and, therefore unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of such state or other jurisdiction. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

(a) in the United States, to "qualified institutional buyers," commonly referred to as "QIBs," as defined in Rule 144A in compliance with Rule 144A; and

(b) outside the United States, to non-U.S. persons in offshore transactions in accordance with Regulation S (and only to investors who, if resident in a Member State of the EEA, are not retail investors, defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation).

We use the terms "offshore transaction," "U.S. person" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Notes are being offered for resale in a transaction not involving a public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act and, unless so registered, may not be offered, resold, pledged or otherwise transferred, except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraphs (5) and 6 below.

(2) It is neither the Issuer's "affiliate" (as defined in Rule 144 of the U.S. Securities Act), nor acting on its behalf and that either:

  (a) it is a QIB, within the meaning of Rule 144A and is aware that any sale of these Notes to it will be made in reliance on Rule 144A, and such acquisition of Notes will be for its own account or for the account of another QIB; or

  (b) (i) it is a non-U.S. person purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S; and

  (ii) if resident in a Member State of the EEA, it is not a retail investor.

(3) It acknowledges that none of the Issuer or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the Issuer and its subsidiaries or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. It has had access to such financial and other information concerning the Issuer and its subsidiaries and the Notes that it deems necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act, or in any transaction not subject to the U.S. Securities Act.

(5) It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or

otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is, in the case of the Rule 144A Notes, one year after the later of the original issue date of such Notes, the original issue date of any additional Notes and the last date on which the Issuer or any of its affiliates were the owner of such Notes (or any predecessor thereto) or, in the case of the Regulation S Notes, 40 days after the later of the original issue date of such Notes (or, if later, the issue date of any additional Notes) and the last date on which such Notes were first offered to persons other than distributors (as defined in Rule 902 of Regulation S), only (i) to the Issuer or a guarantor (if any); (ii) pursuant to 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 pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A; (iv) to non-U.S. persons pursuant to offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S; or (v) pursuant to any other available exemption from the registration requirements of the 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 and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) above to require the delivery of an opinion of counsel, certification and other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(6) Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS NOTE 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 NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**")) OR (B) IT IS A NON-U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT ("**REGULATION S**"), AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTES, PRIOR TO THE DATE (THE "**RESALE RESTRICTION TERMINATION DATE**"), WHICH IS [*IN THE CASE OF REGULATION S NOTES*: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR, IF LATER, THE ISSUE DATE OF ANY ADDITIONAL NOTES) AND THE DATE ON WHICH THIS SECURITY WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S)] *[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 THIS NOTE)], ONLY (A) TO THE ISSUER OR THE GUARANTORS (IF ANY), (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) TO NON-U.S. PERSONS PURSUANT TO OFFERS AND SALES THAT OCCUR TO NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S, 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 IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF

AN OPINION OF COUNSEL, CERTIFICATION AND OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT; AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "U.S. PERSON," "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANING GIVEN TO THEM BY REGULATION S."

BY ITS ACQUISITION OF THIS SECURITY OR ANY INTEREST HEREIN, THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED AND COVENANTED THAT EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS SECURITY OR INTEREST THEREIN CONSTITUTES ASSETS OF ANY "EMPLOYEE BENEFIT PLAN" SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, ("ERISA"), ANY PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR ARRANGEMENT SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUES CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF SUCH PLANS, ACCOUNTS OR ARRANGEMENTS OR A GOVERNMENTAL PLAN, NON-U.S. PLAN OR OTHER PLAN NOT SUBJECT TO THE FOREGOING, THAT IS SUBJECT TO PROVISIONS UNDER ANY SIMILAR LAWS (EACH SUCH PLAN, ACCOUNT OR ARRANGEMENT, A "PLAN") OR (2)(I) THE ACQUISITION, HOLDING AND DISPOSITIONS OF THIS SECURITY OR INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS, AND (II) NONE OF THE ISSUER, THE TRUSTEES, THE SECURITY AGENT, THE REGISTRAR, THE TRANSFER AGENT, THE INITIAL PURCHASERS, THE ESCROW AGENT OR THE GUARANTORS OR ANY OF THEIR RESPECTIVE AFFILIATES IS ACTING AS A FIDUCIARY TO ANY PLAN WITH RESPECT TO THE DECISION TO PURCHASE OR HOLD THIS SECURITY OR IS UNDERTAKING TO PROVIDE IMPARTIAL INVESTMENT ADVICE OR GIVE ADVICE IN A FIDUCIARY CAPACITY WITH RESPECT TO THE DECISION TO PURCHASE OR HOLD THIS SECURITY.

A purchaser of Notes, will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(7) It understands that the issuance of Additional Notes under the Indenture may have the effect of extending the Resale Restriction Termination Date.

(8) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of such Notes.

(9) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(10) It acknowledges that the Transfer Agent or the Registrar will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Issuer, the Transfer Agent and the Registrar that the restrictions set out therein have been complied with.

(11) It acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of the acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, it shall promptly notify the Issuer and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(12) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set out under "*Plan of Distribution*" and "*Notice to Certain European Investors.*"

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF ANY FUTURE NOTES GUARANTEES AND THE NOTES COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of any Notes Guarantees and the security interests being provided for the Notes, and a summary of certain insolvency law considerations in Italy. The description below is only a summary, and 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 any Notes Guarantees or security interests being provided for the Notes. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

European Union

The Issuer is incorporated under the laws of Italy, which is a member state of the European Union (a "**Member State**").

Pursuant to Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast), as amended (the "**Recast Insolvency Regulation**"), which applies within the European Union, other than Denmark, the court which shall have jurisdiction to open the main insolvency proceedings in relation to a company (subject to certain exceptions) is the court of the Member State (other than Denmark) in which the relevant company's centre of main interests ("**COMI**") (as that term is used in Article 3(1) of the Recast Insolvency Regulation) is situated.

COMI is not a static concept and may change from time to time, but is determined for the purposes of decided which court has competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition: moreover, the determination of where a debtor has its COMI is a question of fact on which the courts of the different Member States may have differing and even conflicting views. Article 3(1), second sentence, of the Recast Insolvency Regulation states that a company's COMI "shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties." Under Article 3(1) of the Recast Insolvency Regulation there is, in most cases, a rebuttable presumption that a corporate debtor has its centre of main interests in the Member State in which it has its registered office in the absence of proof to the contrary. The presumption only applies if the registered office has not been moved to another Member State within the three month period prior to the request for the opening of insolvency proceedings. Recital 30 of the Recast Insolvency Regulation contains a number of examples of where a presumption as to COMI may be rebutted: for instance, where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. In that respect, the factors that courts may take into consideration when determining the centre of main interests of a debtor can include where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established.

If the centre of main interests of a debtor, at the time an insolvency application is made, is located in a Member State (other than Denmark), only the courts of that Member State have jurisdiction to open the main insolvency proceedings in respect of the debtor under the Recast Insolvency Regulation and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Recast Insolvency Regulation. Insolvency proceedings commenced in one Member State under the Recast Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary insolvency proceedings or territorial insolvency proceedings may be commenced in another Member State (other than Denmark).

If the centre of main interests of a debtor, at the time an insolvency application is made, is in a Member State (other than Denmark), under Article 3(2) of the Recast Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to commence secondary insolvency proceedings or territorial insolvency proceedings against that debtor only if such debtor has an "establishment" (as defined in Article 2(10) of the Recast Insolvency Regulation) in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Recast Insolvency Regulation and, for the avoidance of doubt, are not limited to winding-up proceedings. Territorial proceedings are, in effect, secondary proceedings that are commenced prior to the opening of main insolvency proceedings. An "establishment" is defined to mean "any place of operations where a debtor carries out or has carried out in the three month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets." Accordingly, the opening of secondary insolvency proceedings or territorial insolvency proceedings in another Member State (other than Denmark) will also be possible if the debtor had an establishment in such Member State in the three month period prior to the request for opening of main insolvency proceedings.

The effects of those secondary insolvency proceedings or territorial insolvency proceedings opened in that other Member State are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State in which the debtor has its centre of main interests have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State (other than Denmark) where the debtor has an establishment where either (i) insolvency proceedings cannot be commenced in the Member State in which the debtor's centre of main interests is situated under the conditions laid down by that Member State's law; or (ii) the opening of territorial insolvency proceedings is requested by (a) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested, or (b) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. When main insolvency proceedings are opened, territorial insolvency proceedings usually become secondary insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary or territorial insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary insolvency proceedings or territorial insolvency proceedings have been commenced there. The insolvency practitioner appointed by a court in the Member State which has jurisdiction to commence main proceedings may exercise the powers conferred on it by the laws of that Member State in another Member State (other than Denmark) (such as to remove assets of the debtor from that other Member State). These powers are subject to certain limitations (e.g., the powers are available provided that no insolvency proceedings have been commenced in that other Member State nor any preservation measure to the contrary has been taken there further to a request to commence secondary proceedings in that other Member State where the debtor has assets).

In addition, the concept of "group coordination proceedings" has been introduced in the Recast Insolvency Regulation with the aim of bolstering communication and efficiency in the insolvency of several members of a group of companies. Under Article 61 of the Recast Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group. Participation in group coordination proceedings and adherence to the coordinating insolvency practitioner's recommendations or plan however is voluntary.

In the event that 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. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer.

It remains to be seen what impact the recent vote by the United Kingdom to leave the EU will have on the regulatory environment in the EU and the United Kingdom, and on the applicability of EU law in the United Kingdom. In a "no-deal Brexit" scenario in particular, it may be harder for English office holders and English restructuring and insolvency proceedings to be recognized in Member States and to effectively deal with assets located in those other Member States. Much depends upon the private international rules in the particular Member State and the need may well arise to open parallel proceedings, increasing the element of risk. In particular, in cases where the appointment of an

English office holder has been made in reliance on an English domestic approach rather than the COMI rules, it is much less certain that there will be recognition in the relevant Member State.

Italy

Limitations on Granting Security Interests and Guarantees under Italian Law

Under Italian law, the entry into a transaction (including the creation of a security interest or the granting of a guarantee) by a company incorporated under Italian law must be permitted by the applicable laws and 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. While corporate benefit for downstream guarantee or security (*i.e*., a guarantee guaranteeing or a security interest granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security or guarantee (*i.e*., security or guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive adequate benefits or advantages from the granting of such guarantee or security. In particular, in case of an up-stream and cross-stream guarantee or security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. Generally, the risk assumed by an Italian grantor of security or guarantor under a guarantee must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting a security interest or a guarantee entered into) by an Italian company *ultra vires* and potentially affected by a conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the transaction (including the security interest or guarantee granted by an Italian company) could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream, cross-stream and down-stream guarantees or security interests granted by Italian companies.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of Italian Legislative Decree No. 385 of September 1, 1993 (the "**Italian Banking Act**"), whose exercise is exclusively demanded to banks and authorized financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, among others, entail the relevant guarantees being considered null and void. In this respect, Italian Legislative Decree No. 53 of April 2, 2015, implementing Article 106, paragraph 3, of the Italian Banking Act, states that the issuance of guarantees or the granting of security by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby "group" includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies which are under the control of the same entity. As a result of the above described rules, subject to the relevant guarantors and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

Financial Assistance

In addition, the granting of a security or a guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation of financial assistance provisions. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

Article 1938 of the Italian Civil Code

Pursuant to Article 1938 of the Italian Civil Code, if a guarantee granted by 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).

Limitations to the Notes Guarantees and Notes 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 (if any) may be required to pay in respect of its obligations as Guarantor under the relevant Notes Guarantee will be subject to limitations. By virtue of these limitations, the obligations of a Guarantor incorporated under the laws of Italy under its Notes Guarantee may be significantly less than amounts payable with respect to the Notes, or such Guarantor may have effectively no obligation under its Notes Guarantee.

Trust

The Notes 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 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 of the holders of the Notes which are neither directly parties to the Notes Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

In addition, as the holders of the Notes are not direct parties to the Indenture, there is the risk that the appointment of the Security Agent in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code is not upheld by an Italian court and that therefore an Italian court may determine that the holders of the Notes at the time of enforcement are not secured by the security under the security documents and/or that the *rappresentante* cannot exercise the rights and enforce the Notes Collateral also in the name and on behalf of the holders of the Notes. In addition, the provisions and the subject matter of paragraph 3 of Article 2414-*bis*, paragraph 3, of the Italian Civil Code are 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 Notes Collateral is granted in favor of the *rappresentante*, the holders of the Notes at the time of enforcement are not secured by the Notes Collateral and/or cannot enforce that Notes Collateral.

Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

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 Granting Security Interests and Guarantees

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 under the relevant intercompany loans. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan are subordinated to all its obligations towards other creditors. Should any of the obligations of any subsidiary under any intercompany loan 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, 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 Notes Collateral created over such intercompany loans or notes or any guarantees and/or security interests granted by such Italian subsidiaries may be impaired or restricted.

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 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 Considerations —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 in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;
- the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence (*colpa grave*), willful misconduct (*dolo*) or the violation of mandatory provisions;

- penalties and liquidated damages (*penali*) may be equitably reduced by a court;
- any obligation of an Italian company and/or any obligation secured or guaranteed by an Italian company, which is in violation of certain Italian mandatory or public policy rules (including, *inter alia*, any obligation to pay: (i) any portion of interest exceeding the thresholds of the interest rate permitted under the Italian law no. 108 of March 7, 1996 (i.e., the Italian usury law), as amended from time to time and related implementing rules and regulations; and (ii) any portion of interest deriving from any compounding of interest which does not comply with Italian law, including Article 1283 of the Italian Civil Code, according to which, accrued and unpaid interest can be capitalized only after legal proceedings to recover the debt were started or in the event the interest were unpaid and capitalized for not less than six months based on an agreement executed after the relevant maturity date and Article 120 of the Italian Legislative Decree no. 385/1993 (i.e., the Italian Banking Act)) may not be enforceable;
- if a party to an agreement is aware of the invalidity of that agreement and does not inform the other parties to that agreement of such invalidity, it is liable for the damages suffered by such other parties as a consequence of having relied upon the validity of the agreement;
- 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 have recently been substantially reviewed and significant amendments are expected in the near future. In particular, the Italian government approved on January 12, 2019 the Legislative Decree No. 14 of January 12, 2019 implementing the guidelines contained in Law No. 155 dated October 19, 2017 contending the scheme of a new comprehensive legal framework in order to regulate, inter alia, insolvency matters (the "**Legislative Decree**"), which enacts a new comprehensive legal framework in order to regulate, *inter alia*, insolvency matters (so called "*Code of Business Crisis and Insolvency*," hereinafter the "**Insolvency Code**"). The Legislative Decree was published in the *Gazzetta Ufficiale* on February 14, 2019 no. 38—*Suppl.*

Ordinario no. 6. The main innovations introduced by the Insolvency Code include: (i) the elimination of the term "bankrupt" (*fallito*) due to its negative connotation and the replacement of bankruptcy proceedings (*fallimento*) with a judicial liquidation (*liquidazione giudiziale*); (ii) a new definition of "state of crisis"; (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different judicial insolvency proceedings provided for by the same Insolvency Code; (iv) a new set of rules concerning group restructurings; (v) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favor going concern proceedings; (vi) a new preventive alert and mediation phase to avoid insolvency; (vii) jurisdiction of specialized courts over proceedings involving large debtors; (viii) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the reform. The main provisions set out in the Insolvency Code will only come into force 18 months after its publication in the *Gazzetta Ufficiale* (e.g., on August 15, 2020). Therefore, the practical consequences of its implementation and its potential impact on the existing insolvency proceedings cannot to date be foreseen and significant amendments are expected in the near future that may impact the provisions set forth therein.

Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts. In this respect, the most recent reforms that have been implemented by the Italian government on the main Italian bankruptcy legislation as defined below are: (i) the reform approved on June 23, 2015, through a Law Decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the "**Decree**"). The Decree entered into force in June 2015 (the date of its publication in the *Gazzetta Ufficiale*) and has been converted into law by Italian Law No. 132 of August 6, 2015, entered into force on August 21, 2015 (the date after its publication in the *Gazzetta Ufficiale*) and (ii) the amendments implemented by means of the adoption of (a) the Law Decree No. 59 of May 3, 2016, converted into law by Italian Law No. 119 of June 30, 2016, and (b) Italian Law No. 232 of December 11, 2016.

The two primary aims of Italian Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "**Italian Bankruptcy Law**") are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claim as well as, in case of the "*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. These competing aims have often been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Article 5 of the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent rather than a temporary status of insolvency, in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible of being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

The following debt restructuring and bankruptcy tools 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 arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions, and may trigger liabilities in the event of a subsequent bankruptcy. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Out-of-court reorganization plans (piani di risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

Out-of-court debt restructuring arrangements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Out-of-court debt restructuring arrangements are not required to be approved and consented to by a specific majority of all outstanding claims.

The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out, and/or security interest granted for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register is possible upon a debtor's request and would allow to certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt restructuring agreements with creditors pursuant to Article 182-bis of the Italian Bankruptcy Law (accordi di ristrutturazione dei debiti)

The debtor may negotiate with creditors holding at least 60% of the total amount of claims or debt restructuring agreements, subject to court's approval (*omologazione*). An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the agreement is feasible and that it ensures that the non-participating creditors can be fully satisfied within the following terms: (a) 120 days from the date of approval of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court; and (b) 120 days from the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the non-participating creditors as at the date of the approval (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a situation of "financial distress" (*i.e.*, facing financial crisis which does not yet amount to insolvency) can initiate this process and request the court's approval (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. 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*, Paragraph 6 of the Italian Bankruptcy Law, while negotiations with creditors are pending (i.e., prior to the above-mentioned publication of the agreement), subject to certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. At such hearing, the court assesses whether the conditions for anticipating the moratorium are in place and, in such case, orders that no conservative or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which a debt restructuring agreement and the assessment by the expert must be deposited.

The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

The 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 meeting the requirements provided under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law certifies that the non-consenting banks and financial intermediaries have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the moratorium arrangement. The purpose is to prevent 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 granting 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% 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.

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 its decision;
- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*);
- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors;
- any act (including payments, pledges, and issuance of guarantees) made by the debtor after (and in certain cases even before for a limited period of time) the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors; and
- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over.

Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of any one of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate properties. In this respect, Law 132/2015 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). Unsecured creditors are satisfied after payment of preferential and secure creditors, out of available funds and assets (if any) as below indicated.

- **Bankruptcy composition with creditors (*concordato fallimentare*)**. Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed by one or more creditors, third parties or the receiver starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before the lapse of two years from the decree giving effectiveness to the bankruptcy's estate (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), and the satisfaction of creditors' claims in any manner. The petition may provide that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, by a majority (by value) of the claims in a majority of the classes). Final court confirmation is also required.

- **Statutory priorities**. The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "*predeductible*" claims (i.e., claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priorities of claims are, in order of priority, those related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*creditori ipotecari*), pledges (*creditori prignoratizi*) and, lastly, unsecured creditors (*crediti chirografari*). Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

- **Avoidance powers in insolvency**. Similar to other jurisdictions, there are so-called "**claw-back**" or avoidance provisions under Italian law that may give rise, *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 could be declared ineffective 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 were not yet due at the time when the new security was granted; and

iv. pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time when the new security was granted.

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, Paragraph 3(d) of the Italian Bankruptcy Law;

v. a transaction entered into, payment made or guarantee granted in the context of "*concordato preventivo*" under Article 161 of the Italian Bankruptcy Law or an "*accordo di ristrutturazione del debito*" under Article 182-*bis* of the Italian Bankruptcy Law;

vi. remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and

vii. payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared ineffective within the ordinary claw-back period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code. Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third party, the third party was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third party participated in the fraudulent design). The burden of proof is entirely with the receiver.

Law 132/2015 also introduced new Article 2929-*bis* to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g., gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale* or "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third-party purchaser.

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 Notes 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 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 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.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Issuer is incorporated under the laws of Italy. The documents relating to the Notes Collateral will be governed by the laws of Italy and any jurisdiction where the Notes Collateral is located. The Indenture, the Notes and the Notes Guarantees (if any) will be governed by New York law. The Intercreditor Agreement will be governed by the laws of England and Wales. All of the directors and executive officers of the Issuer are non-residents of the United States. Because substantially all of the assets of the Issuer 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 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 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) upon those persons or the Issuer 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, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which the Issuer 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.

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.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by Latham & Watkins (London) LLP as to matters of United States federal and New York law and Latham & Watkins LLP as to matters of Italian law. Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Cravath, Swaine & Moore LLP as to matters of United States federal and New York law and by Studio Legale Associato in association with Linklaters as to matters of Italian law.

INDEPENDENT AUDITORS

The Sisal Payments Business's carve-out financial statements as of December 31, 2016, 2017 and 2018 and for each of the three years in the period then ended, included in this offering memorandum, have been audited by PricewaterhouseCoopers S.p.A., independent accountants, as stated in their reports appearing herein. PricewaterhouseCoopers S.p.A., with registered office at Via Monte Rosa 91, Milan, is registered under No. 43 in the Register of Statutory Auditors by the Italian Ministry of Economy and Finance and set out at Article 161 of the Unified Text of the Rules for the Capital Markets (*Testo Unico delle Disposizioni in materia di mercati finanziari*) and under No. 119644 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of the Legislative Decree of 27 January, 1992, No. 88. PricewaterhouseCoopers S.p.A. is a member of ASSIREVI (*Associazione Nazionale Revisori Contabili*), the Italian association of auditing firms.

The Banca 5 Payments Business's carve-out financial statements as of and for the year ended December 31, 2018 and 2017, and for each of the years in the two-year period ended December 31, 2018 included in this offering memorandum, have been audited by KPMG S.p.A., independent auditors, as stated in their report appearing herein. KPMG S.p.A., with registered office at Via della Camilluccia, 589/A, 00135 Rome, Italy, is registered under No. 70623 in the Register of Accountancy Auditors (Registro dei Revisori Legali) maintained by the Italian Ministry of the Economy and Finances in compliance with the provisions of Legislative Decree No. 39 of January 27, 2010. KPMG S.p.A. is a member of ASSIREVI (*Associazione Nazionale Revisori Contabili*), the Italian association of auditing firms. The audit report covering the December 31, 2018 and 2017 carve-out financial statements contains an emphasis of matter paragraph that draws attention to note 1 and note 2 to the carve-out financial statements, which describe their basis of preparation.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with any of the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to paragraph (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act, upon the written request of any such holder or beneficial owner. We are not currently subject to the periodic reporting or other information requirements of the Exchange Act.

The additional documents and information specified in "*Listing and General Information*" herein and not included in this offering memorandum will be available to be inspected and obtained by holders at the specified office of the Listing Agent in Luxembourg during normal business hours on any weekday.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit to trading on the Euro MTF Market in accordance with the rules and regulations of that exchange. The Notes are expected to be accepted for clearance through the facilities of Euroclear and Clearstream. In addition, application has been made to obtain listing of the Notes on the ExtraMOT Pro Segment of the Italian Stock Exchange (*Borsa Italiana*), a multilateral trading facility.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at the places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange or by any other means considered equivalent by the Luxembourg Stock Exchange.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents may be obtained free of charge from the Issuer:

- the organizational documents of the Issuer;
- the most recent annual consolidated financial statements, any interim financial statements and any other documents or reports to be published by the Issuer and furnished to holders of the Notes;
- the indenture governing the Notes (which includes the form of the Notes);
- the Intercreditor Agreement and the Revolving Credit Facility; and
- the security documents.

We have appointed Deutsche Bank Luxembourg S.A. as Transfer Agent, Registrar, Luxembourg Listing Agent, and Deutsche Bank AG, London Branch as Paying Agent to make payments on, when applicable, and transfers of, the Notes. We reserve the right to vary such appointments in accordance with the terms of the Indenture.

Litigation

Except as disclosed in this offering memorandum, the Issuer is not involved, nor has been involved during the twelve months preceding the date of this offering memorandum, in any litigation, arbitration or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on its results of operations, condition (financial or other) or general affairs and, so far as it is aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

No Material Changes

Except as disclosed in this offering memorandum, there has been no material adverse change in the financial and trading position of the Issuer and no material change in the capitalization of the Issuer since December 31, 2018 (being the last day of the period in respect of which the Issuer published the latest Sisa Payments Business Annual Carve-out Financial Statements).

Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 209261014 and 209261324, respectively. The ISIN Number for the Notes sold pursuant to Regulation S is XS2092610141 and the ISIN Number for the Notes sold pursuant to Rule 144A is XS2092613244.

Legal Information

The Issuer

Sisal Pay S.p.A. is a joint stock company (*società per azioni*) established under the laws of the Republic of Italy and was formed on June 12, 2018. The Issuer is registered with the Companies' Registry (*Registro delle Imprese*) of Milan-Monza-Brianza-Lodi under No. 10387140964 and its corporate existence is scheduled to expire on December 31, 2050. The Issuer's financial year ends on December 31.

The registered office of the Issuer is located at Via Alessio di Tocqueville 13, 20154 Milan, Italy and its telephone number at that address is +39 0288681. The Issuer's Legal Entity Identifier (LEI) Code is 815600A354E81B97D398.

General

The issuance of the Notes was authorized by decisions (*determinazioni*) of the sole director of the Issuer passed on November 25 and December 5, 2019.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Sisal Payments Business Unaudited Interim Carve-out Financial Statements for the nine months ended September 30, 2019 and 2018

(The accompanying notes are an integral part of these Unaudited Interim Carve-out Financial Statements)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

(in Euro thousands)	Note	Nine months ended September 30, 2019	2018
Revenues	5.1	154,803	139,693
Other income		2,047	—
Total revenues and income		**156,850**	**139,693**
Purchases of materials, consumables and merchandise	5.2	1,799	1,618
Costs for services	5.3	101,073	73,150
Lease and rent expenses	5.4	117	1,216
Personnel costs	5.5	7,041	8,410
Other operating costs	5.6	1,306	2,439
Amortization, depreciation, provisions, impairment losses and reversals	5.7	18,126	16,615
Operating profit (EBIT)		**27,388**	**36,245**
Finance income and similar		—	—
Finance expenses and similar		—	—
Share of net loss of associates accounted for using equity method	6.3	228	—
Profit before income taxes		**27,160**	**36,245**
Income taxes	5.8	7,022	9,613
Profit for the period		**20,138**	**26,632**
Other comprehensive income:			
Actuarial gains (losses) on employees' defined benefit plans		—	—
Tax effect		—	—
Total comprehensive profit for the period		**20,138**	**26,632**

(The accompanying notes are an integral part of these Unaudited Interim Carve-out Financial Statements)

INTERIM STATEMENT OF FINANCIAL POSITION

(in Euro thousands)	Note	As of September 30, 2019	As of December 31, 2018
Non-current assets			
Property, plant and equipment	6.1	33,118	33,143
Goodwill		308,379	308,379
Intangible assets	6.2	73,975	74,377
Investments accounted for using the equity method	6.3	3,202	—
Other non-current assets		6,400	4,436
Total non-current assets		**425,074**	**420,335**
Current assets			
Inventories		1,950	6,303
Trade receivables		121,232	103,003
Tax receivables		157	—
Restricted bank deposits		11,641	34,667
Cash and cash equivalents		410	—
Other current assets		6,117	5,583
Total current assets		**141,507**	**149,556**
TOTAL ASSETS		**566,581**	**569,891**
EQUITY			
Net equity		324,514	297,674
Total equity	6.4	**324,514**	**297,674**
Non-current liabilities			
Long-term financial debt	6.5	2,376	—
Provision for employee severance indemnities		1,101	1,187
Deferred tax liabilities		9,540	13,423
Provisions for risks and charges	6.6	3,019	3,045
Total non-current liabilities		**16,036**	**17,655**
Current liabilities			
Trade and other payables		214,855	249,558
Short-term financial debt	6.5	258	—
Short-term portion of long-term financial debt	6.5	899	—
Other current liabilities		10,019	5,004
Total current liabilities		**226,031**	**254,562**
TOTAL LIABILITIES AND EQUITY		**566,581**	**569,891**

(The accompanying notes are an integral part of these Unaudited Interim Carve-out Financial Statements)

INTERIM STATEMENT OF CASH FLOWS

(in Euro thousands)	Nine months ended September 30, 2019	2018
Profit before income taxes	27,160	36,245
Depreciation and amortization	15,040	11,615
Impairment losses on current assets	3,086	5,000
Results from associates accounted for using the equity method	228	—
Employee provisions, other provisions and other non-cash items	(1,819)	—
Change in trade receivables	(21,085)	3,263
Change in inventories	4,353	1,815
Change in trade payables	(36,948)	(85,013)
Change in other assets and liabilities	900	2,295
Income taxes paid	(8,178)	(10,867)
Cash flows (used) by operating activities	**(17,263)**	**(35,647)**
(Investments) disinvestments in intangible assets	(7,373)	(5,805)
(Investments) disinvestments in property, plant and equipment	(3,287)	(4,012)
Change in restricted bank deposits	26,105	(2,119)
Acquisitions, net of cash and cash equivalents	(1,251)	—
Payments for investments accounted for using the equity method	(3,430)	—
Cash flows (used) generated by investment activities	**10,764**	**(11,936)**
Repayments of long-term financial debt	(51)	—
Net change in short-term financial debt	258	—
Contribution from shareholders	6,702	47,583
Cash flows generated by financial activities	**6,909**	**47,583**
Increase in cash and cash equivalents	410	—
Liquidity at the start of the period	**—**	**—**
Liquidity at the end of the period	**410**	**—**

(The accompanying notes are an integral part of these Unaudited Interim Carve-out Financial Statements)

INTERIM STATEMENT OF CHANGES IN EQUITY

(in Euro thousands)	Note	Total Equity
Balance as of December 31, 2017		**259,484**
Net profit for the period		26,632
Other comprehensive income		—
Total comprehensive income for the period		*26,632*
Contribution from shareholders		47,583
Balance as of September 30, 2018	6.4	**333,699**

(in Euro thousands)	Note	Total Equity
Balance as of December 31, 2018		**297,674**
Net profit for the period		20,138
Other comprehensive income		—
Total comprehensive income for the period		*20,138*
Contribution from shareholders		6,702
Balance as of September 30, 2019	6.4	**324,514**

(The accompanying notes are an integral part of these Unaudited Interim Carve-out Financial Statements)

NOTES TO THE UNAUDITED INTERIM CARVE-OUT FINANCIAL STATEMENTS

1. General information

On July 30, 2019, Sisal Group S.p.A. ("**Sisal Group**") and Banca 5 S.p.A. ("**Banca5**"), entered into an investment agreement (the "**Investment Agreement**") relating to the creation of a corporate partnership in the retail and digital payment services (the "**Gallo Investment**"). Upon the completion of the Gallo Investment, (i) Sisal Group and Banca5 will own 70% and 30% of the share capital of SisalPay S.p.A. (hereinafter the "**Company**", or the "**Issuer**"), respectively and (ii) the Issuer shall own the entire share capital of TelCo and PayCo (as defined below), to which the respective business will be contributed.

This process will be carried out through the transfer of:

- the business comprising assets through which the Sisal Group carries out the activity of payment services and services ancillary thereto, as well as other contracts and legal relationships of the Sisal Group pertaining to such activities and services and the business of Sisal S.p.A. and Sisal Point S.p.A. consisting of, inter alia, assets, contracts and legal relationships for the performance of payment services (collectively, the "**Sisal Payments Business**" or the "**Payments Business**"). The shares issued following the contribution of the Payments Business to SisalPay S.p.A. (hereinafter "**PayCo**") and Sisal Pay Servizi S.p.A. (hereinafter "**TelCo**") will be in turn contributed and sold to the Issuer in exchange for 70% of the share capital of the Issuer.
- the business consisting of, inter alia, assets, contracts and legal relationships through which Banca5 carries out its payment services and services ancillary thereto (collectively, the "**Banca5 Contributed Assets**"). The shares issued following the contribution of the Banca5 Contributed Assets to PayCo and TelCo will be in turn contributed and sold to the Issuer in exchange for 30% of the share capital of the Issuer.

The Payments Business Unaudited Interim Carve-out Financial Statements for the nine months ended September 30, 2019 and 2018 (hereafter the "**Unaudited Interim Carve-Out Financial Statements**") have been prepared for the purpose of inclusion in the offering memorandum to be prepared in connection with the issuance of senior secured notes by Sisal Pay (i) to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**") in reliance on Rule 144A and (ii) to non-US persons outside the United States in offshore transactions in reliance on Regulation S.

2. Summary of accounting policies

2.1. Basis of preparation

These Unaudited Interim Carve-Out Financial Statements have been prepared following IAS 34, 'Interim financial reporting' which governs interim financial reporting. IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is included for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (hereafter "**IFRS**"), given that the entity has prepared its financial statements compliant with IFRS for the previous financial year. The Unaudited Interim Carve-Out Financial Statements should be read in conjunction with the Sisal Payments Business Carve-out Financial Statements for the years ended December 31, 2018, 2017 and 2016 (the "**Carve-out Financial Statements**").

The Unaudited Interim Carve-out Financial Statements include the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity and the illustrative notes. These data were prepared based on the historical economic-financial data included in condensed consolidated interim financial statements at and for the nine months period ended September 30, 2019 and 2018 of the Sisal Group.

The Unaudited Interim Carve-out Financial Statements were prepared in Euro, which is the currency of the main economic environment in which the Payments Business operate. All amounts listed in this document are presented in thousands of euro, unless otherwise stated.

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The Unaudited Interim Carve-out Financial Statements were approved by the board of directors on November 25, 2019.

2.2. Criteria for the preparation of the Unaudited Interim Carve-out Financial Statements

The Unaudited Interim Carve-out Financial Statements were prepared for the purpose of presenting the assets, liabilities, revenues and expenses of Sisal Group that are directly or indirectly attributable to the Payments Business.

The criteria applied by the Company's management to prepare the Unaudited Interim Carve-out Financial Statements are the same as those used to prepare the Carve-out Financial Statements, except for the items resulting from the application of IFRS 16. In this respect, items relating to the recently acquired QFS business, have been directly allocated to the Payments Business. However, certain shared right-of-use assets used jointly by the Payments Business and other divisions of the Sisal Group, as well as relating lease liabilities, have not been included in the Unaudited Interim Carve-out Financial Statements in their entirety. More in detail, a portion of the depreciation of these assets was attributed to the Payments Business based on specific drivers (e.g. proportion of the Payments Business's costs to the total costs of the Sisal Group) and accounted for as costs for services.

Please also note that certain valuation processes, specifically more complex processes such as the determination of any impairment losses for non-current assets, are usually performed fully only in conjunction with the preparation of annual financial statements, when all necessary information is available, except in cases when the presence of impairment indicators requires an immediate assessment of any impairment losses.

2.3. Accounting policies

The accounting principles and criteria applied to prepare these Unaudited Interim Carve-out Financial Statements are consistent with those adopted to prepare the Carve-out Financial Statements, which should be consulted for more information, except for:

- Taxes on income which, in the interim periods, are accrued using the tax rate that would be applicable to expected total annual profit or loss;
- Adoption of the new standard IFRS 16 "Leases", which replaces the previous IAS 17 and introduces a single accounting model for the lessee. The new standard requires lessees to recognise a liability and the right-of-use asset during the lease term, except for short-term leases and low-value assets, if they choose to apply such exemptions. Please refer to the paragraph 2.2 above for further details about the adoption of IFRS 16 in the context of the Unaudited Interim Carve-Out Financial Statements.

2.4. Accounting Standards, Amendments and Interpretations applicable and adopted for the first time

Since January 2019, the following accounting standards, amendments and interpretations have been endorsed by the European Union and adopted by the Payments Business:

- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to IAS 19: Plan Amendment Curtailment or Settlement;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- IFRS 16 Leases.

Except for IFRS 16, as previously explained in the paragraph 2.2, no significant impacts have been identified from the application of these standards and amendments.

2.5. Accounting standards not yet applicable as not yet endorsed by the European Union

As of the date of approving these Interim Carve-out Financial Statements, the following standards and amendments had not yet been endorsed by the EU.

Standard/amendment	Endorsed by EU	Effective date
IFRS 17 Insurance Contracts	NO	Years beginning on or after 1 January 2022
Amendments to References to the Conceptual Framework in IFRS Standards	NO	Years beginning on or after 1 January 2020
Amendment to IFRS 3 Business Combinations	NO	Years beginning on or after 1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	NO	Years beginning on or after 1 January 2020

3. Use of estimates

The preparation of the Unaudited Interim Carve-out Financial Statements and accompanying notes requires the development of estimates and assumptions by the management of the Payments Business that have an impact on the value of assets and liabilities in the financial statements and the respective disclosures. Actual results for the accounting items for which the abovementioned estimates and assumptions were used could differ from those shown in the financial statements to recognize the effects of the occurrence of the events requiring the use of estimates.

The estimates and assumptions applied by the Company's management to prepare the Unaudited Interim Carve-out Financial Statements are the same as those used to prepare the Carve-out Financial Statements.

4. Significant events occurred during the period

In July 2019, the Payments Business carried out the acquisition of Qui!Financial Services S.p.A. (hereinafter "**QFS**"), for a consideration of €1,550 thousand. Net assets acquired amounting to €3,370 thousand at the acquisition date.

In this respect, "Other income" line item includes a gain of €1,819 thousand, provisionally accounted for in connection with the acquisition.

5. Notes to the Statement of comprehensive income

5.1. Revenues

Revenues are primarily linked to the sale/distribution of telephone top-ups, the sale/distribution of TV card top-ups and also revenues from collection and payment services.

The following table sets forth a breakdown of Revenues:

	Nine months ended September 30,	
(in Euro thousands)	2019	2018
Telco	22,445	23,483
Bill payments	95,760	56,706
Prepaid cards	4,350	28,192
Merchant services	31,636	30,885
Other products	612	427
Total	**154,803**	**139,693**

5.2. Purchases of materials, consumables and merchandise

The following table sets forth a breakdown of Purchases of materials, consumables and merchandise:

	Nine months ended September 30,	
(in Euro thousands)	**2019**	**2018**
Material purchases	959	1,351
Spare parts purchases	181	305
Sundry materials purchases	500	119
Warehousing	27	54
Change in inventories	132	(211)
Total	**1,799**	**1,618**

5.3. Costs for services

The following table sets forth a breakdown of Costs for services:

	Nine months ended September 30,	
(in Euro thousands)	**2019**	**2018**
Marketing and commercial expenses	948	2,845
Other commercial initiatives	604	863
Other commercial services	336	276
Commercial services	**1,888**	**3,984**
Sales channel—Payment services	77,329	55,099
Consulting	5,412	1,319
Other	16,444	12,748
Other services	**99,185**	**69,166**
Total	**101,073**	**73,150**

Q3 2019 and Q3 2018 were marked by one-off events: the development of the digital payments business and the payments business segregation, which resulted in non-recurring cost for services of €3.7 million in Q3 2019 (as compared to non-recurring cost for services of €2.5 million in Q3 2018) and M&A transactions, mainly "Project Gallo" and others, which resulted in non-recurring costs for service of €3.5 million in Q3 2019 (as compared to € nil in Q3 2018).

5.4. Lease and rent expenses

The following table sets forth a breakdown of lease and rent expenses:

	Nine months ended September 30,	
(in Euro thousands)	**2019**	**2018**
Building leases	74	741
Other rentals and operating leases	43	475
Total	**117**	**1,216**

As a result of the adoption of IFRS 16, lease and rent expenses for the nine months ended September 30, 2019 relate to low value rents and short-term rents.

5.5. Personnel costs

The following table sets forth a breakdown of Personnel costs:

(in Euro thousands)	Nine months ended September 30, 2019	2018
Salaries and wages	6,654	6,971
Social security contributions	2,213	2,160
Personnel costs capitalized	(2,416)	(1,341)
Employee severance indemnities	566	571
Other personnel costs	24	49
Total	**7,041**	**8,410**

Q3 2018 were marked by two main one-off events that resulted in increased personnel costs: the digital payments launch and the payment business segregation which required a higher number of resources allocated to the Sisal Payments Business and resulted in non-recurring personnel costs of €1.8 million for the nine months ended September 30, 2018 and of €nil for the nine months ended September 30, 2019.

5.6. Other operating costs

The following table sets forth a breakdown of Other operating costs:

(in Euro thousands)	Nine months ended September 30, 2019	2018
Other taxes and duties	154	259
Gifts and donations	155	211
Sundry operating costs	997	1,969
Total	**1,306**	**2,439**

5.7. Amortization, depreciation, provisions, impairment losses and reversals

The following table sets forth a breakdown of Amortization, depreciation, provisions, impairment losses and reversals of the value of property, plant and equipment and intangible assets:

(in Euro thousands)	Nine months ended September 30, 2019	2018
Amortization of intangible assets	8,780	7,146
Depreciation of property, plant and equipment	6,260	4,469
Impairment losses on current assets	3,086	5,000
Total	**18,126**	**16,615**

5.8. Income taxes

The following table sets forth a breakdown of Income taxes:

(in Euro thousands)	Nine months ended September 30, 2019	2018
Current taxes	8,178	10,867
Deferred tax assets and liabilities	(1,156)	(1,254)
Total	**7,022**	**9,613**

6. Notes to the Statement of Financial Position

6.1. Property, plant and equipment

The composition and changes in this item are as follows:

(in Euro thousands)	Land and Buildings	Industrial equipment	Total property, plant and equipment
Net Amount As of December 31, 2018	**417**	**32,726**	**33,143**
Investments	—	6,043	6,043
Depreciation, amortization	(50)	(6,210)	(6,260)
Change in carve-out perimeter	—	192	192
Net Amount As of September 30, 2019	**367**	**32,751**	**33,118**

The Industrial equipment net amount as of September 30, 2019 includes right-of-use assets amounting to €2,756 thousand, as a result of new lease contracts.

6.2. Intangible assets

The composition and changes in this item are as follows:

(in Euro thousands)	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar	Other intangible assets	Total Intangible assets
Net Amount As of December 31, 2018	**9,361**	**29,117**	**35,899**	**74,377**
Investments	7,018	327	28	7,373
Depreciation, amortization	(5,724)	(1,537)	(1,519)	(8,780)
Change in carve-out perimeter	948	6	51	1,005
Net Amount As of September 30, 2019	**11,603**	**27,913**	**34,459**	**73,975**

6.3. Investments accounted for using the equity method

The following table sets forth the movements in Investments accounted for using the equity method for the nine months ended September 30, 2019.

(in Euro thousands)	Total Investments accounted for using the equity method
Net Amount As of December 31, 2018	**—**
Investments	3,430
Net loss	(228)
Net Amount As of September 30, 2019	**3,202**

Investments accounted for using the equity method relate to the associate Mycicero Srl.

6.4. Equity

As explained above, the Payments Business is fully integrated in the Sisal Group and, except for the portion related to the recent acquisition of QFS, does not have its own cash accounts,. The movements recorded in Contribution from shareholders in the nine months ended September 30, 2018 and 2019 reflect the cash absorbed by the Payments Business including cash used for business operations and investment activities.

6.5. Financial debt

The following table sets forth a breakdown of long-term financial debt as of September 30, 2019:

(in Euro thousands)	As of September 30, 2019	As of December 31, 2018
Long-term financial debt		
Lease liabilities	2,166	—
Bank loans	210	—
Total Long-term financial debt	**2,376**	**—**
Short-term financial debt		
Bank overdrafts	258	—
Total short-term financial debt	**258**	**—**
Short-term portion of long-term financial debt		
Lease liabilities	590	—
Bank loans	309	—
Total short-term portion of long-term financial debt	**899**	**—**
Total	**3,533**	**—**

6.6. Provisions for risks and charges

The changes in this item are the following:

(in Euro thousands)	Provision for risks and other charges	Provisions for risk and charges
As of December 31, 2018	**3,045**	**3,045**
Change in carve-out perimeter	257	257
Net provision	—	—
Usage	(283)	(283)
As of September 30, 2019	**3,019**	**3,019**

7. Related party transactions

There are no related party transactions to represent.

8. Significant events occurring after the end of the period

There are no material subsequent event to highlight.

Independent auditor's report

To the board of directors of Sisal Group SpA

Report on the Audit of the Carve-out Financial Statements

Opinion

We have audited the carve-out financial statements for the years ended December 31, 2018, 2017 and 2016 (the "**Carve-out Financial Statements**") of the Sisal Group SpA's payments business (the "**Payments Business**"), which comprise the statement of financial position as of December 31, 2018, 2017 and 2016, the statement of comprehensive income, the statement of cash flow and the statement of changes in equity for the years then ended and related notes.

In our opinion, the Carve-out Financial Statements present fairly, in all material respects, the financial position of the Payments Business as of December 31, 2018, 2017 and 2016 and the result of its operations and cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**").

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 *Auditor's Responsibilities for the Audit of the Carve-out Financial Statements* section of this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Sisal Group SpA (the "**Company**") pursuant to the regulations and standards on ethics and independence of the Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants that are relevant to the audit of the Carve-out Financial Statements.

Emphasis of Matter - Basis of accounting and restriction on use

Without modifying our opinion, we draw attention to the fact that, as described in Note 1 to the Carve-out Financial Statements, the Payments Business has not operated as a separate entity during the years presented. The Carve-out Financial Statements are, therefore, not necessarily indicative of results that would have occurred if the Payments Business had been a separate stand-alone entity during the years presented.

PricewaterhouseCoopers SpA

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The Carve-out Financial Statements are prepared by management of the Company in connection with a proposed global offering of senior secured floating rate notes of Sisal Pay SpA which include a placement in reliance upon Regulation S of the US Securities Act of 1933 as amended (the "**Act**") to non-U.S. persons outside the United States of America and a private placement reserved to institutional investors in the United States of America, in accordance with Rule 144A of the Act. As a result, the Carve-out Financial Statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the Carve-out Financial Statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of the Carve-out Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Carve-out Financial Statements, management is responsible for assessing the Payments Business'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 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.

Auditor's Responsibilities for the Audit of the *Carve-out Financial Statements*

Our objectives are to obtain reasonable assurance about whether the Carve-out 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 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 the financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Carve-out Financial Statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; 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 Payments Business'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 Carve-out 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 Payments Business to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the Carve-out Financial Statements, including the disclosures, and whether the Carve-out Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISAs 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, 29 November 2019

PricewaterhouseCoopers SpA

Andrea Alessandri
(Partner)

Sisal Group Payments Business Carve-out Financial Statements for the years ended December 31, 2018, 2017 and 2016

STATEMENT OF COMPREHENSIVE INCOME

(in Euro thousands)	Note	Successor Year ended December 31, 2018	 2017	Successor Period from March 2 to December 31, 2016	Predecessor Period from January 1 to November 30, 2016
Revenues	5.1	190,378	182,854	16,626	163,442
Other income		444	228	—	15
Total revenues and income		**190,822**	**183,082**	**16,626**	**163,457**
Purchases of materials, consumables and merchandise	5.2	2,530	2,318	247	1,887
Cost for services	5.3	107,181	99,669	11,647	91,180
Lease and rent expenses	5.4	1,652	1,539	175	1,221
Personnel costs	5.5	12,988	11,053	1,255	9,106
Other operating costs	5.6	3,389	2,508	52	2,627
Amortization, depreciation, provisions, impairment losses and reversals	5.7	21,678	14,948	1,058	9,717
Operating profit (EBIT)		**41,404**	**51,047**	**2,192**	**47,719**
Finance income and similar		—	—	—	—
Finance expenses and similar		—	—	—	—
Profit before income taxes		**41,404**	**51,047**	**2,192**	**47,719**
Income taxes	5.8	10,614	13,691	606	13,213
Profit for the year		**30,790**	**37,356**	**1,586**	**34,506**
Other comprehensive income:					
Actuarial gains (losses) on employees' defined benefit plans		—	—	—	—
Tax effect		—	—	—	—
Total comprehensive profit for the year		**30,790**	**37,356**	**1,586**	**34,506**

(The accompanying notes are an integral part of these Carve-out Financial Statements)

STATEMENT OF FINANCIAL POSITION

(in Euro thousands)	Note	As of December 31, 2018	2017	2016
Non-current assets				
Property, plant and equipment	6.1	33,143	21,905	8,588
Goodwill	6.2	308,379	308,379	308,379
Intangible assets	6.3	74,377	73,847	74,075
Other non-current assets	6.4	4,436	5,030	4,269
Total non-current assets		**420,335**	**409,161**	**395,311**
Current assets				
Inventories	6.5	6,303	4,788	2,959
Trade receivables	6.6	103,003	125,488	110,254
Restricted bank deposits	6.7	34,667	—	—
Cash and cash equivalents		—	—	—
Other current assets	6.8	5,583	1,498	951
Total current assets		**149,556**	**131,774**	**114,164**
TOTAL ASSETS		**569,891**	**540,935**	**509,475**
EQUITY				
Net equity	6.9	297,674	259,484	275,364
Total equity		**297,674**	**259,484**	**275,364**
Non current liabilities				
Provision for employee severance indemnities		1,187	1,100	1,130
Deferred tax liabilities	6.10	13,423	15,175	16,228
Provisions for risks and charges	6.11	3,045	2,496	1,399
Total non current liabilities		**17,655**	**18,771**	**18,757**
Current liabilities				
Trade and other payables	6.12	249,558	259,135	211,352
Other current liabilities	6.13	5,004	3,545	4,002
Total current liabilities		**254,562**	**262,680**	**215,354**
TOTAL LIABILITIES AND EQUITY		**569,891**	**540,935**	**509,475**

(The accompanying notes are an integral part of these Carve-out Financial Statements)

CASH FLOW STATEMENT

(in Euro thousands)	Successor Year ended December 31, 2018	Successor Year ended December 31, 2017	Successor Period from March 2 to December 31, 2016	Predecessor Period from January 1 to November 30, 2016
Profit before income taxes	41,404	51,047	2,192	47,719
Depreciation and amortization	15,488	9,215	544	4,988
Impairment losses on current assets	5,589	4,200	514	4,729
Employee provisions, other provisions and other non-cash items	688	1,533	—	—
Change in trade receivables	16,896	(19,434)	(2,539)	(27,928)
Change in inventories	(1,515)	(1,829)	161	1,772
Change in trade payables	(9,577)	47,783	1,060	11,663
Change in other assets and liabilities	(2,084)	(2,231)	27	290
Income taxes paid	(12,366)	(14,744)	(653)	(14,222)
Cash flows generated by operating activities	**54,523**	**75,540**	**1,306**	**29,011**
(Investments) disinvestments in intangible assets	(10,059)	(5,990)	—	(2,030)
(Investments) disinvestments in property, plant and equipment	(17,197)	(16,314)	—	(1,507)
Change in restricted bank deposits	(34,667)	—	—	—
Cash flows used generated by investment activities	**(61,923)**	**(22,304)**	**—**	**(3,537)**
Contribution from / (to) shareholders	7,400	(53,236)	(1,306)	(25,474)
Cash flows (used) generated by financial activities	**7,400**	**(53,236)**	**(1,306)**	**(25,474)**
Increase (decrease) in cash and cash equivalents	—	—	—	—
Liquidity at the start of the year	**—**	**—**	—	—
Liquidity at the end of the year	**—**	**—**	—	—

(The accompanying notes are an integral part of these Carve-out Financial Statements)

STATEMENT OF CHANGES IN EQUITY

Predecessor	**Notes**	**Total equity**
Balance as of January 1, 2016		**45,303**
Profit for the year		34,506
Other comprehensive income		—
Total comprehensive income for the period		34,506
Balance as of November 30, 2016		**79,809**
Successor		
Balance as of March 2, 2016		**—**
Profit for the year		1,586
Other comprehensive income		—
Total comprehensive income for the period		*1,586*
Contribution from shareholders		273,778
Balance as of December 31, 2016	6.9	**275,364**
Profit for the year		37,356
Other comprehensive income		—
Total comprehensive income for the period		*37,356*
Contribution to shareholders		(53,236)
Balance as of December 31, 2017	6.9	**259,484**
Profit for the year		30,790
Other comprehensive income		—
Total comprehensive income for the period		*30,790*
Contribution from shareholders		7,400
Balance as of December 31, 2018	6.9	**297,674**

(The accompanying notes are an integral part of these Carve-out Financial Statements)

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

1. General information

Introduction

On July 30, 2019, Sisal Group S.p.A. ("**Sisal Group**") and Banca 5 S.p.A. ("**Banca5**"), entered into an investment agreement (the "**Investment Agreement**") relating to the creation of a corporate partnership in the retail and digital payment services (the "**Gallo Investment**").

The Investment Agreement provides, among others, the following corporate steps:

- SisalPay S.p.A. (hereinafter "**PayCo**") and Sisal Pay Servizi S.p.A. (hereinafter "**TelCo**") will receive by way of contribution (a) the business comprising the segregated assets through which the Sisal Group carries out the activity of payment services and services ancillary thereto, as well as other contracts and legal relationships of the Sisal Group pertaining to such activities and services and (b) the business of Sisal and Sisal Point S.p.A. consisting of, *inter alia*, assets, contracts and legal relationships for the performance of payment services (collectively, the "**Sisal Group Payments Business**" or the "**Payments Business**");
- PayCo and TelCo will receive by way of contribution the business consisting of, *inter alia*, assets, contracts and legal relationships through which Banca5 carries out its payment services and services ancillary thereto(collectively, the "**Banca5 Contributed Assets**" or the "**Banca5 Payments Business**");
- part of the shares held by Sisal Group and Banca5 in PayCo and TelCo will be sold by Sisal Group and Banca5 to SisalPay Group S.p.A. ("**SisalPay**" or the "**Issuer**") and the remaining part will be contributed to the Issuer by Sisal Group and Banca5. More in details:
  - Sisal Group and Banca5 are expected to contribute part of their investment in TelCo and PayCo to the Issuer in an estimated aggregate amount of €214.0 million (hereinafter the "**Equity Contribution**") comprised of (a) a portion of the share capital of PayCo and TelCo held by Banca5, having an estimated value of €64.0 million and (b) a portion of the share capital of TelCo held by Sisal Group, having an estimated value of €150.0 million;
  - the remaining shares held by Sisal Group and Banca5 in PayCo and TelCo after the Equity Contribution will be sold by Sisal Group and Banca5 to the Issuer (hereinafter the "**Gallo Sale**") for a total amount of €786.0 million of which €600.0 million relating to Sisal Group (the "**Sisal Group Total Consideration**") and 186.0 million relating to Banca5 (the "**Banca5 Total Consideration**"). With regards to the above total amount of €786.0 million, upon completion of the Gallo Sale:
    - €500.0 million of the consideration owed to Sisal Group will be paid with the net proceeds of the Offering,
    - €100.0 million owed to Sisal Group will remain outstanding (the "**Sisal Group DPP**"),
    - €186.0 million owed to Banca5 will remain outstanding (the "**Banca5 DPP**" and, together with the Sisal Group DPP, the "**DPP**").

Hereinafter the "Equity Contribution", the "Gallo Sale" and the "Offering" are collectively referred to as the "**Transactions**".

Upon the completion of the Transactions, (i) Sisal Group and Banca5 will own 70% and 30% of the Issuer's share capital, respectively; and (ii) the Issuer shall own the entire share capital of PayCo and TelCo. It should be noted that none of the above transactions has been completed as the date of approval by the Issuer's board of directors of this document; the execution of the above mentioned transactions is expected by the end of 2019.

Purpose of the Carve-out Financial Statements

This document was prepared for presenting the assets, liabilities, revenues and expenses of the Payment Business for the three-years period from 2016 to 2018 for the purpose of inclusion in the offering memorandum to be prepared in connection with the issuance of senior secured notes by SisalPay (i) to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**") in reliance on Rule 144A and (ii) to non-US persons outside the United States in offshore transactions in reliance on Regulation S.

It should be considered that:

- until November 30, 2016, Sisal Group was controlled by Gaming Invest S.àr.l. ("**Gaming Invest**"), a company indirectly owned by the funds managed by Apax, Permira and Clessidra and by Rodolfo Molo and Malvina Molo, as well as certain former executives;

1. General information (continued)

- on December 1, 2016 (the "**Acquisition Date**" for accounting purposes), the CVC Fund VI completed the acquisition of Sisal Group (the "**Acquisition**"), through Schumann S.r.l. (formerly named Debussy S.r.l.), a company established on March 2, 2016 and subsequently transformed into a joint stock company. In 2017, Schumann S.p.A. was merged into Sisal Group.

This document presents the following financial information:

a) with regard to the period from January 1, 2016 to November 30, 2016, income statement and cash flow data of the Payments Business directly or indirectly under the control of the funds managed by Apax, Permira and Clessidra groups and by Rodolfo Molo and Malvina Molo as well as certain former executives i.e., the "**Predecessor**";

b) with regard to i) the period from March 2, 2016 to December 31, 2016 and ii) the years ended December 31, 2017 and 2018 the statement of financial position, income statement and cash flow data of the Payments Business indirectly owned by CVC Fund VI, i.e. the "**Successor**." Please note that for the period from March 2, 2016 to November 30, 2016, Schumann S.p.A. did not report any significant costs and revenues, assets and liabilities in its statement of financial position and income statement.

Please note that in the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and, whereas applicable, in the notes, the financial information for the period from January 1, 2016 to November 30, 2016 are separated from the financial information for the period from December 1, 2016 to December 31, 2016 and for the years ended December 31, 2017 and 2018 by a "**black line**" for the purposes of clearly separating the financial information when the Payments Business was controlled directly or indirectly by the Predecessor from the financial information when the Payments Business was controlled directly or indirectly by the Successor.

The financial information referred to items a) and b) above were collectively defined as the "**Carve-out Financial Statements**".

It should be noted that the Payments Business was not part of the group headed by the Successor during the periods preceding the Acquisition Date. Hence, had the assets and liabilities included in the Payments Business actually been owned by the Successor before the Acquisition Date, the results produced would not have been necessarily the same as those presented in the Carve-out Financial Statements. Consequently, these data do not represent the financial position and actual results of the Payments Business and should not be viewed as prospective data.

Furthermore, the Carve-out Financial Statements have been prepared to present the net assets, financial position and results of operations of the Payments Business as if the Payments Business had been operating as a stand-alone entity controlled by Sisal Group during the years under examination. However, if the Payments Business had been performed as a stand-alone entity during the years under examination, the net assets, financial position and results of operations could have been different from those presented in the Carve-out Financial Statements.

The purpose of the Carve-out Financial Statements is to present the comprehensive income statement, financial position and cash flow data of the Payments Business for the periods described in paragraphs a) and b) above. These data were prepared based on the historical economic-financial data included in:

- the consolidated financial information for the period from January 1, 2016 to November 30, 2016 of Sisal Group S.p.A.;
- the consolidated financial statements of Schumann S.p.A. (subsequently merged into Sisal Group S.p.A.) for the period from March 2, 2016 (the date of establishment) to December 31, 2016 and for the years ended December 31, 2017 and 2018.

***

The Carve-out Financial Statements were approved by the board of directors on November 25, 2019.

2. Summary of accounting policies

2.1. Basis of preparation

The Carve-out Financial Statements were prepared in accordance with the IFRS international accounting principles, which include all International Financial Reporting Standards (IFRS), all International Accounting Standards (IAS) and all interpretation published by the International Financial Reporting Interpretations Committee (IFRIC), previously Standing Interpretations Committee (SIC), which at the date of approval of the Carve-out Financial Statements, had been endorsed by the European Union in accordance with the procedure set forth in EC Regulation No. 1606/2002 of the European Parliament and European Council of July 19, 2002, and in accordance with the specific carve-out criteria explained below.

The Carve-out Financial Statements include the statement of financial position, the statement of comprehensive income, the statement of cash flows and the accompanying notes for the three-years period from 2016 to 2018.

The Carve-out Financial statements were prepared based on the going concern assumption, as there were no financial, operational or other indicators suggesting difficulties about the ability of the Payments Business to meet their obligations in the foreseeable future and specifically over the next 12 months. A description of the modalities deployed to manage financial risks is provided below, in Note 3 “Information about financial risks.”

The Carve-out Financial Statements were prepared in Euro, which is the currency of the main economic environment in which the Payments Business operate. All amounts listed in this document are presented in thousands of euro, unless otherwise stated.

The format of the Carve-out Financial Statements and the relative classification criteria adopted by the Payments Business, within the framework of the options provided by IAS 1 – Presentation of financial statements are presented below:

- the statement of financial position uses a format classifying the assets and liabilities according to current and non-current;
- the statement of comprehensive income, which classifies costs according to their nature, includes, besides the profit or loss for the year, other non-owner changes in equity;
- the statement of cash flows is prepared by recognizing cash flows from operating activities according to the “indirect method”.

The presentation formats used, as specified above, are those that best represent the operating performance, financial position and cash flow of the Payments Business.

2.2. Criteria for the preparation of the Carve-out Financial Statements

The Carve-out Financial Statements were prepared for the purpose of presenting the assets, liabilities, revenues and expenses of Sisal Group and its subsidiaries that are directly or indirectly attributable to the Payments Business, as described earlier in these Notes. The allocation of assets, liabilities, revenues and expenses to the Payments Business is based on the allocation criteria summarized below.

The estimates used in the preparation of the Carve-out Financial Statements are consistent with those used to prepare the historical consolidated financial statements of Sisal Group. Moreover, the Carve-out Financial Statements were prepared based on information available on the dates when the consolidated financial statements of Sisal Group were prepared. Consequently, the Carve-out Financial Statements do not include the effects of events that became known after the abovementioned dates.

Please note that, for the purpose of preparing the Carve-out Financial Statements, whenever a direct allocation of the assets, liabilities, revenues and expenses of the Payments Business could not be determined, the carve-out economic and financial data were prepared by allocating the amounts of Sisal Group in accordance with specific allocation criteria summarized below.

2.2. Criteria for the preparation of the Carve-out Financial Statements (continued)

The allocation criteria applied in the preparation of the Carve-out Financial Statements for the main line items of the statement of financial position and of the income statement are summarized below.

Statement of financial position

- property, plant and equipment and intangible assets specifically attributed to the Payments Business have been directly allocated to the Payments Business. However, certain shared assets used jointly by the Payments Business and other divisions of Sisal Group, such as the headquarters, the IT structures and electronic office equipment have not been included in the assets that will be actually transferred to the Payments Business, and therefore have not been included in the Carve-out Financial Statements in their entirety. In this respect, a portion of the depreciation and amortization of these assets was attributed to the Payments Business based on specific drivers (e.g. proportion of Payments Business's costs to the total costs of Sisal Group) and accounted for as costs for services;
- goodwill was allocated to the Payments Business as already specifically attributed in the Sisal Group's consolidated financial statements;
- inventories and the corresponding impairment provisions were directly allocated to the Payments Business based on the inventories attributable to the Payments Business;
- trade receivables and other current receivables were specifically attributed to the Payments Business. The corresponding allowance for doubtful accounts was allocated consistent with the respective impaired receivable;
- trade payables and other current payables were specifically attributed to the Payments based on cost center, except for certain items, not specifically attributed to the Payments Business's, for which specific parameters were used to determine the Payments Business portion (e.g. proportion of Payments Business's costs to the total costs of Sisal Group).
- payables and receivables with employees that could not be directly allocated among the Payments Business and other divisions, as well as the corresponding severance benefits, were allocated based on the proportion of the personnel expenses attributable to the Payments Business compared with the total for Sisal Group;
- current tax assets and liabilities and deferred tax assets and liabilities were specifically recomputed;
- the provision for risks and charges was allocated based on a specific analysis of the type of hedged risk and, consequently, allocated considering the risks attributable to the Payments Business.

Please note that:

- equity is the difference between the assets and liabilities allocated to the Payments Business as per the allocation criteria described above;
- the carved-out reporting entity is not typically required to present earnings per share (EPS) information.

Statement of Comprehensive income

Expenses and revenues were allocated based on the information that could be gleaned from analytical accounting data by division or cost center and general accounting data, except for certain items shared by the Payments Business and the other divisions (e.g. overhead costs and merchant services), for which specific parameters were used to determine the contribution of the Payments Business Branch, such as number of transactions, FTE, percentage of server utilization, revenues or combined driver based on revenues, business unit contribution and headcount.

2.3. Accounting policies

A brief description of the most significant accounting policies and principles used in the preparation of the Carve-out Financial Statements is provided below.

Property, Plant and Equipment

Property, plant and equipment are stated at acquisition or production costs including directly chargeable incidental expenses necessary to bring the asset to use. Cost comprises the finance expenses directly attributable to the acquisition, construction or production of the asset. Cost also includes the expected costs of dismantling and removing the asset and restoring it to its original condition if a contractual obligation exists.

2.3. Accounting policies (continued)

The expenses incurred for ordinary and/or cyclical maintenance and repairs are charged directly to the income statement in the year incurred. The capitalization of costs inherent to the expansion, modernization or improvement of the structural elements owned or used by third parties is made solely to the extent that they meet the conditions for being classified separately as an asset or part of an asset under the component approach method.

The estimated useful life by class of property, plant and equipment is the following:

Class of property, plant and equipment	Useful life in years
Buildings	33
Industrial and other equipment	3-8

Leased assets

Assets held under finance leases, in which substantially all the risks and rewards of ownership are transferred to the Payments Business, are initially recognized as assets of the Payments Business at fair value or, if lower, at the present value of the minimum lease payments, including bargain purchase options. The corresponding liability due to the lessor is included in the statement of financial position under financial liabilities. Such assets are depreciated according to the criterion and rates indicated previously, unless the lease term is shorter than the useful life represented by those rates and there is no reasonable certainty of transfer of ownership of the leased asset on expiry of the lease, in which case the depreciation period is represented by the lease term.

Leases where the lessor substantially retains all the risks and rewards of ownership of the assets are accounted for as operating leases. Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

Intangible assets

Intangible assets are non-monetary assets which are without physical substance, identifiable, controllable and have the capacity to produce future economic benefits. Such assets are initially recognized at purchase and/or construction cost, including directly attributable expenses to prepare the asset for use. Interest expenses, if any, during and for the development of intangible assets are considered part of the acquisition cost. In particular, the following intangible assets can be identified in the Payments Business.

(a) Goodwill

Goodwill is recognized as an intangible asset with an indefinite useful life. It is recognized initially at cost, as described previously, and subsequently tested for impairment at least annually. The reversal of a previous goodwill impairment loss is not permitted.

(b) Other intangible assets with a finite useful life

Intangible assets with a finite useful life are recognized at cost, as described previously, net of accumulated amortization and impairment losses, if any. Amortization starts when the asset is available for use and is charged systematically over the residual period of benefit, that is, over the estimated useful life. The estimated useful life for the various classes of intangible assets is as follows:

Class of intangible assets	Useful life in years
Patent rights and intellectual property	3-5
Software user licenses	Period of utilization on a straight-line basis
Retail network and services contract network	11-20
Sisal brand	20

The costs relating to the development of new products and sales channels, particularly with reference to software (for example, the management of online payment services), are also capitalized. In accordance with IFRS, such costs are capitalized since it is believed that the estimated future economic benefits linked to the receipts from services, also online, are able to sustain the amount capitalized.

2.3. Accounting policies (continued)

Impairment of property, plant and equipment and intangible assets

(a) Goodwill

As mentioned previously, goodwill is tested for impairment annually or more frequently whenever events or changes in circumstances indicate that goodwill may be impaired.

To test for impairment, goodwill is allocated to the Cash Generating Unit ("CGU") monitored by management. An impairment loss on goodwill is recognized when the carrying amount exceeds the recoverable amount. The recoverable amount of the CGU to which goodwill is allocated is the higher of fair value less costs to sell and its value in use, intended as the present value of future cash flows estimated for the asset in question. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate before taxes that reflects current market assessments of the time value of money, proportionate to the investment period, and the risks specific to the asset. If the impairment loss is higher than the carrying amount of goodwill allocated to the CGU, the excess is applied to the other assets of the CGU in proportion to their carrying amount.

The carrying amount of an asset should not be reduced below the highest of:

- the fair value of the asset less costs to sell;
- the value in use, as defined above;
- zero.

The reversal of a previous goodwill impairment loss is not permitted.

(b) Property, plant and equipment and intangible assets with a finite useful life

At every closing date, the management assesses whether there are any indications of impairment of property, plant and equipment and intangible assets. Both internal and external sources of information are used for this purpose. Internal sources include obsolescence or physical damage, and significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include the market value of the asset, changes in technology, markets or laws, trend in market interest rates and the cost of capital used to evaluate investments.

When indicators of impairment exist, the carrying amount of the assets is reduced to the recoverable amount and any impairment loss is recorded in the income statement. The recoverable amount of an asset is the higher of fair value less costs to sell and its value in use, the latter being the present value of future cash flows estimated for the asset in question. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate before taxes that reflects current market assessments of the time value of money, proportionate to the investment period, and the risks specific to the asset. For assets that do not generate largely independent cash flows, the management estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the carrying amount of the cash generating unit exceeds the recoverable amount, an impairment loss is recognized in the income statement. The impairment loss is first recognized as a deduction of the carrying amount of goodwill allocated to the cash generating unit and then only applied to the other assets of the cash generating unit in proportion to their carrying amount, up to the recoverable amount of the assets with a finite useful life. When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset is re-recognized in the income statement, up to the carrying amount that would have been recorded had no impairment loss been recognized and if normal amortization/depreciation been applied.

Trade receivables and other financial assets

Trade receivables and other financial assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Trade receivables and other financial assets are included in current assets, except for those with a contractual due date beyond twelve months after the date of the Carve-out Financial Statements, which are classified as non-current assets.

2.3. Accounting policies (continued)

Impairment losses on receivables are recognized according to the expected credit loss method, in accordance with the provisions of standard IFRS 9. In particular, the reduction in value of trade receivables and on contract assets is performed through the simplified approach, which requires the estimation of loss expected throughout the life of the receivables at the time of initial recognition and in subsequent valuations. For each segment of customers, the estimation is mainly carried out through the determination of the average expected irrecoverability, based on statistical and historical indicators, possibly adjusted using prospective elements. For some categories of receivables characterized by distinctive risk elements specific valuations are, however, carried out on individual credit positions.

If in subsequent periods the reasons for the impairment cease to exist, the asset value is reinstated up to the amount that would have been recognized had amortized cost been applied.

Financial assets, relating to non-derivative financial instruments, with fixed or determinable payments and fixed maturity dates, which the Payments Business intends and has the ability to hold until maturity are classified as “hold to collect” assets.

Such assets are measured at amortized cost using the effective interest method, adjusted by impairment losses, if any. Whenever there are impairment losses, the same principles as described above for loans and receivables are applied.

Inventories

The inventories of virtual and scratch top-up cards for telephone and television content are stated at the weighted average cost of the purchase prices.

Cash and cash equivalents

Where applicable, cash and cash equivalents include cash and available bank deposits and other forms of short-term investments, with original due dates equal to or less than three months. Cash and cash equivalents are recorded, according to their nature, at their nominal amount or at amortized cost.

Restricted bank deposits are separately reported from ordinary cash and cash equivalents since they are mainly related to liquidity deriving from funds received from customers in compliance with the directive known as PSD2, as part of the services rendered in its role capacity of payment institute.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Sisal Group Payments Business tprior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Employee benefits

Short-term benefits are represented by salaries and wages, social security contributions, indemnities in lieu of holidays and incentives in the form of bonuses payable in the twelve months subsequent to the date of the Carve-out Financial Statements. Such benefits are recognized as components of personnel costs in the period in which their services are rendered.

Post-employment benefits are divided into two categories: defined contribution plans and defined benefit plans.

In defined contribution plans, contributory costs are charged to the income statement as they occur, based on the relative nominal value.

In defined benefit plans, which include severance indemnity due to employees regulated by art. 2120 of the Civil Code (“TFR”), the amount of the benefit to be paid is quantifiable only after termination of employment, and

2.3. Accounting policies (continued)

associated with one or more factors such as age, the years of service and compensation. Therefore, the relative cost is charged to the statement of comprehensive income based on actuarial computations. The liability recorded in the Carve-out Financial Statements for defined benefit plans corresponds to the present value of the obligation at the reporting date. The obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method.

The present value of defined benefit plans is determined by discounting future cash flows at an interest rate equal to high-quality corporate bonds issued in Euro which take into account the period of the relative pension plan.

Starting from January 1, 2007, Finance Law 2007 and the relative implementing decrees introduced amendments concerning TFR employee severance indemnity. The amendments include the decision of employees as to the destination of their accruing indemnity. In particular, new flows of TFR can be directed by the employee either to pre-chosen pension funds or retained in the Payments Business. In the case of external pension funds, the payment of the defined contribution will be made to the fund and starting from such date the new amounts accrued have the nature of defined contribution funds not subject to actuarial measurement.

Starting from January 1, 2013, following the adoption of IAS 19—Employee Benefits, changes in actuarial gains and losses are recognized in other statement of comprehensive income items.

Provisions for risks and charges

Provisions for risks and charges are set up to cover losses or liabilities whose existence is certain or probable but which at the end of the reporting period are uncertain as to amount or as to the date on which they will arise. Provisions are recognized only when there is a current obligation (legal or constructive) for a future outflow of resources deriving from a past event and it is probable that the outflow will be necessary to fulfil the obligation. This amount represents the best estimate of the present value of expenditures required to settle the obligation. If the effect of the time value is material, and the payment date of the obligations can be reasonably estimated, provisions to be accrued are the present value of the expected cash flows, using a rate which reflects market conditions, the change in the time value of money and the risks specific to the obligation. The increase in the provision due to the cost of money over time is recognized as interest expense.

Recognition of revenues

The method for recognising revenues, based on standard IFRS 15, is divided into five steps:

- the identification of the contract with the customer: the standard's provisions are applicable to each individual contract, except in the cases where the standard itself requires the entity to consider several contracts jointly and consequently provides for their relative recognition;
- the identification of the separate performance obligations, or contractual promises to transfer goods and/or services contained in the contract;
- the determination of the transaction price. In case of variable compensation, this must be estimated by the entity to the extent in which it is highly probable that when the uncertainty associated with the variable compensation is subsequently resolved it does not cause a significant downward adjustment of the amount of cumulative revenues recognised;
- the allocation of the transaction price to the separate performance obligations identified, on the basis of the relative stand-alone sale price of each product or service;
- the recognition of revenue at the time and/or to the extent in which the relative separate performance obligation is satisfied.

Revenues are recognized initially at the fair value of the consideration received.

The revenues accrued by the Payments Business in the resale of telephone top-ups and television content are recognized in an amount equal to the difference between the sale price and the nominal cost of the cards. The cost relating to the purchase thereof is therefore recognized as an adjustment to the gross revenue recorded, operating the Payments Business as an "agent".

2.3. Accounting policies (continued)

In the case of contracts in which different separate performance obligations are identified, the allocation of transaction prices to the identified performance obligations will be made on the basis of the relative stand-alone sales prices of each good or service included in the contract.

Cost of goods purchased and services performed

Purchases of goods and the performance of services are recognized in the income statement on an accrual basis.

Income taxes

Income taxes are allocated on the basis of an estimate of the tax expense for the year according to current laws. The corresponding liability is shown under "Taxes payable".

Deferred tax assets and liabilities are recognized on the temporary differences between the carrying amount of an asset or a liability in the Carve-out Financial Statements and its tax base, except for first-time recognition of goodwill and for those differences related to investments in associates when the reversal of such differences is under the control of the Payments Business and it is probable that they will not reverse in the reasonably foreseeable future.

Deferred tax assets and liabilities are offset when the income taxes are levied by the same tax authority, there is a legally enforceable right of offset and settlement of the net balance is expected. If the net amount is an asset it is shown as "deferred tax assets" and if a liability as "deferred tax liabilities". When the effects of a transaction are credited or charged directly to equity, the related current and deferred taxes are also recognized directly in equity.

Deferred tax assets and liabilities are computed based on tax rates that are expected to apply in the period in which the asset is recovered or settled to the extent that such rates have been approved at the date of the Carve-out Financial Statements.

Expenses, if any, in connection with litigation with the tax authorities for the portion relating to the evasion of taxes and the corresponding penalties is recorded in "income taxes".

2.4. Standards and interpretations issued but not yet effective

Accounting standards not yet applicable as not yet endorsed by the European Union

As of the date of approving these Carve-out Financial Statements, the following standards and amendments had not yet been endorsed by the EU.

Standard/amendment	Endorsed by EU	Effective date
IFRS 17 Insurance Contracts	NO	Years beginning on or after 1 January 2022
Amendments to References to the Conceptual Framework in IFRS Standards	NO	Years beginning on or after 1 January 2020
Amendment to IFRS 3 Business Combinations	NO	Years beginning on or after 1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	NO	Years beginning on or after 1 January 2020

2.4. Standards and interpretations issued but not yet effective (continued)

Accounting standards, amendments and interpretations endorsed by the European Union but not yet adopted by the Payments Business

As of the date of approving these Carve-out Financial Statements, the following standards and amendments had been endorsed by the EU, but not yet adopted by the Payments Business:

Standard/amendment	Description	Effective date
IFRS 16	On January 13, 2016 the IASB published the new accounting standard IFRS 16 "Leases", which establishes the principle for the recognition, valuation and presentation of lease contracts for both parties involved in this type of contracts, the tenant or lessee and the lessor. The new standard, which replaces the previous IAS 17 standard and its relative interpretations, introduces a single accounting model for the lessee. There are, however, no significant impacts on the accounting treatment of leases by the lessor. For lease contracts that fulfil the requirements of the new standard, IFRS 16 requires the recognition in the statement of financial position of a financial liability, represented by the actual value of future payments, counterbalanced by the entry in the assets of the "right of use of the leased asset".	Years beginning on or after 1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	On 12 December 2017, the IASB published amendments to four standards, relating specifically to the following: <u>IFRS 3—"Business Combinations"</u>: obtaining control of a business classified as a joint operation shall be accounted for as a business combination achieved in stages and the previously held interest in the joint operation shall be remeasured at fair value on the date control is acquired; <u>IFRS 11—"Joint Arrangements"</u>: in the event of obtaining joint control of a business classified as a joint operation, the previously held interest in the joint operation should not be remeasured at fair value; <u>IAS 12—"Income Taxes"</u>: the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognized; <u>IAS 23—"Borrowing Costs"</u>: if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. Potential impacts on the Group financial statements are under review.	Years beginning on or after 1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	On 7 February 2018 the IASB published the amendment to IAS 19 to make certain amendments regarding "Employee Benefits". The amendments require an entity to: use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling. The Group does not expect there to be any financial impact as a result of the entry into force of such standard.	Years beginning on or after 1 January 2019

2.4. Standards and interpretations issued but not yet effective (continued)

Standard/amendment	Description	Effective date
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	On 12 October 2017 the IASB published amendments to IAS 28 to clarify the application of IFRS 9 "Financial Instruments" to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The Group does not expect there to be any financial impact as a result of the entry into force of such standard.	Years beginning on or after 1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	On 7 June 2017 the IASB published IFRIC 23 "Uncertainty over Income Tax Treatments". The interpretation clarifies how the recognition and measurement requirements of IAS 12 should be applied where there is uncertainty over income tax treatments. In such event, the entity should recognise and measure deferred and current income tax assets and liabilities applying the requirements of IAS 12 based on the taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates determined by applying IFRIC 23. The Group does not expect there to be any financial impact as a result of the entry into force of such standard.	Years beginning on or after 1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	On 12 October 2017 the IASB published the amendment to IFRS 9 to address certain matters regarding prepayable financial assets with negative compensation. The Group does not expect there to be any financial impact as a result of the entry into force of such standard.	Years beginning on or after 1 January 2019

2.5. Adoption of the new standards IFRS 9 and IFRS 15

IFRS 15 "Revenue from contracts with customers"

The regulatory provisions of IFRS 15 "Revenue from Contracts with Customers" and "Clarifications to IFRS 15" issued by the IASB respectively on September 11, 2015 and April 12, 2016, were endorsed by Regulations 2016/1905 and 2017/1987, issued by the European Commission on September 22, 2016 and October 31, 2017. The provisions of the standard are effective from January 1, 2018.

The main issues covered by the standard, reported below, were analyzed with reference to revenues for the year:

(i) identification of the performance obligations and allocation of the transaction price to the same;

(ii) identification of timings to satisfy the performance obligations (over time or at a point in time);

(iii) valuation of the supply of goods and/or services as principal or agent;

(iv) valuation of any presence of significant financial components;

(v) at the time of recognition of the revenue, evaluation of the probability that the company will receive the compensation in exchange of the provision/service rendered to the customer.

No significant impacts were identified from the application of IFRS 15 on Carve-out Financial Statements.

IFRS 9 "Financial Instruments"

By regulation no. 2016/2067, issued by the European Commission on November 22, 2016, the regulatory provisions of IFRS 9—Financial Instruments, issued by the IASB on July 24, 2014, were endorsed, together with the related Basis for Conclusions and Application Guidance, replacing all previous versions of the standard issued. The provisions of these documents will replace those contained in IAS 39—"Financial Instruments: Recognition and Measurement".

2.5. Adoption of the new standards IFRS 9 and IFRS 15 (continued)

The new provisions: (i) amend the classification categories for financial assets and envisage that this classification is based on contractual cash flows of the asset and on the company's business model; (ii) also eliminate the compulsory unbundling of derivatives embedded in the financial assets; (iii) identify a new impairment model using forward-looking data with a view to earlier recognition of impairment losses on receivables than in the "incurred loss" model, which postpones recognition of the loss to the time of the loss event in reference to financial assets measured at amortized cost, to financial assets designated at fair value in other comprehensive income, receivables on leases, and assets deriving from contracts and certain commitments to disburse loans and financial guarantees; (iv) introduce a substantial review of the qualification of hedging transactions to guarantee that these are aligned with the risk management strategies of the companies and founded on a more principle-based approach. The provisions of the standard are effective from January 1, 2018.

No significant impacts were identified from the application of IFRS 9 on Carve-out Financial Statements.

3. Information about financial risks

The Payments Business is exposed to: liquidity risk, credit risk and capital risk.

The risk management strategy of the Payments Business focuses on minimizing the potential adverse effects on the Payments Business's financial performance. As far as considered necessary, certain types of risk are mitigated by using derivative instruments. Risk management is centralized in the treasury function which identifies, assesses and hedges financial risks, in close cooperation with the operating units of the Payments Business, particularly with the risk management function. The treasury function provides guidelines for monitoring risk management, just as it provides guidelines for specific areas such as interest rate risk, foreign exchange rate risk and the use of derivative and non-derivative instruments.

Liquidity risk

Liquidity risk is the risk of not being able to fulfil present or future obligations owing to insufficient available funds. The Payments Business manages this risk by seeking to establish a balance between outflows of cash and the sources of short-term and long-term debt and the distribution of maturities of medium- and long-term debt over time. In particular, a prudent management of liquidity risk implies maintaining a sufficient level of cash and the availability of funds obtainable through an adequate amount of lines of credit.

Set out below are the cash flows expected in future years for the repayment of financial liabilities subdivided by repayment date as of December 31, 2018, 2017 and 2016.

The following tables set forth the expected future cash flows related to financial liabilities outstanding as of December 31, 2018, 2017 and 2016.

As of December 31, 2018 (in Euro thousands)	Balance as for Financial Statement	Less than 1 year	Between 1 and 5 years	More than 5 years	Total contractual cash flows
Trade and other payables	249,558	249,558	—	—	**249,558**
Other current liabilities	5,004	5,004	—	—	**5,004**
Total	**254,562**	**254,562**	**—**	**—**	**254,562**

As of December 31, 2017 (in Euro thousands)	Balance as for Financial Statement	Less than 1 year	Between 1 and 5 years	More than 5 years	Total contractual cash flows
Trade and other payables	259,135	259,135	—	—	**259,135**
Other current liabilities	3,545	3,545	—	—	**3,545**
Total	**262,680**	**262,680**	**—**	**—**	**262,680**

As of December 31, 2016 (in Euro thousands)	Balance as for Financial Statement	Less than 1 year	Between 1 and 5 years	More than 5 years	Total contractual cash flows
Trade and other payables	211,352	211,352	—	—	**211,352**
Other current liabilities	4,002	4,002	—	—	**4,002**
Total	**215,354**	**215,354**	**—**	**—**	**215,354**

3. Information about financial risks (continued)

Credit risk

Credit risk is the risk of economic loss arising from the failure to collect a receivable. Credit risk encompasses the direct risk of default and the risk of a deterioration of the creditworthiness of the counterparty.

Credit positions of material significance are evaluated on an individual basis. Where objective evidence exists that they are uncollectible, in whole or in part, specific write-downs are recognised. The amount of the write-down is based on an estimate of the recoverable cash flows and timing of those cash flows.

Trade receivables amounting to Euro 103,003 thousand as of December 31, 2018 (Euro 125,488 thousand and Euro 110,254 thousand as of December 31, 2017 and 2016, respectively) are shown net of the allowance for doubtful accounts amounting to Euro 24,158 thousand (Euro 20,688 thousand and Euro 22,297 as of December 31, 2017 and 2016, respectively).

More in detail, the loss allowance as of December 31, 2018, 2017 and 2016 and was determined as follows:

As of December 31, 2018 (in Euro thousands)	Not past due	Past due 1-90 days	Past due 91-180 days	Past due over 180 days	Total
Expected loss rate (%)	0.0%	36.1%	44.3%	86.3%	**19.0%**
Gross carrying amount—trade receivables	97,340	2,046	1,297	26,478	127,161
Total loss allowance	**—**	**738**	**575**	**22,845**	**24,158**

As of December 31, 2017 (in Euro thousands)	Not past due	Past due 1-90 days	Past due 91-180 days	Past due over 180 days	Total
Expected loss rate (%)	0.0%	29.2%	46.8%	79.9%	**14.2%**
Gross carrying amount—trade receivables	118,202	2,396	1,326	24,252	146,176
Total loss allowance	**—**	**699**	**620**	**19,369**	**20,688**

As of December 31, 2016 (in Euro thousands)	Not past due	Past due 1-90 days	Past due 91-180 days	Past due over 180 days	Total
Expected loss rate (%)	0.0%	24.5%	32.4%	84.5%	**16.8%**
Gross carrying amount—trade receivables	102,822	3,114	1,849	24,766	132,551
Total loss allowance	**—**	**763**	**599**	**20,935**	**22,297**

Capital risk

The objective of the Payments Business in the management of capital risk is principally that of guaranteeing returns to the shareholders and ensuring benefits to the other stakeholders while protecting going concern.

The size of the debt was decided at the time the new private equity fund became shareholder on the basis of the assessment of the Payments Business's capacity to generate a steady profit and financial flows sufficient to repay the debt and settle the related expenses but also provide cash flows from operating and investing activities for the development of the business.

Measurement of financial instruments

The following tables show financial instruments recognised on the face of the statement of financial position and their measurement:

	Carrying amount as of December 31, 2018			
(in Euro thousands)	FVTOCI	FVTPL	Amortised cost	Total
Financial assets				
Trade receivables	—	—	103,003	103,003
Restricted Bank Deposits	—	—	34,667	34,667
Financial liabilities				
Trade payables and other payables	—	—	249,558	249,558

3. Information about financial risks (continued)

	Carrying amount as of December 31, 2017			
(in Euro thousands)	**FVTOCI**	**FVTPL**	**Amortised cost**	**Total**
Financial assets				
Trade receivables	—	—	125,448	125,448
Financial liabilities				
Trade payables and other payables	—	—	259,135	259,135

	Carrying amount as of December 31, 2016			
(in Euro thousands)	**FVTOCI**	**FVTPL**	**Amortised cost**	**Total**
Financial assets				
Trade receivables	—	—	110,254	110,254
Financial liabilities				
Trade payables and other payables	—	—	211,352	211,352

Fair value measurement

The fair value of financial instruments listed in an active market is based on the market prices at the balance sheet date. The fair value of instruments not listed in an active market is determined using valuation techniques based on a series of methods and assumptions connected with market conditions at the balance sheet date.

The classification of financial instruments based on a hierarchy that reflects the significance of the inputs in the determination of fair value is the following:

- Level 1: Fair value based on inputs that are quoted prices (unadjusted) on active markets for identical financial instruments;
- Level 2: Fair value based on measurement methods referring to variables observable on active markets;
- Level 3: Fair value based on measurement techniques referring to unobservable market variables.

There were no assets and liabilities that are measured using the fair value method as of December 31, 2018, 2017 and 2016.

4. Use of estimates

Estimate and assumptions are revised periodically and the effects of any changes are immediately recognized in profit or loss.

Allocation criteria

As mentioned in the preceding section of these Notes, the allocation to the Carve-out Financial Statements of economic and financial data common to multiple divisions was based on estimates developed by Sisal Group's management, derived, for the most part, from a series of operational and general accounting information. It is thus important to keep in mind that any change or revision of the allocation criteria could have a significant impact on the Carve-out Financial Statements.

The preparation of the Carve-out Financial Statements requires that management apply accounting standards and methods which, under certain circumstances, are based on difficult subjective measurements and estimates based on past experience and on assumptions considered, at various times, to be reasonable and realistic in terms of the respective circumstances. The use of such estimates and assumptions affects the amounts reported in the Carve-out Financial Statements (the statement of financial position, the statement of comprehensive income and the statement of cash flows) and also disclosure. Actual results for those areas requiring management judgment or estimates may differ from those recorded in the Carve-out Financial Statements due to the occurrence of events and the uncertainties which characterize the assumptions and conditions on which the estimates are based.

Below are briefly described the areas that require greater subjectivity of management in making estimates and for which a change in the conditions of the underlying assumptions may have a significant impact on the Carve-out Financial Statements.

4. Use of estimates (continued)

Goodwill

In accordance with IFRS goodwill is tested for impairment at least annually or more frequently if there is any indication that the goodwill may be impaired. The recoverable amount is determined on the basis of the calculation of the value in use. This calculation requires the use of estimates that depend on factors which may vary over time and influence the assessments made by the directors. Further information on the impairment test is disclosed in Note 6.2.

Depreciation of property, plant and equipment and amortization of intangible assets

The cost of property, plant and equipment and intangible assets is depreciated/amortized on a straight line basis over the estimated useful life of each asset. The economic useful life of these assets is determined at the time of purchase, based on historical experience for similar assets, market conditions and expected future events which may affect them, such as technological changes. The effective economic useful life may, therefore, be different from its estimated useful life. Each year the Payments Business assesses the technological and business segment developments, any contractual and legislative changes related to utilization of the assets and their recovery values are reviewed in order to update the residual useful life. Such updating may modify the depreciation/amortization period and consequently the annual rate and charge for current and future periods.

Impairment loss/reversal of fixed assets

Non-current assets are periodically tested for impairment and where indicators of difficulty in recovery are present an impairment loss is recorded as a deduction from the relative net carrying amount. The existence of such indicators can be verified through subjective valuations, based on information available within the Payments Business or externally and on historical experience. Moreover, in the presence of a potential impairment, this is determined by suitable impairment tests. The correct identification of the factors, indicating a potential impairment and the estimates to determine the loss, may depend on conditions which vary over time, affecting the assessments and estimates. Similar considerations regarding the existence of indicators and the use of estimates in the application of valuation techniques can be found in the valuations to be made in the event of the reversal of impairment losses charged in previous periods.

Deferred tax assets

Deferred tax assets are recorded on the basis of expectations of future taxable income. The assessment of expected future taxable income for the purpose of recognizing deferred tax assets depends on factors which may vary over time and may have significant effects on the measurement of this item.

Provisions for risks

The Payments Business accrues in these provisions the probable liabilities relating to litigations and controversies with staff, suppliers, and third parties and in general expenses arising from any commitments. The quantification of such allocations involves assumptions and estimates based on presently available knowledge of factors which may vary over time. Thus, the final outcomes may be significantly different from those considered during the preparation of the Carve-out Financial Statements.

Provision for impairment of receivables

Impairment losses on receivables are recognised in the Carve-out Financial Statements according to the expected credit loss method, in accordance with the provisions of IFRS 9. In particular, the impairment on trade receivables and on contract assets is carried out through the simplified approach, which provides for estimating the expected loss throughout the life of the receivable at the time of the initial recognition and in the subsequent valuations. For each client segment, the estimate is carried out mainly through the determination of the average expected non-collectability, based on historical-statistical indicators, which may be adjusted using prospective elements. For some categories of receivables characterised by peculiar risk elements, instead, specific valuations are carried out on the individual credit positions.

5. Notes to Statement of Comprehensive Income

5.1. Revenues

Revenues are primarily linked to the sale/distribution of telephone top-ups, the sale/distribution of TV card top-ups and also revenues from collection and payment services.

The following table sets forth a breakdown of Revenues:

	Successor		Successor	Predecessor
	Year ended December 31,		Period from March 2 to December 31,	Period from January 1 to November 30,
(in Euro thousands)	2018	2017	2016	2016
Telco	31,300	35,853	3,723	37,509
Bill payments	80,241	69,949	5,855	61,325
Prepaid cards	37,669	37,220	3,112	30,665
Merchant services	40,312	39,096	3,614	33,499
Other products	856	736	322	444
Total	**190,378**	**182,854**	**16,626**	**163,442**

5.2. Purchases of materials, consumables and merchandise

The following table sets forth a breakdown of Purchases of materials, consumables and merchandise:

	Successor		Successor	Predecessor
	Year ended December 31,		Period from March 2 to December 31,	Period from January 1 to November 30,
(in Euro thousands)	2018	2017	2016	2016
Material purchases	2,001	1,426	142	1,272
Spare parts purchases	442	611	57	376
Sundry materials purchases	289	383	13	166
Warehousing	73	29	—	25
Change in inventories	(275)	(131)	35	48
Total	**2,530**	**2,318**	**247**	**1,887**

5.3. Costs for services

The following table sets forth a breakdown of Costs for Services:

	Successor		Successor	Predecessor
	Year ended December 31,		Period from March 2 to December 31,	Period from January 1 to November 30,
(in Euro thousands)	2018	2017	2016	2016
Marketing and commercial expenses	5,380	3,093	211	1,562
Other commercial initiatives	1,372	860	154	1,879
Other commercial services	480	414	139	168
Commercial services	**7,232**	**4,367**	**504**	**3,609**
Sales channel – Payment services	77,529	73,313	6,944	70,264
Consulting	3,324	3,290	1,287	1,244
Other miscellaneous services	19,096	18,699	2,912	16,063
Other services	**99,949**	**95,302**	**11,143**	**87,571**
Total	**107,181**	**99,669**	**11,647**	**91,180**

2018 was marked by two main one-off events: the digital payments launch and the payments business segregation, which resulted in non-recurring cost for services of €6.5 million (as compared to non-recurring cost for services €1.5 million for 2017).

5.4. Lease and rent expenses

The following table sets forth a breakdown of Lease and rent expenses:

	Successor		Successor	Predecessor
	Year ended December 31,		Period from March 2 to December 31,	Period from January 1 to November 30,
(in Euro thousands)	2018	2017	2016	2016
Building leases	992	881	82	698
Other rentals and operating leases	660	658	93	523
Total	**1,652**	**1,539**	**175**	**1,221**

5.5. Personnel costs

The following table sets forth a breakdown of Personnel costs:

	Successor		Successor	Predecessor
	Year ended December 31,		Period from March 2 to December 31,	Period from January 1 to November 30,
(in Euro thousands)	2018	2017	2016	2016
Salaries and wages	11,112	8,080	717	6,512
Social security contributions	3,104	2,484	188	2,034
Personnel cost capitalized	(2,231)	(298)	(3)	(149)
Employee severance indemnities	729	589	37	517
Other personnel costs	274	198	316	192
Total	**12,988**	**11,053**	**1,255**	**9,106**

2017 and 2018 were marked by two main one-off events that resulted in increased personnel costs: the digital payments launch and the payment business segregation which required an higher number of resources allocated to the Sisal Payments Business and resulted in non-recurring personnel costs of €3.2 million in 2018 and of €1.8 million in 2017.

5.6. Other operating costs

The following table sets forth a breakdown of Other operating costs:

	Successor		Successor	Predecessor
	Year ended December 31,		Period from March 2 to December 31,	Period from January 1 to November 30,
(in Euro thousands)	2018	2017	2016	2016
Other taxes and duties	307	336	35	276
Gifts and donations	325	54	3	391
Sundry operating costs	2,757	2,118	14	1,960
Total	**3,389**	**2,508**	**52**	**2,627**

5.7. Amortization, depreciation, provisions, impairment losses and reversals

The following table sets forth a breakdown of Amortization, depreciation, provisions, impairment losses and reversals of the value of property, plant and equipment and intangible assets:

	Successor		Successor	Predecessor
	Year ended December 31,		Period from March 2 to December 31,	Period from January 1 to November 30,
(in Euro thousands)	2018	2017	2016	2016
Amortization of intangible assets	9,529	6,218	318	2,917
Depreciation of property, plant and equipment	5,959	2,997	226	2,071
Impairment losses on current assets	5,589	4,200	514	4,729
Allocations and releases to provisions for risks and charges	601	1,533	—	—
Total	**21,678**	**14,948**	**1,058**	**9,717**

5.8. Income taxes

The following table sets forth a breakdown of Income taxes:

	Successor		Successor	Predecessor
	Year ended December 31,		Period from March 2 to December 31,	Period from January 1 to November 30,
(in Euro thousands)	2018	2017	2016	2016
Current taxes	12,366	14,744	653	14,222
Deferred tax assets and liabilities	(1,752)	(1,053)	(47)	(1,009)
Total	**10,614**	**13,691**	**606**	**13,213**

The following table sets forth a reconciliation between the income tax expense recorded in the Carve-out Financial Statements and the theoretical tax charge, calculated on the basis of the theoretical tax rate:

	Successor		Successor	Predecessor
	Year ended December 31,		Period from March 2 to December 31,	Period from January 1 to November 30,
(in Euro thousands)	2018	2017	2016	2016
Profit (loss) before income taxes	**41,404**	**51,047**	**2,192**	**47,719**
Nominal tax rate	24%	24%	27.5%	27.5%
Theoretical tax using the nominal tax rate	**9,937**	**12,251**	**603**	**13,123**
40% super-depreciation of property, plant and equipment	(1,003)	(708)	—	—
Other changes	44	(32)	(115)	(2,473)
IRES tax	**8,978**	**11,511**	**488**	**10,650**
IRAP tax	**1,636**	**2,180**	**118**	**2,563**
Total effective tax expense	**10,614**	**13,691**	**606**	**13,213**

6. Notes to Statement of Financial Position

6.1. Property, plant and equipment

The composition and changes in this item are as follows:

(in Euro thousands)	Land and Buildings	Plant and equipment	Industrial equipment	Assets under construction and other	Total property, plant and equipment
Predecessor					
Net Amount As of January 1, 2016	**—**	**—**	**9,378**	**—**	**9,378**
Investments	—	—	2,033	—	2,033
Depreciation	—	—	(2,071)	—	(2,071)
Disposals	—	—	(526)	—	(526)
Net Amount As of November 30, 2016	**—**	**—**	**8,814**	**—**	**8,814**
Successor					
Net Amount As of March 2, 2016	**—**	**—**	**—**	**—**	**—**
Change in Carve out perimeter	—	—	8,814	—	8,814
Depreciation	—	—	(226)	—	(226)
Net Amount As of December 31, 2016	**—**	**—**	**8,588**	**—**	**8,588**
Investments	264	—	16,589	—	16,853
Depreciation	(31)	—	(2,966)	—	(2,997)
Disposals	—	—	(539)	—	(539)
Net Amount As of December 31, 2017	**233**	**—**	**21,672**	**—**	**21,905**
Investments	250	—	17,320	—	17,570
Depreciation	(66)	—	(5,893)	—	(5,959)
Disposals	—	—	(373)	—	(373)
Net Amount As of December 31, 2018	**417**	**—**	**32,726**	**—**	**33,143**

6.2. Goodwill

Goodwill amounted to Euro 308,379 thousand as of December 31, 2018 and remained stable compared to December 31, 2017 and 2016.

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment annually or more frequently if specific events or circumstances arise leading to the presumption of such impairment. For the purposes of the impairment test, goodwill must be allocated to CGUs, or groups of CGUs. The Payments Business corresponds to a Cash Generating Unit (CGU) to which the goodwill has been allocated (the "Payments Business CGU"). The cash flows were measured to determine the recoverable value, equal to the value in use of the CGUs identified by applying the discounted cash flows method.

The impairment test was performed by using the five-year cash flow projections approved by management of Sisal Group on the basis of growth rates differentiated according to the historical trends of the various products and related reference markets. The growth rate used to estimate cash flows beyond the explicit projected period was determined on the basis of market data and information available to management according to reasonable projections of estimated sector growth in the long-term and is equal to 0%. The rate used to discount cash flows to present value is equal to a WACC of 7.8% (7,7% and 8,3% as of December 31, 2017 and 2016 respectively), derived from the weighted average cost of capital of 10.6% (inclusive of a Market Risk Premium of 9.0%) and the after-tax cost of debt of 5.1%.

The recoverable amount of the Payments Business CGU as of December 31, 2018 is higher than the relative carrying amount.

6.3. Intangible assets

The composition and changes in this item are as follows:

(in Euro thousands)	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights:	Other intangible assets	Intangible assets in progress and advances	Total Intangible assets
Predecessor					
Net Amount As of January 1, 2016	**1,890**	**72**	**4,645**	**—**	**6,607**
Investments	2,031	—	—	—	2,031
Amortization	(1,480)	(50)	(1,387)	—	(2,917)
Disposals	(1)	—		—	(1)
Net Amount As of November 30, 2016	**2,440**	**22**	**3,258**	**—**	**5,720**
Successor					
Net Amount As of March 2, 2016	**—**	**—**	**—**	**—**	**—**
Change in Carve out perimeter	2,440	31,731	40,222	—	74,393
Depreciation, amortization	(2)	(15)	(301)		(318)
Net Amount As of December 31, 2016	**2,438**	**31,716**	**39,921**	**—**	**74,075**
Investments	5,268	690	—	44	6,002
Amortization	(2,474)	(1,733)	(2,011)	—	(6,218)
Disposals	(12)	—	—	—	(12)
Net Amount As of December 31, 2017	**5,220**	**30,673**	**37,910**	**44**	**73,847**
Investments	9,701	362	—	—	10,063
Amortization	(5,602)	(1,916)	(2,011)	—	(9,529)
Disposals	(2)	(2)	—	—	(4)
Reclassifications	44	—	—	(44)	—
Net Amount As of December 31, 2018	**9,361**	**29,117**	**35,899**	**—**	**74,377**

6.4. Other non-current assets

Other non-current assets amounted to Euro 4,436 thousand as of December 31, 2018 (Euro 5,030 thousand and Euro 4,269 thousand as of December 31, 2017 and 2016, respectively).

The item mainly comprises receivables from tax authorities requested for refund.

6.5. Inventories

The following table sets forth a breakdown of Inventories:

(in Euro thousands)	As of December 31, 2018	2017	2016
Top-up and scratch cards	194	315	220
Virtual top-ups	5,541	4,197	2,545
Materials, auxiliaries and consumables	**5,735**	**4,512**	**2,765**
Rolls of paper for terminals	145	125	100
Spare parts (repairs)	173	135	84
Spare parts (consumables)	250	16	10
Finished goods and merchandise	**568**	**276**	**194**
Total	**6,303**	**4,788**	**2,959**

6.6. Trade receivables

The following table sets forth a breakdown of Trade receivables:

(in Euro thousands)	As of December 31, 2018	2017	2016
Receivable from points of sale	95,930	117,339	102,051
Trade receivables from third parties	1,411	863	771
Doubtful receivables	29,820	27,974	29,729
Provision for impairment of trade receivables	(24,158)	(20,688)	(22,297)
Total	**103,003**	**125,488**	**110,254**

There are no foreign currency denominated trade receivables and the analysis by geographical area is not significant as all receivables are from domestic operators.

The changes in the provision for impairment of receivables are as follow:

(in Euro thousands)	Provision for impairment of trade receivables
Predecessor	
As of 1 January, 2016	**19,879**
Net provision	4,729
Usage	(2,591)
As of November 30, 2016	**22,017**
Successor	
As of March 2, 2016	**—**
Change in Carve out perimeter	22,017
Net provision	514
Usage	(234)
As of December 31, 2016	**22,297**
Net provision	4,200
Usage	(5,809)
As of December 31, 2017	**20,688**
Net provision	5,589
Usage	(2,119)
As of December 31, 2018	**24,158**

6.7. Restricted Bank Deposits

Restricted bank deposits amount to Euro 34,667 thousand as of December 31, 2018 (zero as of December 31, 2017 and 2016) and mainly include the balances deriving from funds received from customers in compliance with the so-called PSD II directive, in relation to services renderd in its role of Payment Institute. PSD II, in force from January 1, 2018, requires to segregate liquidity deriving from funds received from customers. As such, starting from 2018, in the preparation of financial statements, such liquidity is isolated from ordinary cash and cash equivalent.

6.8. Other current assets

This item is composed as follows:

(in Euro thousands)	As of December 31, 2018	2017	2016
Other receivables from tax authorities	3,236	834	291
Prepaid expenses	644	608	609
Other receivables from third parties	1,636	—	—
Other receivables from employees	67	56	51
Total	**5,583**	**1,498**	**951**

6.9. Equity

As explained above, the Payments Business is fully integrated in the Sisal Group and does not have its own cash accounts or borrowings. The movements recorded in Contribution from shareholder/ (to) shareholders in the period from March 2, 2016 to December 31, 2016 and in the years ended December 31, 2017 and 2018 reflect the cash absorbed by the Payments Business including cash used by business operations and investment activities.

6.10. Deferred tax assets and liabilities

The following table sets forth a breakdown in Deferred tax assets and liabilities:

	As of December 31,		
(in Euro thousands)	**2018**	**2017**	**2016**
Deferred tax assets	4,748	4,010	3,971
Deferred tax liabilities	(18,171)	(19,185)	(20,199)
Net amount	**(13,423)**	**(15,175)**	**(16,228)**

Net changes in tax assets and liabilities are summarized in the following table:

(in Euro thousands)	**Deferred tax assets and liabilities**
Predecessor	
Net Amount as of December 31, 2016	**2,313**
Charge/release to income statement	1,009
Charge/release to statement of comprehensive income	—
Net Amount as of November 30, 2016	**3,322**
Successor	
Net Amount as of March 2, 2016	**—**
Charge/release to income statement	47
Charge/release to statement of comprehensive income	—
Change in Carve out perimeter	(16,275)
Net Amount as of December 31, 2016	**(16,228)**
Charge/release to income statement	1,053
Charge/release to statement of comprehensive income	—
Net Amount as of December 31, 2017	**(15,175)**
Charge/release to income statement	1,752
Charge/release to statement of comprehensive income	**—**
Net amount as of December 31, 2018	**(13,423)**

6.11. Provisions for risks and charges

The changes in this item are the following:

(in Euro thousands)	Provision for risks and other charges
Predecessor	
As of January 1, 2016	**1,564**
Net provision	—
Usage	(165)
As of November 30, 2016	**1,399**
Successor	
As of March 2, 2016	**—**
Net provision	—
Usage	—
Change in Carve out perimeter	1,399
As of December 31, 2016	**1,399**
Net provision	1,533
Usage	(436)
As of December 31, 2017	**2,496**
Net provision	601
Usage	(52)
As of December 31, 2018	**3,045**

6.12. Trade payables and other payables

This item is composed as follows:

(in Euro thousands)	As of December 31, 2018	2017	2016
Payables to suppliers	33,830	24,845	9,386
Payables to partners for services	215,728	234,290	201,966
Total	**249,558**	**259,135**	**211,352**

6.13. Other current liabilities

This item is composed as follows:

(in Euro thousands)	As of December 31, 2018	2017	2016
Payables to employees	2,128	1,686	1,624
Other current liabilities	1,187	474	496
Payables to social security agencies	1,303	1,046	1,021
Other taxes payable	386	339	861
Total	**5,004**	**3,545**	**4,002**

7. Related party transactions

There are no related party transactions to report.

8. Significant events occurring after the end of the year

There are no material subsequent event to highlight.

It should be noted that the company terminated the contract with PostePay in October 2018.

Banca 5 Payments Business
Unaudited Condensed Carve-out Financial Statements for the nine-month period ended September 30, 2019

STATEMENT OF COMPREHENSIVE INCOME

in euro thousands	Note	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenues	5.1	101,711	100,309
Other income	5.1	1,070	850
Total revenues and other income		**102,781**	**101,159**
Purchases of materials, consumables and merchandise	5.2	(96)	(128)
Cost for services	5.3	(79,949)	(79,851)
Cost for leased assets	5.4	(1,944)	(1,214)
Personnel costs	5.5	(5,868)	(6,263)
Other operating costs	5.6	(35)	(23)
Depreciation of property, plant and equipment and amortization of intangible assets	5.7	(3,952)	(3,341)
Operating profit (loss) (EBIT)		**10,937**	**10,339**
Profit (loss) before income taxes		**10,937**	**10,339**
Income taxes	5.8	(3,464)	(3,348)
Profit (loss) for the period		**7,473**	**6,991**
Total comprehensive profit (loss) for the period		**7,473**	**6,991**

(The accompanying notes are an integral part of these Condensed Carve-out Financial Statements)

STATEMENT OF FINANCIAL POSITION

in euro thousands	Note	As of September 30, 2019	As of December 31, 2018
Non-current assets			
Property, plant and equipment	6.1	27,506	30,887
Intangible assets	6.2	267	283
Deferred tax assets	6.3	19	15
Total non-current assets		**27,792**	**31,185**
Current assets			
Cash and cash equivalents	6.4	0	1,350
Other current assets	6.5	10,553	5,219
Total current assets		**10,553**	**6,569**
TOTAL ASSETS		**38,345**	**37,754**
EQUITY—NET INVESTMENT			
Owners equity—net investment	6.6	12,800	12,800
Total equity - net investment		**12,800**	**12,800**
Non current liabilities			
Provision for employee severance indemnities	6.7	1,203	932
Total non-current liabilities		**1,203**	**932**
Current liabilities			
Trade and other payables	6.8	17,307	13,035
Short-term debts	6.9	2,242	4,549
Tax payables	6.10	3,475	4,556
Other current liabilities	6.11	1,318	1,882
Total current liabilities		**24,342**	**24,022**
TOTAL LIABILITES AND EQUITY—NET INVESTMENT		**38,345**	**37,754**

(The accompanying notes are an integral part of these Condensed Carve-out Financial Statements)

CASH FLOW STATEMENT

in euro thousands	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Profit before tax	10,937	10,339
Depreciation and amortization	3,951	3,341
Employee provisions, other provisions and other non-cash items	270	(47)
Change in trade payables	4,272	553
Change in other assets and liabilities	(4,549)	605
Income taxes paid	(4,546)	(7,476)
Cash flows (used) generated by operating activities	**10,335**	**7,315**
Investments in property, plant and equipment	(555)	(3,168)
Cash flows (used) generated by investing activities	**(555)**	**(3,168)**
Raising of short-term loans	0	2,696
Repayments of short-term loans	(2,307)	0
Dividends paid and reserves paid(1)	(7,473)	(6,991)
Cash flows (used) generated by financing activities	**(9,780)**	**(4,295)**
Increase (decrease) in cash and cash equivalents	**0**	**(148)**
Cash and cash equivalents at the start of the year	**1,350**	**1,498**
Cash and cash equivalents at the end of the period(2)	**1,350**	**1,350**

(1) Dividends and reserves paid: the item includes the entire amount of the net profit of the period attributable to the Banca 5 Payments Business that has not been retained by the above Banca 5 Payments Business because remained entirely allocated to Banca 5 S.p.A.

(2) Cash and cash equivalents: the item includes, in 2019, euro 1,350 thousands classified in the item “Other current assets” of the Statement of financial position as of September 30, 2019.

(The accompanying notes are an integral part of these Condensed Carve-out Financial Statements)

STATEMENT OF CHANGES IN EQUITY—NET INVESTMENT

in euro thousands					2019 comprehensive income			
2019	Balance at 1 January 2019	FTA reserve at 1 January 2019	Reorganisation	Dividends paid	Profit for the period	Other comprehensive income—Valuation reserves	2019 comprehensive income	Equity—net investment at 30 September 2019
Equity attributable to the owners of the parent	12,800	0	(7,966)	0	7,473	493	7,966	12,800
Total	12,800	0	(7,966)	0	7,473	493	7,966	12,800

in euro thousands					2018 comprehensive income			
2018	Balance at 1 January 2018	FTA reserve at 1 January 2018	Reorganisation	Dividends paid	Profit for the period	Other comprehensive income—Valuation reserves	2018 comprehensive income	Equity—net investment at 30 September 2018
Equity attributable to the owners of the parent	12,800	0	(834)	(6,300)	6,991	143	7,134	12,800
Total	12,800	0	(834)	(6,300)	6,991	143	7,134	12,800

The net profit of the Banca 5 Payments Business was excluded from the equity-net investment of the period in which the comprehensive income was realized. This exclusion was done as follows:

- the item "Dividends paid" represents the real payments of dividends from Banca 5 to its shareholders;
- the item "Reorganisation" represents the residual amount of the net profit of the Banca 5 Payments Business allocated to Banca 5;
- the item "Other comprehensive income—Valuation reserves" contains a component that arose in 2018 and 2019, due to the group's investment plan dedicated to employees (POP e LECOIP); this amount has been retained by Banca 5 as well.

(The accompanying notes are an integral part of these Condensed Carve-out Financial Statements)

NOTES TO THE CONDENSED CARVE-OUT FINANCIAL STATEMENTS

1. General information

On July 30, 2019, Sisal Group S.p.A. ("**Sisal Group**") and Banca 5 S.p.A. ("**Banca 5**"), entered into an investment agreement (the "**Investment Agreement**") relating to the creation of a corporate partnership in the retail and digital payment services (the "**Gallo Investment**"). Upon the completion of the Gallo Investment, (i) Sisal Group and Banca 5 will own 70% and 30% of the share capital of Sisal Pay S.p.A. (hereinafter the "**Entity**", or the "**Issuer**"), respectively and (ii) the Issuer shall own the entire share capital of TelCo and PayCo (as defined below), to which the respective business will be contributed.

This process will be carried out through the transfer of:

- the business comprising assets through which the Sisal Group carries out the activity of payment services and services ancillary thereto, as well as other contracts and legal relationships of the Sisal Group pertaining to such activities and services and the business of Sisal S.p.A. and Sisal Point S.p.A. consisting of, inter alia, assets, contracts and legal relationships for the performance of payment services. The shares issued following the contribution of Sisal Group Payments Business to PayCo and TelCo will be in turn contributed and sold to the Issuer in exchange for 70% of the share capital of the Issuer.
- the business consisting of, inter alia, assets, contracts and legal relationships through which Banca 5 carries out its payment services and services ancillary thereto. The shares issued following the contribution of Banca 5 Payments Business to PayCo and TelCo will be in turn contributed and sold to the Issuer in exchange for 30% of the share capital of the Issuer.

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The Banca 5 Payments Business Condensed Carve-out Financial Statements (also "the Condensed Carve-out Financial Statement" or the "Condensed Carve-out") have been prepared for the purpose of inclusion in the offering memorandum to be prepared in connection with the issuance of senior secured notes by Sisal Pay S.p.A. to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act "**Rule 144A**") in reliance on Rule 144A and (ii) to non-US persons outside the United States in offshore transactions in reliance on Regulation S.

Although the Condensed Carve-out Financial Statements have been prepared for the specific purpose of the transaction described above, such Condensed Carve-out Financial Statements do not necessarily represent the segment to be contributed into Sisal Pay S.p.A., since the Condensed Carve-out relates to historical balance sheet data which will not necessarily be those included at the date of the contribution, mainly because they are based on accounting criteria (compliant with IAS/IFRS) that could differ from the identification of the segment to be assigned under the Civil Code. For this purpose, where possible, the notes to the Condensed Carve-out describe the financial and economic components arising from using the accounting principles to prepare the Condensed Carve-out Financial Statements. Such application could lead with some differences between the Condensed Carve-out and the segment contributed into Sisal Pay S.p.A.

The Condensed Carve-out Financial Statements of Banca 5 Payments Business were approved by the board of directors of Banca 5 on November 25, 2019.

2. Summary of accounting policies

2.1. Basis of preparation

These Condensed Carve-Out Financial Statements have been prepared following IAS 34, 'Interim financial reporting' which governs interim financial reporting. IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is included for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (hereafter "IFRS"), given that the entity has prepared its financial statements compliant with IFRS for the previous financial year. The Condensed Carve-Out Financial Statements should be read in conjunction with the Banca 5 Payments Business Carve-out Financial Statements for the years ended December 31, 2018 and 2017 (the "Carve-out Financial Statements").

The Condensed Carve-out Financial Statements include the statement of financial position at September 30, 2019 and December 31, 2018, the statement of comprehensive income, the cash flow statement, the statement of

2.1. Basis of preparation (continued)

changes in equity - net investment and the accompanying notes for the periods ended September 30, 2019 and 2018. These data were prepared based on the historical economic-financial data as at and for the nine month period ended September 30, 2019 and 2018 of Banca 5 S.p.A.

The Condensed Carve-out Financial Statements were prepared based on the going concern assumption, as there were no financial, operational or other indicators suggesting difficulties about the ability of the Banca 5 Payments Business to meet their obligations in the foreseeable future and specifically over the next 12 months. A description of the modalities deployed to manage financial risks is provided below, in Note 3 “Information about financial risks”.

Reading the Condensed Carve-out Financial Statements it is important to carefully take into account the assumptions and other basis of preparation adopted. In particular, it should be considered that the statement of financial position is influenced by the assumption that the full amount of the net profit of the period has been retained by Banca 5 and not by the Banca 5 Payments Business with the consequence that the current assets do not include the cash generated by the operations with negative impact on the net current asset balance that apparently is negative. Including the cash generated by the operations, the above balance would result positive consistently with the going concern assumption and a financial position adequately balanced.

The Condensed Carve-out Financial Statements were prepared in Euro, which is the currency of the main economic environment in which the Banca 5 Payments Business operate. All amounts listed in this document are presented in thousands of euro, unless otherwise stated.

The format of the Condensed Carve-out Financial Statements and the relative classification criteria adopted by the board of directors of Banca 5, within the framework of the options provided by IAS 1—Presentation of financial statements are presented below:

- the statement of financial position uses a format classifying the assets and liabilities according to current and non-current;
- the statement of comprehensive income, which classifies costs according to their nature, includes, besides the profit or loss for the year, other non-owner changes in equity;
- the cash flow statement is prepared by recognizing cash flows from operating activities according to the “indirect method”;
- the statement of changes in equity—net investment shows the changes in Banca 5 Payments Business equity—net investment for the nine-month periods ended September 30, 2019 and 2018

The presentation formats used, as specified above, are those that best represent the operating performance, financial position and cash flow of the Banca 5 Payments Business.

The Condensed Carve-out Financial Statements were prepared based on the format used by Sisal Group.

2.2. Criteria for the preparation of the Condensed Carve-out Financial Statements

The Condensed Carve-out Financial Statements were prepared for the purpose of presenting the assets, liabilities, revenues and expenses of Banca 5 that are directly or indirectly attributable to the Banca 5 Payments Business, as described above in these Notes. The allocation of assets, liabilities, revenues and expenses to the Banca 5 Payments Business is based on the allocation criteria summarized below.

Please note that, for the purpose of preparing the Condensed Carve-out Financial Statements, whenever a direct allocation of the assets, liabilities, revenues and expenses of the Banca 5 Payments Business could not be determined, the Condensed Carve-out financial data were prepared by allocating the amounts of Banca 5 in accordance with specific allocation criteria summarized below.

The allocation criteria applied in the preparation of the Condensed Carve-out Financial Statements for the main line items of the statement of financial position and of the statement of comprehensive income are reviewed below.

2.2. Criteria for the preparation of the Condensed Carve-out Financial Statements (continued)

Statement of financial position

- a part of property, plant and equipment and intangibles have been directly allocated to the Banca 5 Payments Business, as these items were already specifically attributed to the Banca 5 Payments Business;
- the assets used jointly by the Banca 5 Payments Business and the Banking Business, such as software and other tangible assets, have not been specifically attributed to the Banca 5 Payments Business, and therefore have not been included in the Condensed Carve-out Financial Statements in their entirety. A portion of the depreciation and amortization of these assets was transferred to the Banca 5 Payments Business based on specific drivers, such as the Condensed Carve-out Net Operating Profit ("NOP") compared with the total NOP of Banca 5 and the numbers of employees transferred to the Banca 5 Payments Business compared to the total number of employees;
- cash and cash equivalents were allocated based on the transactions related to the Banca 5 Payments Business;
- provision for employee severance indemnities was allocated based on numbers of employees transferred to the Banca 5 Payments Business;
- trade payables and other payables were specifically allocated based on the purchase cost of materials and services of the Payments Business;
- other current assets, mainly composed of accruals, were specifically allocated;
- other current liabilities, mainly composed of accruals, were specifically allocated while payables to employees were allocated based on the number of employees transferred to the Banca 5 Payments Business compared with the total number of employees for Banca 5;
- tax liabilities and deferred tax assets and liabilities were specifically recomputed;
- the equity-net investment amounting to euro 12.8 million was attributed to the Banca 5 Payments Business with the assumption that such amount remains stable in the reporting periods;
- the difference between the assets and liabilities and equity-net investment resulting from the application of the above allocation criteria is represented by an equivalent amount of due to customers of Banca 5, classified as short-term debt; such short-term debt will not be transfer with the Banca 5 Payments Business.

Please note that:

- equity—net investment is the difference between the assets and liabilities allocated to the Payments Business as the allocation criteria described above;
- the Carved-out reporting entity is not typically required to present earnings per share (EPS) information.

Statement of comprehensive income

Expenses and revenues were allocated based on the information that comes from analytical accounting data by division or cost center and general accounting data, except for certain items shared by the Payments Business and the Banking Business, for which specific parameters were used to determine the contribution of the Payments Business. More specifically:

- revenues, other income and costs for services were allocated in their entirety except for those referred to Banking Business;
- purchases of materials, consumables and merchandise, cost for leased assets and personnel costs were allocated based on the number of employees transferred to the Banca 5 Payments Business compared with the total number of employees for Banca 5.

The estimates used in the preparation of the Condensed Carve-out Financial Statements are consistent with those used to prepare the reporting package of Banca 5, the Condensed Carve-out Financial Statements were prepared based on information available on the dates when the reporting package of Banca 5 was prepared. Consequently, the Condensed Carve-out Financial Statements do not include the effects of events that became known after the abovementioned dates.

2.3. Accounting policies

A brief description is provided of the most significant accounting policies and principles used in the preparation of the Condensed Carve-out Financial Statements.

Property, Plant and Equipment

This category includes technical installations, furniture, furnishings and other fittings.

Tangible assets are initially recognised at purchase cost, inclusive of any ancillary costs directly attributable to the purchase and functioning of the asset, while any other costs are recognised on the statement of comprehensive income. They are then valued at purchase cost, net of the depreciation and long-term impairment of value, after first recognition. Tangible assets are depreciated throughout their useful life on a straight-line basis, at tax rates considered adequate from a statutory point of view. The depreciation quotas are thus recognised on the statement of comprehensive income. If there is an objective loss of value in the asset, a comparison is made between its book value and its recovery value. The relative difference is then shown on the statement of comprehensive income, in the form of an adjustment. If the reasons that led to the recognition of the loss no longer exist, there is a reversal, which may not exceed the value that the asset would have had, net of the depreciation, in the absence of the above-mentioned losses of value.

Finally, when the asset is sold or when the future economic benefits of its use cease to exist, it is cancelled.

The estimated useful life by class of property, plant and equipment is the following:

Class of property, plant and equipment	Useful life in years
Plant	4
Equipment	3
Other assets:	
- Vehicles	5
- Furniture and fixtures	6.66-8.33
- Electronic office equipment	3-5-6.66-8
Leasehold improvements	shorter of the estimated useful life of the asset and the duration of the lease contract

Intangible Assets

As required by IAS 38, the intangible assets within Banca 5 Payments Business portfolio are identifiable, capable of producing future economic benefits, and can be controlled by Banca 5. They are recognised at purchase cost plus the ancillary costs and direct costs needed to prepare the assets for use, if present. Otherwise, the cost of the intangible asset is recognised on the statement of comprehensive income in the year in which it was incurred. The working life of an intangible asset is classed as definite or indefinite. In the first case, the assets are amortised on a straight-line basis in proportion to the estimated useful life, and the total amortisation is recognised on the statement of comprehensive income. The assets undergo an impairment test whenever there are indications of possible loss of value, and when the financial statements or interim reports are prepared. If there are losses of value in excess of the presumed realisation value, the assets are written down to reflect the realisation value. In the second case (intangible assets with indefinite life), an impairment test is carried out at least once a year in order to identify possible reductions in value, in accordance with IAS 36—Impairment of assets. Intangible assets with an indefinite life, no amortisation is recognised, but the recoverable value is estimated. The total loss is then recognised on the statement of comprehensive income in an amount equal to the difference between the asset’s book value and the recoverable value. The intangible asset is eliminated from the statement of assets and liabilities when it is disposed of or is unable to generate future economic benefits.

The table shows the amortisation criteria used for each category:

Class of intangible assets	Useful life in years
Software user licenses	3

2.3. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash and available bank deposits and other forms of short-term investments, with original due dates equal to or less than three months. Cash and cash equivalents are recorded, according to their nature, at their nominal amount or at amortized cost.

Debt and other financial liabilities

Amounts due to banks and due to customers include various forms of funding on the interbank market and with customers. Initial recognition of these financial liabilities occurs at the date of subscription of the contract, which usually coincides with the time of collection of the sums deposited. Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/ revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded. After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.

An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount. Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the statement of comprehensive income. Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price

Employee benefits

Employee benefits are defined as all forms of consideration given by an entity in exchange for service rendered by employees. Employee benefits are divided into:

- short-term benefits (other than termination benefits or equity compensation benefits) that are expected to be paid in full within twelve months after the end of the period in which the employees render the related service and recognised in full through profit or loss when they become due (this category includes, for example, wages, salaries and “extraordinary” benefits);
- post-employment benefits payable after the conclusion of employment that require the entity to provide future benefits to employees. These include employee termination indemnities and pension funds, which are in turn divided into defined contribution plans and defined benefit plans or entity pension funds;
- termination benefits, i.e. compensation that the entity recognises to the staff members upon termination of the employment agreement, following the entity’s decision to terminate the employment relationship prior to the normal retirement date;
- long-term benefits, other than those above, that are not expected to be paid in full within twelve months after the end of the period in which the employee rendered their service. The long-term incentive plans adopted (the POP and the LECOIP) fall within the scope of IFRS 2 and qualify as equity-settled share-based payment plans.

The Performance-based Option Plan (“**POP**”) and LECOIP (Leveraged Employee Co-Investment Plan) are long term incentive plans launched by Intesa Sanpaolo S.p.A. in 2018 up to 2021 addressed to top managers, risk takers and key managers and to managers and the remaining personnel, respectively.

The POP is based on financial instruments linked to shares (call options) and subject to the achievement of the key performance conditions of the Business Plan as well as subordinated to gateway conditions and individual access (compliance breach).

The LECOIP, targeted at managers and the remaining personnel, aimed at enabling the sharing of the value created over time, at every level of the organization, as a result of the achievement of the objectives of the Business Plan and fostering the identification (ownership) and the spirit of belonging to Intesa Sanpaolo Group.

Both the long-term incentive plans in question (the POP and the LECOIP) fall within the scope of IFRS 2 and qualify as equity-settled share-based payment plans.

2.3. Accounting policies (continued)

Recognition of revenues

In accordance with IFRS 15, revenues are gross flows of economic benefits deriving from the performance of the entity's ordinary business and are recognised when control of the goods or services is transferred to the customer, at an amount that represents the amount of consideration that the entity considers it is entitled to. In particular, revenues are recognised by applying a model that must meet the following criteria:

- identification of the contract, defined as an agreement in which the parties are committed to perform their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sale prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is satisfied by transferring a promised good or service to a customer.

The transaction price is the amount to which an entity expects to be entitled in exchange for the transfer of goods and services promised. It may include fixed or variable amounts or both. Revenues from variable fees are recognised in the statement of comprehensive income if they can be reliably estimated and only if it is highly likely that all or a significant part of this fee will not need to be reversed from the statement of comprehensive income in future periods. Where there is a high level of uncertainty related to the nature of the consideration, it will be recognised only when this uncertainty is resolved.

Revenues may be recognised:

- at a specific point in time, when the entity satisfies a performance obligation by transferring a promised good or service to the customer, or
- over time, as the entity satisfies a performance obligation by transferring a promised good or service to the customer.

The good is transferred when, or in the period when, the customer acquires control of the good.
In particular:

- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost;
- overdue interest, which may be provided for by the relevant contracts, is recorded in the statement of comprehensive income solely at the time of collection;
- dividends are posted in the statement of comprehensive income in the financial year when their distribution is approved;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. Commission income included in the amortised cost for the purposes of determining the effective interest rate is recognised under interest;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, or when the performance obligation towards the customer is satisfied.

Costs are recognised in the statement of comprehensive income on an accruals basis. Costs relating to the receipt and performance of contracts with customers are recognised in the statement of comprehensive income in the periods when the related revenues are recognized.

The introduction of IFRS 15 had no significant impacts on the Condensed Carve-out Financial Statements.

Income taxes

Current and deferred income taxes are calculated on the basis of the current tax rates which are shown on the statement of comprehensive income, with the exception of those relating to items debited or charged directly to

2.3. Accounting policies (continued)

net equity, through the comprehensive statement of comprehensive income. The provision for income taxes is determined according to a forecast of the current and deferred tax liability. Deferred taxes are determined on the basis of the temporary differences between the value given to an asset or liability, on the basis of statutory and accounting criteria, and the corresponding values assumed for fiscal purposes. Deferred tax assets relating to temporary deductible differences or future tax benefits obtainable from the carryforward of tax losses are recognised on the financial statements to the extent that there is a reasonable certainty that they will be recovered. This is assessed on the basis of Banca 5 Payments Business ability to continue to generate taxable income in future years. Deferred taxes are recognised with open balances and no offsetting in the item "Tax asset" and "Tax liabilities". The assets and liabilities recognised for deferred taxes are systematically valued, and may be adjusted to take into account any changes to the tax regulations.

2.4. Standards and interpretations

IFRS endorsed and adopted as at September 30, 2019 applicable subsequent to January 1, 2019

As of the date of approving these Condensed Carve-out Financial Statements, there are no IFRS endorsed as at September 30, 2019 applicable subsequent to January 1, 2019

IFRS endorsed and adopted as at September 30, 2019 in force since January 1, 2019

Regulation endorsement	Title	Effective date
1986/2017	IFRS 16 Leasing	01/01/2019 First financial year starting on or after 01/01/2019
498/2018	Amendments to IFRS 9 Financial instruments	01/01/2019 First financial year starting on or after 01/01/2019
1595/2018	IFRIC 23 Uncertainty over income tax treatments	01/01/2019 First financial year starting on or after 01/01/2019
237/2019	IAS 28 Long-term Interest in Associates and Joint Ventures	01/01/2019 First financial year starting on or after 01/01/2019
402/2019	IAS 19 Plan Amendment, Curtailment or Settlement	01/01/2019 First financial year starting on or after 01/01/2019
412/2019	IAS 12 Income Taxes IAS 23 Borrowing Costs IFRS 3 Business Combination IFRS 11 Joint Arrangement	01/01/2019 First financial year starting on or after 01/01/2019

IFRS not endorsed as at September 30, 2019

Standard/ Interpretation	Title	Date of issue
IFRS 17	Insurance Contracts	18/05/2017
IFRS 3	Definition of a Business	22/10/2018
IAS 1	Definition of Material	31/10/2018
IAS 8	Definition of Material	31/10/2018

2.5. Adoption of the new standard IFRS 16—Leases

IFRS 16 "Leases"

The new accounting standard IFRS 16, issued by the IASB in January 2016 and endorsed by the European Commission through Regulation no. 1986/2017, replaced IAS 17 Leases, IFRIC 4 Determining whether an

2.5. Adoption of the new standard IFRS 16—Leases (continued)

arrangement contains a lease, SIC 15 Operating leases—Incentives and SIC 27 Evaluating the substance of transactions in the legal form of a lease, with effect from January 1, 2019, and established the requirements for accounting for lease contracts. In accordance with the new standard, entities are required to decide whether a contract is (or contains) a lease, based on the concept of control of the se of an identified asset for a period of time. As a result, rental, hire or loan for use, previously not considered as leases, may now also come under the scope of the rules for leases. In view of the above, significant changes have been made to the accounting for lease transactions in the financial statements of the lessee/user, with the introduction of a single accounting model for lease contracts for the lessee, based on the right of use model. Specifically, the main change consists of the elimination of the distinction between operating and finance leases, established by IAS 17: all lease contracts must therefore be accounted for in the same way with the recognition of an asset and a liability. Unlike the current standards, the accounting model envisages the recognition of the right of use of the leased asset under the balance sheet assets and the liabilities for lease payments not yet paid to the lessor under the balance sheet liabilities. The method of recognition of the profit or loss components has also changed: in IAS 17 lease payments are shown under the caption administrative expenses, whereas under IFRS 16 the charges relating to the amortisation of the "right of use" and the interest expense on the payable are recognised.

In terms of disclosure, the minimum information required from the lessees includes:

- the sub-division of the leased assets among different "classes";
- an analysis by due date of the liabilities related to the leases;
- the information that is potentially helpful for a better understanding of the entity's activities with regard to the lease contracts (for example, prepayment or extension options).

However, there are no substantial changes, other than some additional disclosure requirements, for the accounting for leases by the lessors, where the current distinction is maintained between operating leases and finance leases.

In addition, in accordance with the requirements of IFRS 16 and the IFRIC clarifications ("Cloud Computing Arrangements" document of September 2018), software has been excluded from the scope of IFRS 16 and will therefore be accounted for in accordance with IAS 38 and its requirements. From January 1, 2019, the effects on the financial statements resulting from the adoption of IFRS 16 can be identified for the lessee—with the same final income and cash flows—as an increase in the assets recorded in the financial statements (leased assets), an increase in the liabilities (the payable for the leased assets), a reduction in administrative expenses (lease payments) and an accompanying increase in financial costs (the remuneration of the payable recognised) and depreciation (relating to the right of use). With regard to the income statement, when the entire term of the contracts is considered, the economic impact does not change over the period of the lease, both when the former IAS 17 or the new IFRS 16 are applied, but its distribution over time is different. In 2018, Banca 5 carried out a specific project for the implementation of IFRS 16—Leases, aimed at examining and determining the qualitative and quantitative impacts, and identifying and implementing the practical and organisational measures required for consistent, systematic and effective adoption.

No significant impacts were identified from the application of IFRS 16 on the Condensed Carve-out Financial Statements as lease contracts are not transferred to the Banca 5 Payments Business.

3. Information about financial risks

Banca 5's risk control model provides that the potential risks that could compromise the furtherance of the organisation's objectives are identified and evaluated on an ongoing basis. To this end, the model controls and manages the risks to which Banca 5 is or may be exposed using methods and processes that are effective throughout all phases of the economic cycle. Banca 5's risk control model can detect, measure and continuously verify the typical risks of the business, in line with the provisions of the law and regulations, while pursuing the objective of ensuring sound and prudent management combining the profitability of the organisation with a coherent assumption of risk and operations that are dictated by the principles of fairness and transparency.

3. Information about financial risks (continued)

Liquidity risk

During 2019 Banca 5 continued its adaptation and improvement of the monitoring and management methods used for this type of risk, also in the wake of the regulatory developments introduced by the national and european regulators.

In these activities Banca 5 relied on partners and tools recognised as leaders in the sector (Prometeia—Suite Ermas), and also took into account the strictly regulatory aspects (regulatory measurement of risk and related statistical reports) and the operational aspects, based on Banca 5's particular business model. In the second half of 2014 Banca 5 put in place a set of risk indicators aimed at highlighting possible criticalities in the management of liquidity, as well as a Maturity Ladder, similar to the ladder of contractual dates, but with several deterministic adjustments in order to better describe its specific operations. The Contingency Funding Plan was also revised. The object of this plan is to safeguard Banca 5's assets against loss or risk following a liquidity crisis, and to guarantee business continuity, by setting out appropriate intervention strategies. Banca 5 paid particular attention to liquidity management in order to guarantee an adequate level of balanced liquidity and to ensure the equilibrium of short-term cash flows. In this regard, processes have been put in place that guarantee:

- a balanced liquidity profile in relation to the development and management of commercial, lending and financial policies;
- knowledge of the liquidity risks, by the division is responsible for managing and controlling them;
- a prior assessment of the impact of any new product or project that is relevant in terms of Banca 5's liquidity;
- the limitation of liquidity risk by means of appropriate strategies aimed at the ordinary management of financial commitments and the survival of possible shocks to the specific systemic liquidity (Contingency Funding Plan);
- an adequate system of liquidity monitoring and management;
- stress tests, carried out using quantitative and qualitative techniques, in order to evaluate Banca 5's vulnerability to extraordinary but possible events;
- adequate flows of information about the trend in liquidity risk management.

Operational Risk

Regulatory purposes, the BIA (Basic Indicator Approach) was used to determine the capital requirements for operational risks. This requires the determination of capital absorption at the rate of 15% for the three-year average of the "significant indicator" as laid down in Article 316 of European Regulation 575/2013 (CRR). The above article identifies the elements (identified with positive or negative sign as the case may be) which should be considered when calculating this indicator.

In accordance with the provisions of the Regulation (EU) No. 2017/2114, which modifies the Regulation of Execution (EU) No. 680/2014 extending the reporting of losses arising from operational risk events also to banks adopting the Base method, Banca 5, from the date of the entry into force of the aforementioned Regulation, has started the production, on a six-monthly basis, of the corresponding prudential signaling COREP (first reported on 30 June 2018) on an individual basis, losses from operational risk events.

Banca 5 has defined the operational framework for the management of operational risks, determining the organisational processes for their measurement, management and control. Banca 5's operational risks are monitored by the Risk Management division which is responsible for elaborating the methods, the risk measurement and the processing of loss data. It also prepares the relevant reports.

Banca 5 has implemented a structured series of processes, functions and resources to identify, evaluate and control risks, in order to ensure effective prevention and mitigation. The corporate governance system requires each Division to take a proactive approach to managing the operational risks of its activities, by putting in place appropriate procedures and controls. The Risk Management division provides ongoing, independent monitoring of operational risk, and minimises the impact on the statement of comprehensive income by means of appropriate control activities.

3. Information about financial risks (continued)

Banca 5 controls operational risks through a corporate structure that includes areas of competence and defined responsibilities, to guarantee the segregation of roles between control and operational functions. It has also put in place a system of internal controls that involves the adoption of final and forecast risk monitoring methods.

The internal regulations provide for a system of controls based on the following activities:

- the identification and classification of risks through a detailed mapping of operational risks, their nature, potential impact in terms of frequency and gravity, and controls designed to mitigate their effects. This process is periodically performed by divisions of the organisation, and is supported by the Risk Management Division;
- the collection of operational events, including measurement of the frequency with which the risks manifest, and their economic impact. The collection of management information (accounting and operational) which gives a better understanding of the processes that led to any irregularities and is aimed at identifying interventions, both procedural and in terms of the information systems, which could limit the organisational or accounting impact. Accounting information such as losses, recoveries, provisions or releases of funds provides fundamental information for the development of controls aimed at reducing significant risks. It is also archived and recorded in dedicated Information Systems;
- the use of operational risk indicators (which are defined and elaborated by the Risk Management division), mainly focused on the key processes, which if monitored could avoid or simply flag up in advance any operational risk event. The alert thresholds are identified and approved with the other divisions of the organisation and are periodically reviewed;
- specific analysis carried out by the Risk Management division, at the initiative or at the request of Banca 5's divisions, in order to identify possible areas of improvement for processes or systems;
- the definition of mitigation actions based on the results of the above activities such as process reviews, the upgrading of systems in place, or the adoption of specific safeguarding policies;
- the implementation of a monitoring system focused on core customers and related to the methods by which Banca 5's collection and payment services are offered;
- the development and maintenance of a Business Continuity and Disaster Recovery plan;
- a system of reports given to top management, the board of directors and the board of statutory suditors, which ensures that operational risks are knowingly accepted and that they are kept within the defined limits.

In terms of the governance of these risks, it should be noted that Banca 5 has adopted the 231/2001 Organisational Model, and has therefore set up a supervisory body, which is the board of statutory auditors. This further reinforces Banca 5's system of internal controls and will make a specific contribution to mitigating Banca 5's exposure to operational and reputational risks.

Capital risk

Banca 5 Payments Business takes the necessary measures to maintain adequate capital coverage for its strategic lines of growth. Banca 5's capital monitoring activity takes into account the possibility of possible tensions. Maintaining an adequate capital endowment enables Banca 5 to seek new growth opportunities based on its intention to continue the current growth trend.

The capital resources used by Banca 5 consist of the capital paid, the reserves, and the profits from the current year.

Compliance with the application of mandatory capital requirements as laid down in the regulations on capital and prudential coefficients is assured by the departments tasked with this obligation, and reports are issued quarterly.

Fair value measurement

The application of IFRS 13, which governs the measurement of fair value and related disclosures, became obligatory. This standard is intended to harmonise and unify the rules on the measurement of fair value with the related information, and has three main objectives:

- to clearly communicate the objectives of the measurement of the fair value by defining the concept itself and by setting out the relevant provisions;

3. Information about financial risks (continued)

- to reduce the complexity of application by determining a series of provisions for all fair value valuations imposed or required in connection with IAS/IFRS;
- to improve the information about fair value in order to enable the readers of the financial statements to better understand how fair value is applied, and the input used to determine it.

The standard defines the fair value of the price that should be received from the sale of an asset are paid for the transfer of a liability in an ordinary transaction between market operators, on the valuation date. The fair value is not therefore one for which it is necessary to stand in the shoes of the buyer or the seller, but is an "exit price" under current market conditions, regardless of whether the price is directly observable or whether it is estimated using valuation techniques.

The standard supplies the criteria to be used in measuring fair value with reference to the following main aspects:

- identification of the assets and liabilities;
- the type of transaction and the price;
- the market operators;
- the valuation techniques;
- the fair value hierarchy level.

There are also specific provisions for certain types of instruments such as non-financial assets, liabilities and own shares, and managed financial assets and liabilities such as net exposures to market and credit risks. For the purposes of measuring the fair value of assets and liabilities (financial and non), IFRS 13 establishes a three-tier fair value hierarchy based on whether or not the market parameters are observable.

Three different input levels have been identified:

- Level 1: prices taken from active markets—the valuation is made on the basis of the unadjusted list prices on active markets for identical assets or liabilities;
- Level 2: valuation methods based on observable market parameters—the valuation is based on the prices that can be deduced from the prices of similar assets, or using valuation techniques for which all the significant factors including spreads and liquidity can be taken from observable market data. This level implies a limited amount of discretion in the valuation, as all the parameters used are taken from the market (the same asset and the similar security) and the calculation methods allow the replication of the prices on active markets;
- Level 3: valuation methods based on non-observable market parameters—the determination of fair value uses valuation techniques that are based to a significant extent on significant input that cannot be deduced from the market and therefore requires estimates and assumptions from Management.

The choice between the above method is not optional, as they must be applied in hierarchical order: absolute priority is given to the official prices available on the active markets for the assets and liabilities to be valued (Level 1), or for assets and liabilities measured on the basis of valuation techniques that refer to observable parameters on the market other than the prices of the financial instrument (Level 2), and lower priority is given to assets and liabilities whose fair value is calculated according to valuation techniques that are based on non-observable parameters with a greater level of discretion (Level 3). The valuation method used for a financial instrument is adopted on an ongoing basis and is only changed if there are significant variations in the market conditions, or in the individual conditions of the issuer. In determining the fair value, Banca 5 uses—where available—information based on market data obtained from independent sources, as this is considered the best evidence of the fair value. In such a case, the fair value is the market price of the instrument being valued, in other words without modifications or recomposition, which can be deduced from the prices on an active market (and classified in Level 1 of the fair value hierarchy). A market is considered active when the operations occur with sufficient frequency and volumes to provide useful information in determining the price on an ongoing basis. If no prices can be directly observed from the active markets, valuation techniques must be used that maximised the recourse to the available information, using the comparable approach or, in the absence of observable transaction prices for the asset in question over similar instruments, the model valuation approach.

4. Use of estimates

The preparation of the Condensed Carve-out Financial Statements also requires recourse to estimates and assumptions which may have significant effects on the values recognised, and on the information relating to the potential assets and liabilities shown. The elaboration of these estimates implies the use of the available information and the adoption of subjective assumptions based on past experience, used to formulate reasonable assumptions for the reporting of operational events. By their nature, the estimates and assumptions may vary from year to year, and therefore it is possible that in subsequent years the current values recognised on Condensed Carve-out Financial Statements may differ significantly as a result of changes in the subjective valuations used. The main cases in which subjective valuations need to be used by entity management are: the valuation of the fair value of intangible assets, the quantification of personnel funds.

5. Notes to Statement of Comprehensive Income

5.1. Revenues

in euro thousands	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenues	101,711	100,309
Supply chain/other revenues	1,070	850
Total	**102,781**	**101,159**

Supply chain and other revenues mainly refer to grants paid for the terminals installation.

Revenues for services are analyzed as follows:

in euro thousands	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Telco	5,099	4,365
Bill payments	61,239	65,250
Prepaid cards	23,159	19,758
Affiliation fee	9,829	10,856
Other	2,385	80
Total	**101,711**	**100,309**

The decrease of revenues for bill payments is due to decrease in volumes and revenues related to postal bulletins, following the development of the new payment platforms on the market and new economic conditions agreed with Post Office. The increase of revenue for Prepaid cards is due to increase in volume and revenues related to PostePay service prepaid refills.

5.2. Purchases of materials, consumables and merchandise

This item is composed as follows:

in euro thousands	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Material purchases	(48)	(67)
Sundry materials purchases	(48)	(61)
Total	**(96)**	**(128)**

All the above costs are specifically attributable to the Banca 5 Payments Business.

5.3. Costs for services

This item is composed as follows:

in euro thousands	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Marketing and commercial expenses	(634)	(2,593)
Commercial services	**(634)**	**(2,593)**
Sales channel—Payment services	(74,326)	(72,415)
Other	(4,989)	(4,843)
Other services	**(79,315)**	**(77,258)**
Total	**(79,949)**	**(79,851)**

The above sales channel-payment services costs are almost totally specifically attributable to the Banca 5 Payments Business.

Marketing and commercial expenses include the cost of the exhibition space contribution with tobacco seller. The total cost of these agreements until June 30, 2018 were affected by the costs incurred to promote and develop the new services; from July, 1 2018 such costs decreased as a result of new agreements with tobacco seller. The increase of Sales channel- payment services expenses is especially due to the increase in volume and costs related to Prepaid card refills and PostePay prepaid refills.

5.4. Cost for Leased assets

This item is composed as follows:

in euro thousands	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Building leases	(167)	(317)
Other rentals and operating leases	(1,777)	(897)
Total	**(1,944)**	**(1,214)**

Building leases and other rentals and operating leases are costs attributable to the Banca 5 Payments Business that include the expenses associated with the use of the shared assets. The related lease contracts will not be transferred to the Banca 5 Payments Business.

5.5. Personnel costs

This item is composed as follows:

in euro thousands	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Salaries and wages	(4,027)	(4,283)
Social security contributions	(1,041)	(946)
Employee severance indemnities	(103)	(75)
Other personnel costs	(697)	(959)
Total	**(5,868)**	**(6,263)**

The above personnel costs are allocated to the Banca 5 Payments Business proportionately to the number of employees that will be transferred.

5.6. Other operating costs

This item is composed as follows:

in euro thousands	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Other taxes and duties	(3)	(8)
Gifts and donations	0	(1)
Sundry operating costs	(32)	(14)
Total	**(35)**	**(23)**

5.7. Depreciation of property, plant and equipment and amortization of intangible assets

This item is composed as follows:

in euro thousands	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Amortization of intangible assets	(16)	0
Depreciation of property, plant and equipment	(3,936)	(3,341)
Total	**(3,952)**	**(3,341)**

The increase of depreciation of property, plant and equipment is mainly due to the higher level of tangible assets comes into operation during 2019.

5.8. Income taxes

This item is composed as follows:

in euro thousands	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Current taxes	(3,474)	(3,323)
Deferred tax assets and liabilities	10	(25)
Total	**(3,464)**	**(3,348)**

The reconciliation of tax rate as follows:

in euro thousands	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Profit (loss) before income taxes	10,937	10,339
Nominal tax rate	33.07%	33.07%
Theoretical tax using the nominal tax rate	3,617	3,419
Other changes	(10)	25
IRES tax	2,764	2,640
IRAP tax	710	683
Total effective tax expense	**3,464**	**3,348**

Note:
IRES: corporate income tax
IRAP: regional business tax

6. Notes to Statement of Financial Position

6.1. Property, plant and equipment

The composition and changes in this item are as follows:

in euro thousands	Land and Buildings	Plant and equipment	Industrial equipment	Other assets	Property, plant and equipment under construction	Total property, plant and equipment
Net Amount at 1 January 2018	**0**	**300**	**0**	**27,031**	**0**	**27,331**
Investments	0	273	0	2,895	0	3,168
Depreciation, amortization	0	0	0	(3,341)	0	(3,341)
Net Amount at 30 September 2018	**0**	**573**	**0**	**26,585**	**0**	**27,158**
Investments	0	(65)	0	5,092	0	5,027
Depreciation, amortization	0	0	0	(1,298)	0	(1,298)
Net Amount at 31 December 2018	**0**	**508**	**0**	**30,379**	**0**	**30,887**
Investments	0	(192)	0	747	0	555
Depreciation, amortization	0	0	0	(3,936)	0	(3,936)
Net Amount at 30 September 2019	**0**	**316**	**0**	**27,190**	**0**	**27,506**

The 2018 and 2019 investments are mainly due to the replacement of the terminals provided to the tobacconist. These terminals will have a useful estimated life of 5 years.

6.2. Intangible assets

The composition and changes in this item are as follows:

in euro thousands	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Intangible assets in progress and advances	Total Intangible assets
Net Amount at 30 September 2018	**0**	**0**	**0**	**0**	**0**
Investments	0	283	0	0	283
Net Amount at 31 December 2018	**0**	**283**	**0**	**0**	**283**
Depreciation, amortization	_	(16)	_	_	(16)
Net Amount at 30 September 2019	**0**	**267**	**0**	**0**	**267**

6.3. Deferred tax assets and liabilities

This item can be broken down as follows:

in euro thousands	As of September 30, 2019	As of December 31, 2018
Deferred tax assets	19	15
Net amount	**19**	**15**

Net changes in this item are as follows:

in euro thousands	
Net Amount at 30 September 2018	**18**
Charge/release to income statement	(14)
Charge/release to statement of comprehensive income	11
Net Amount at 31 December 2018	**15**
Charge/release to statement of comprehensive income	4
Net Amount at 30 September 2019	**19**

6.3. Deferred tax assets and liabilities (continued)

Deferred tax assets are summarized in the following table:

in euro thousands	As of September 30, 2019		As of December 31, 2018	
	Temporary differences (Amount)	Tax effect	Temporary differences (Amount)	Tax effect
Other temporary differences	19	5	15	4
Total deferred tax assets	**19**	**5**	**15**	**4**

No data related to Deferred tax liabilities to report.

6.4. Cash and cash equivalents

This item is composed as follows:

in euro thousands	As of September 30, 2019	As of December 31, 2018
Bank and postal accounts	0	1,350
Total	**0**	**1,350**

6.5. Other current assets

This item is composed as follows:

in euro thousands	As of September 30, 2019	As of December 31, 2018
Prepaid expenses	27	41
Other receivables from third parties	10,526	5,178
Total	**10,553**	**5,219**

Other receivables from third parties mainly includes accruals related to revenues on bill payments and other acquiring receivables.

6.6. Equity—Net Investment

in euro thousands	As of September 30, 2019	As of December 31, 2018
Equity—Net Investment	12,800	12,800

6.7. Provision for employee severance indemnities

The changes in this item are as follows:

in euro thousands	
Net Amount at 1 January 2018	**955**
Current costs	75
Finance expenses	0
Actuarial (gains) losses	(36)
Contributions made—Benefits paid	(86)
Change in scope of consolidation	0
Net Amount at 30 September 2018	**908**
Current costs	23
Finance expenses	0
Actuarial (gains) losses	6
Contributions made—Benefits paid	(5)
Change in scope of consolidation	0
Net Amount at 31 December 2018	**932**
Current costs	103
Finance expenses	0
Actuarial (gains) losses	218
Contributions made—Benefits paid	(50)
Change in scope of consolidation	0
Net Amount at 30 September 2019	**1,203**

The provision includes the effects of the present value calculation required by IAS 19.

6.8. Trade payables and other payables

This item is composed as follows:

in euro thousands	As of September 30, 2019	As of December 31, 2018
Payables to suppliers	148	3,379
Payables to partners for services	17,159	9,656
Total	**17,307**	**13,035**

6.9. Short-term debts

The difference between the assets and liabilities and equity—net investment resulting from the application of the allocation criteria (explained in the Criteria for the preparation of the Condensed Carve-out Financial Statements) is represented by an equivalent amount of due to customers of Banca 5, classified as short-term debt; such short-term debts will not be transferred with the Banca 5 Payments Business.

Short-term debts accrued interests that do not figure in the Statement of comprehensive income because they are considered less than insignificant.

6.10. Taxes payables

This item is composed as follows:

in euro thousands	As of September 30, 2019	As of December 31, 2018
Payables for IRAP tax	711	919
Payables for IRES tax	2,764	3,637
Total	**3,475**	**4,556**

6.11. Other current liabilities

This item is composed as follows:

in euro thousands	As of September 30, 2019	As of December 31, 2018
Payables to employees	554	240
Other current liabilities	673	1,466
Other taxes payable	91	176
Total	**1,318**	**1,882**

7. Related party transactions

In application of IAS 24, the related party transactions are the relations with the companies, which are shareholders of Banca 5, or controlled by/affiliated to shareholder companies with at least one representative on the entity's board of directors and other related parties as of September 30, 2019.

These relations, which do not include any atypical or unusual transactions, were settled at normal market conditions.

In relation to costs/revenues with the parent company Intesa Sanpaolo S.p.A., there are costs for services amounting to euro 3,755 thousands, indirect personnel costs amounting to euro 118 thousands, revenues equal to euro 2,102 thousands. In addition, with regard to Mediocredito company there are indirect personnel costs equal to euro 28 thousands. With regard to Banca Prossima company and Banca IMI company there are indirect personnel costs equal to euro 16 thousands.

8. Significant events occurring after the end of the period

On September 30, 2019 Banca 5 received from Poste Italiane the cancellation of the contract relating to the PostePay service prepaid refills effectively from December 31, 2019.

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Independent auditors' report on the carve-out financial statements

To the board of directors of
Banca 5 S.p.A.

Opinion

We have audited the special purpose carve-out financial statements of Banca 5 Payments Business, which comprise the statement of financial position as at 31 December 2018 and 31 December 2017, the statement of comprehensive income, statement of changes in equity-net investment and cash flow statement for the years then ended and notes thereto, which include a summary of the significant accounting policies (the "carve-out financial statements").

In our opinion, the carve-out financial statements give a true and fair view of the financial position of Banca 5 Payments Business as at 31 December 2018 and 31 December 2017 and of its financial performance and cash flow for the years then ended in accordance with the International Financial Reporting Standards endorsed 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 "*Auditors' responsibilities for the audit of the carve-out financial statements*" section of our report. We are independent of Banca 5 S.p.A. (the "bank") 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.

Emphasis of matter – Basis of preparation

We draw attention to note 1 "General information" and note 2 "Summary of accounting policies" to the carve-out financial statements, which describe their basis of preparation, including the approach to and the purpose for preparing them and that the preparation involves judgemental allocation of assets, liabilities, income and expenses. Consequently, the carve-out financial statements may not necessarily be indicative of the financial performance that would have been achieved if the Banca 5 Payments Business had operated as an independent entity, nor may they be indicative of the results of operations of the Banca 5 Payments Business for any future period.

The carve-out financial statements as at and for the years ended 31 December 2018 and 31 December 2017 were prepared for the purpose of inclusion in the offering memorandum to be prepared in connection with the issuance of senior secured notes by Sisal Pay S.p.A. to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act "Rule 144A") in reliance on Rule 144A and to non-US persons outside the United States in offshore transactions in reliance on Regulation S. As a result, the carve-out financial statements may not be suitable for other purposes. As such, our report is issued solely for your information and may not be used for any other purpose nor disclosed to any third party, either in whole or in part. We did not qualify our opinion in this respect.

Responsibilities of the bank's directors and board of statutory auditors ("Collegio Sindacale") for the carve-out financial statements

The directors are responsible for the preparation of carve-out financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Banca 5 Payments Business ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the carve-out 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 Banca 5 Payments Business or ceasing operations exist, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, within the terms established by the Italian law, the bank's financial reporting process.

Auditors' responsibilities for the audit of the carve-out financial statements

Our objectives are to obtain reasonable assurance about whether the carve-out 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 carve-out 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 carve-out 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 bank'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 Banca 5 Payments Business 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 carve-out 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 Banca 5 Payments Business to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Milan, 29 November 2019

KPMG S.p.A.

Paolo Valsecchi
Director of Audit

Banca 5 Payments Business
Carve-out Financial Statements for the years ended
December 31, 2018 and 2017

STATEMENT OF COMPREHENSIVE INCOME

in euro thousands	Note	Year ended December 31, 2018	2017
Revenues	5.1	132,982	144,265
Other income	5.1	1,250	1,291
Total revenues and other income		**134,232**	**145,556**
Purchases of materials, consumables and merchandise	5.2	(198)	(356)
Cost for services	5.3	(105,439)	(111,027)
Cost for leased assets	5.4	(1,743)	(994)
Personnel costs	5.5	(8,176)	(7,307)
Other operating costs	5.6	(35)	(32)
Depreciation of property, plant and equipment and amortization of intangible assets	5.7	(4,639)	(3,392)
Operating profit (loss) (EBIT)		**14,002**	**22,448**
Profit (loss) before income taxes		**14,002**	**22,448**
Income taxes	5.8	(4,547)	(7,422)
Profit (loss) for the year		**9,455**	**15,026**
Total comprehensive profit (loss) for the year		**9,455**	**15,026**

(The accompanying notes are an integral part of these Carve-out Financial Statements)

STATEMENT OF FINANCIAL POSITION

in euro thousands	Note	As of December 31, 2018	2017
Non-current assets			
Property, plant and equipment	6.1	30,887	27,331
Intangible assets	6.2	283	0
Deferred tax assets	6.3	15	96
Total non-current assets		**31,185**	**27,427**
Current assets			
Cash and cash equivalents	6.4	1,350	1,498
Other current assets	6.5	5,219	6,706
Total current assets		**6,569**	**8,204**
TOTAL ASSETS		**37,754**	**35,631**
EQUITY—NET INVESTMENT			
Owners equity—net investment	6.6	12,800	12,800
Total equity—net investment		**12,800**	**12,800**
Non current liabilities			
Provision for employee severance indemnities	6.7	932	955
Total non-current liabilities		**932**	**955**
Current liabilities			
Trade and other payables	6.8	13,035	7,516
Short-term debts	6.9	4,549	5,015
Tax payables	6.10	4,556	7,530
Other current liabilities	6.11	1,882	1,815
Total current liabilities		**24,022**	**21,876**
TOTAL LIABILITES AND EQUITY—NET INVESTMENT		**37,754**	**35,631**

(The accompanying notes are an integral part of these Carve-out Financial Statements)

CASH FLOW STATEMENT

in euro thousands	Year ended December 31, 2018	2017
Profit before tax	14,002	22,448
Depreciation and amortization	4,639	3,392
Employee provisions, other provisions and other non-cash items	(23)	(72)
Change in trade payables	5,519	7,516
Change in other assets and liabilities	1,554	(4,891)
Income taxes paid	(7,440)	0
Cash flows (used) generated by operating activities	**18,251**	**28,393**
Investments in intangible assets	(283)	0
Investments in property, plant and equipment	(8,195)	(6,443)
Cash flows (used) generated by investing activities	**(8,478)**	**(6,443)**
Raising of short-term loans	0	5,015
Repayments of short-term loans (1)	(466)	(10,441)
Dividends paid and reserves paid (2)	(9,455)	(15,026)
Cash flows (used) generated by financing activities	**(9,921)**	**(20,452)**
Increase (decrease) in cash and cash equivalents	**(148)**	**1,498**
Cash and cash equivalents at the start of the year	**1,498**	**0**
Cash and cash equivalents at the end of the year	**1,350**	**1,498**

(1) Repayments of short-term loans: for 2017, the item represents the repayment of a short-term loan provided by Banca 5 S.p.A. at the date of initial identification of the Banca 5 Payments Business as at January 1, 2017; such short-term loan was calculated as a difference among the total assets conferred to the Banca 5 Payments Business (property, plant and equipment of euro 24,280 thousands), the equity—net investment of euro 12,800 thousands and the employee provisions allocated to the Banca 5 Payments Business for euro 1,039 thousands at January 1, 2017.

(2) Dividends and reserves paid: the item includes the entire amount of the net profit of the year attributable to the Banca 5 Payments Business that has not been retained by the above Banca 5 Payments Business because remained entirely allocated to Banca 5 S.p.A.

(The accompanying notes are an integral part of these Carve-out Financial Statements)

STATEMENT OF CHANGES IN EQUITY—NET INVESTMENT

in euro thousands 2018	Balance at 1 January 2018	FTA reserve at 1 January 2018	Reorganisation	Dividends paid	2018 comprehensive income: Profit for the year	2018 comprehensive income: Other comprehensive income—Valuation reserves	2018 comprehensive income: 2018 comprehensive income	Equity—net investment at 31 December 2018
Equity attributable to the owners of the parent	12,800	0	(3,391)	(6,300)	9,455	236	9,691	12,800
Total	12,800	0	(3,391)	(6,300)	9,455	236	9,691	12,800

in euro thousands 2017	Balance at 1 January 2017	FTA reserve at 1 January 2017	Reorganisation	Dividends paid	2017 comprehensive income: Profit for the year	2017 comprehensive income: Other comprehensive income—Valuation reserves	2017 comprehensive income: 2017 comprehensive income	Equity—net investment at 31 December 2017
Equity attributable to the owners of the parent	12,800	0	(6,326)	(8,700)	15,026	0	15,026	12,800
Total	12,800	0	(6,326)	(8,700)	15,026	0	15,026	12,800

The net profit of the Banca 5 Payments Business was excluded from the equity-net investment of the period in which the comprehensive income was realized. This exclusion was done as follows:

- the item "Dividends paid" represents the real payments of dividends from Banca 5 to its shareholders;
- the item "Reorganisation" represents the residual amount of the net profit of the Banca 5 Payments Business allocated to Banca 5;
- the item "Other comprehensive income - Valuation reserves" contains a component that arose in 2018, due to the group's investment plan dedicated to employees (POP e LECOIP); this amount has been retained by Banca 5 as well.

(The accompanying notes are an integral part of these Carve-out Financial Statements)

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

1. General information

On July 30, 2019, Sisal Group S.p.A. ("**Sisal Group**") and Banca 5 S.p.A. ("**Banca 5**"), entered into an investment agreement (the "**Investment Agreement**") relating to the creation of a corporate partnership in the retail and digital payment services (the "**Gallo Investment**"). Upon the completion of the Gallo Investment, (i) Sisal Group and Banca 5 will own 70% and 30% of the share capital of Sisal Pay S.p.A. (hereinafter the "**Entity**", or the "**Issuer**"), respectively and (ii) the Issuer shall own the entire share capital of TelCo and PayCo (as defined below), to which the respective business will be contributed.

This process will be carried out through the transfer of:

- the business comprising assets through which the Sisal Group carries out the activity of payment services and services ancillary thereto, as well as other contracts and legal relationships of the Sisal Group pertaining to such activities and services and the business of Sisal S.p.A. and Sisal Point S.p.A. consisting of, inter alia, assets, contracts and legal relationships for the performance of payment services; the shares issued following the contribution of Sisal Group Payments Business to PayCo and TelCo will be in turn contributed and sold to the Issuer in exchange for 70% of the share capital of the Issuer.
- the business consisting of, inter alia, assets, contracts and legal relationships through which Banca 5 carries out its payment services and services ancillary thereto. The shares issued following the contribution of Banca 5 Payments Business to PayCo and TelCo will be in turn contributed and sold to the Issuer in exchange for 30% of the share capital of the Issuer.

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The Banca 5 Payments Business Carve-out Financial Statements (also "**the Carve-out Financial Statement**" or the "**Carve-out**") have been prepared for the purpose of inclusion in the offering memorandum to be prepared in connection with the issuance of senior secured notes by Sisal Pay S.p.A. to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**"), in reliance on Rule 144A and (ii) to non-US persons outside the United States in offshore transactions in reliance on Regulation S.

Although the Carve-out Financial Statements have been prepared for the specific purpose of the transaction described above, such Carve-out Financial Statements do not necessarily represent the segment to be contributed into Sisal Pay S.p.A., since the Carve-out relates to historical balance sheet data which will not necessarily be those included at the date of the contribution, mainly because they are based on accounting criteria (compliant with IAS/IFRS) that could differ from the identification of the segment to be assigned under the Civil Code. For this purpose, where possible, the notes to the Carve-out describe the financial and economic components arising from using the accounting principles to prepare the Carve-out Financial Statements. Such application could lead with some differences between the Carve-out and the segment contributed into Sisal Pay S.p.A.

The Carve-out Financial Statements of Banca 5 Payments Business were approved by the board of directors on October 17, 2019.

2. Summary of accounting policies

2.1. Basis of preparation

These Carve-out Financial Statements present historical financial information.
No pro forma adjustments or re-measurements have been made in the Carve-out Financial Statements, which have been prepared using the carrying amounts presented in the Banca 5 financial statements. All the financial information in the Carve-out is derived from the following audited financial statements prepared by the relevant boards of directors:

- Banca 5: financial statements as at and for the years ended December 31, 2018 and 2017;

The Carve-out Financial Statements were prepared in accordance with the IFRS, which include all International Financial Reporting Standards (IFRS), all International Accounting Standards (IAS) and all interpretation published by the International Financial Reporting Interpretations Committee (IFRIC), previously Standing Interpretations Committee (SIC), which at the date of approval of the Carve-out Financial Statements, had been endorsed by the European Union in accordance with the procedure set forth in EC Regulation No. 1606/2002 of the European Parliament and European Council of July 19, 2002, and in accordance with the specific Carve-out criteria explained below.

2.1. Basis of preparation (continued)

The Carve-out Financial Statements include the statement of financial position, the statement of comprehensive income, the cash flow statement, the statement of changes in equity—net investment and the accompanying notes for the year ended December 31, 2018 and 2017.

The Carve-out Financial statements were prepared based on the going concern assumption, as there were no financial, operational or other indicators suggesting difficulties about the ability of the Banca 5 Payments Business to meet their obligations in the foreseeable future and specifically over the next 12 months. A description of the modalities deployed to manage financial risks is provided below, in Note 3 "Information about financial risks".

In reading the Carve-out Financial Statements it is important to carefully take into account the assumptions and other basis of preparation adopted. In particular, it should be considered that the statement of financial position is influenced by the assumption that the full amount of the net profit of the year has been retained by Banca 5 and not by the Banca 5 Payments Business with the consequence that the current assets do not include the cash generated by the operations with negative impact on the net current asset balance that apparently is negative. Including the cash generated by the operations, the above balance would result positive consistently with the going concern assumption and a financial position adequately balanced.

The Carve-out Financial Statements were prepared in euro, which is the currency of the main economic environment in which the Banca 5 Payments Business operate. All amounts listed in this document are presented in thousands of euro, unless otherwise stated.
The format of the Carve-out Financial Statements and the relative classification criteria adopted by the board of directors of Banca 5, within the framework of the options provided by IAS 1 – Presentation of financial statements are presented below:

- the statement of financial position uses a format classifying the assets and liabilities according to current and non-current;
- the statement of comprehensive income, which classifies costs according to their nature, includes, besides the profit or loss for the year, other non-owner changes in equity;
- the cash flow statement is prepared by recognizing cash flows from operating activities according to the "indirect method";
- the statement of changes in equity—net investment shows the changes in Banca 5 Payments Business equity net investment between the beginning and the end of the reporting period.

The presentation formats used, as specified above, are those that best represent the operating performance, financial position and cash flow of the Banca 5 Payments Business.

The Carve-out Financial Statements were prepared based on the format used by Sisal Group.

2.2. Criteria for the preparation of the Carve-out Financial Statements

The Carve-out Financial Statements were prepared for the purpose of presenting the assets, liabilities, revenues and expenses of Banca 5 that are directly or indirectly attributable to the Banca 5 Payments Business, as described above in these Notes. The allocation of assets, liabilities, revenues and expenses to the Banca 5 Payments Business is based on the allocation criteria summarized below.

Please note that, for the purpose of preparing the Carve-out Financial Statements, whenever a direct allocation of the assets, liabilities, revenues and expenses of the Banca 5 Payments Business could not be determined, the Carve-out economic and financial data were prepared by allocating the amounts of Banca 5 in accordance with specific allocation criteria summarized below.

The allocation criteria applied in the preparation of the Carve-out Financial Statements for the main line items of the statement of financial position and of the statement of comprehensive income are reviewed below.

2.2. Criteria for the preparation of the Carve-out Financial Statements (continued)

Statement of financial position

- a part of property, plant and equipment and intangibles have been directly allocated to the Banca 5 Payments Business, as these items were already specifically attributed to the Banca 5 Payments Business;
- the assets used jointly by the Banca 5 Payments Business and the Banca 5 Banking Business, such as software and other tangible assets, have not been specifically attributed to the Banca 5 Payments Business, and therefore have not been included in the Carve-out Financial Statements in their entirety. A portion of the depreciation and amortization of these assets was transferred to the Banca 5 Payments Business based on specific drivers, such as the Carve-out Net Operating Profit ("NOP") compared with the total NOP of Banca 5 and the numbers of employees transferred to the Banca 5 Payments Business compared to the total number of employees;
- cash and cash equivalents were allocated based on the transactions related to the Banca 5 Payments Business;
- provision for employee severance indemnities was allocated based on numbers of employees transferred to the Banca 5 Payments Business;
- trade and other payables were specifically allocated based on the purchase cost of materials and services of the Banca 5 Payments Business;
- other current assets, mainly composed of accruals, were specifically allocated;
- other current liabilities, mainly composed of accruals, were specifically allocated while payables to employees were allocated based on the number of employees transferred to the Banca 5 Payments Business compared with the total number of employees for Banca 5;
- tax liabilities and deferred tax assets and liabilities were specifically recomputed;
- an equity-net investment amounting to euro 12,8 million was attributed to the Banca 5 Payments Business with the assumption that such amount remains stable in the reporting periods;
- the difference between the assets and liabilities and equity-net investments resulting from the application of the above allocation criteria is represented by an equivalent amount of due to customers of Banca 5, classified as short-term debt; such short-term debt will not be transfer with the Banca 5 Payments Business.

Please note that:

- net investment equity is the difference between the assets and liabilities allocated to the Payments Business as the allocation criteria described above;
- the Carved-out reporting entity is not typically required to present earnings per share (EPS) information.

Statement of comprehensive income

Expenses and revenues were allocated based on the information that comes from analytical accounting data by division or cost center and general accounting data, except for certain items shared by the Banca 5 Payments Business and the Banca 5 Banking Business, for which specific parameters were used to determine the contribution of the Banca 5 Payments Business. More specifically:

- revenues, other income and costs for services were allocated in their entirety except for those referred to Banca 5 Banking Business;
- purchases of materials, consumables and merchandise, cost for leased assets and personnel costs were allocated based on the number of employees transferred to the Banca 5 Payments Business compared with the total number of employees for Banca 5.

The estimates used in the preparation of the Carve-out Financial Statements are consistent with those used to prepare the historical financial statements of Banca 5, the Carve-out Financial Statements were prepared based on information available on the dates when the financial statements of Banca 5 were prepared. Consequently, the Carve-out Financial Statements do not include the effects of events that became known after the abovementioned dates.

2.2. Criteria for the preparation of the Carve-out Financial Statements (continued)

Cash Flow Statement

Cash flow statement for the 2017's financial period was prepared as if 2017 was the first reporting period of the Banca 5 Payments Business; the tangible assets and employee provisions were considered specifically identifiable at the beginning of 2017.

2.3. Accounting policies

A brief description is provided of the most significant accounting policies and principles used in the preparation of the Carve-out Financial Statements.

Property, Plant and Equipment

This category includes technical installations, furniture, furnishings and other fittings.

Tangible assets are initially recognised at purchase cost, inclusive of any ancillary costs directly attributable to the purchase and functioning of the asset, while any other costs are recognised on the statement of comprehensive income. They are then valued at purchase cost, net of the depreciation and long-term impairment of value, after first recognition. Tangible assets are depreciated throughout their useful life on a straight-line basis, at tax rates considered adequate from a statutory point of view. The depreciation quotas are thus recognised on the statement of comprehensive income. If there is an objective loss of value in the asset, a comparison is made between its book value and its recovery value. The relative difference is then shown on the statement of comprehensive income, in the form of an adjustment. If the reasons that led to the recognition of the loss no longer exist, there is a reversal, which may not exceed the value that the asset would have had, net of the depreciation, in the absence of the above-mentioned losses of value.

Finally, when the asset is sold or when the future economic benefits of its use cease to exist, it is cancelled.

The estimated useful life by class of property, plant and equipment is the following:

Class of property, plant and equipment	Useful life in years
Plant	4
Equipment	3
Other assets:	
- Vehicles	5
- Furniture and fixtures	6.66-8.33
- Electronic office equipment	3-5-6.66-8
Leasehold improvements	shorter of the estimated useful life of the asset and the duration of the lease contract

Intangible Assets

As required by IAS 38, the intangible assets within Banca 5 Payments Business portfolio are identifiable, capable of producing future economic benefits, and can be controlled by Banca 5. They are recognised at purchase cost plus the ancillary costs and direct costs needed to prepare the assets for use, if present. Otherwise, the cost of the intangible asset is recognised on the statement of comprehensive income in the year in which it was incurred. The working life of an intangible asset is classed as definite or indefinite. In the first case, the assets are amortised on a straight-line basis in proportion to the estimated useful life, and the total amortisation is recognised on the statement of comprehensive income. The assets undergo an impairment test whenever there are indications of possible loss of value, and when the financial statements or interim reports are prepared. If there are losses of value in excess of the presumed realisation value, the assets are written down to reflect the realisation value. In the second case (intangible assets with indefinite life), an impairment test is carried out at least once a year in order to identify possible reductions in value, in accordance with IAS 36—*Impairment of Assets*. Intangible assets with an indefinite life, no amortisation is recognised, but the recoverable value is estimated. The total loss is then recognised on the statement of comprehensive income in an amount equal to the difference between the asset's book value and the recoverable value. The intangible asset is eliminated from the statement of assets and liabilities when it is disposed of or is unable to generate future economic benefits.

2.3. Accounting policies (continued)

The table shows the amortisation criteria used for each category:

Class of intangible assets	Useful life in years
Software user licenses	3

Cash and cash equivalents

Cash and cash equivalents include cash and available bank deposits and other forms of short-term investments, with original due dates equal to or less than three months. Cash and cash equivalents are recorded, according to their nature, at their nominal amount or at amortized cost.

Debt and other financial liabilities

Amounts due to banks and due to customers include various forms of funding on the interbank market and with customers. Initial recognition of these financial liabilities occurs at the date of subscription of the contract, which usually coincides with the time of collection of the sums deposited. Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/ revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded. After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.

An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount. Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the statement of comprehensive income. Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price.

Employee benefits

Employee benefits are defined as all forms of consideration given by an entity in exchange for service rendered by employees. Employee benefits are divided into:

- short-term benefits (other than termination benefits or equity compensation benefits) that are expected to be paid in full within twelve months after the end of the period in which the employees render the related service and recognised in full through profit or loss when they become due (this category includes, for example, wages, salaries and “extraordinary” benefits);
- post-employment benefits payable after the conclusion of employment that require the entity to provide future benefits to employees. These include employee termination indemnities and pension funds, which are in turn divided into defined contribution plans and defined benefit plans or entity pension funds;
- termination benefits, i.e. compensation that the entity recognises to the staff members upon termination of the employment agreement, following the entity’s decision to terminate the employment relationship prior to the normal retirement date;
- long-term benefits, other than those above, that are not expected to be paid in full within twelve months after the end of the period in which the employee rendered their service. The long-term incentive plans adopted (the POP and the LECOIP) fall within the scope of IFRS 2 and qualify as equity-settled share-based payment plans.

The Performance-based Option Plan (“**POP**”) and LECOIP (Leveraged Employee Co-Investment Plan) are long term incentive plans launched by Intesa Sanpaolo S.p.A. in 2018 up to 2021 addressed to top managers, risk takers and key managers and to managers and the remaining personnel, respectively.

The POP is based on financial instruments linked to shares (call options) and subject to the achievement of the key performance conditions of the Business Plan as well as subordinated to gateway conditions and individual access (compliance breach).

2.3. Accounting policies (continued)

The LECOIP, targeted at managers and the remaining personnel, aimed at enabling the sharing of the value created over time, at every level of the organization, as a result of the achievement of the objectives of the Business Plan and fostering the identification (ownership) and the spirit of belonging to Intesa Sanpaolo Group.

Both the long-term incentive plans in question (the POP and the LECOIP) fall within the scope of IFRS 2 and qualify as equity-settled share-based payment plans.

Recognition of revenues

In accordance with IFRS 15, revenues are gross flows of economic benefits deriving from the performance of the entity's ordinary business and are recognised when control of the goods or services is transferred to the customer, at an amount that represents the amount of consideration that the entity considers it is entitled to. In particular, revenues are recognised by applying a model that must meet the following criteria:

- identification of the contract, defined as an agreement in which the parties are committed to perform their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sale prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is satisfied by transferring a promised good or service to a customer.

The transaction price is the amount to which an entity expects to be entitled in exchange for the transfer of goods and services promised. It may include fixed or variable amounts or both. Revenues from variable fees are recognised in the statement of comprehensive income if they can be reliably estimated and only if it is highly likely that all or a significant part of this fee will not need to be reversed from the statement of comprehensive income in future periods. Where there is a high level of uncertainty related to the nature of the consideration, it will be recognised only when this uncertainty is resolved.

Revenues may be recognised:

- at a specific point in time, when the entity satisfies a performance obligation by transferring a promised good or service to the customer, or
- over time, as the entity satisfies a performance obligation by transferring a promised good or service to the customer.

The good is transferred when, or in the period when, the customer acquires control of the good.
In particular:

- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost;
- overdue interest, which may be provided for by the relevant contracts, is recorded in the statement of comprehensive income solely at the time of collection;
- dividends are posted in the statement of comprehensive income in the financial year when their distribution is approved;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. Commission income included in the amortised cost for the purposes of determining the effective interest rate is recognised under interest;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, or when the performance obligation towards the customer is satisfied.

2.3. Accounting policies (continued)

Costs are recognised in the statement of comprehensive income on an accrual basis. Costs relating to the receipt and performance of contracts with customers are recognised in the statement of comprehensive income in the periods when the related revenues are recognised.

The introduction of IFRS 15 had no significant impacts on the Carve-out Financial Statements.

Income taxes

Current and deferred income taxes are calculated on the basis of the current tax rates which are shown on the statement of comprehensive income, with the exception of those relating to items debited or charged directly to net equity, through the comprehensive statement of comprehensive income. The provision for income taxes is determined according to a forecast of the current and deferred tax liability. Deferred taxes are determined on the basis of the temporary differences between the value given to an asset or liability, on the basis of statutory and accounting criteria, and the corresponding values assumed for fiscal purposes. Deferred tax assets relating to temporary deductible differences or future tax benefits obtainable from the carryforward of tax losses are recognised on the financial statements to the extent that there is a reasonable certainty that they will be recovered. This is assessed on the basis of Banca 5 Payments Business ability to continue to generate taxable income in future years. Deferred taxes are recognised with open balances and no offsetting in the item "Tax asset" and "Tax liabilities". The assets and liabilities recognised for deferred taxes are systematically valued, and may be adjusted to take into account any changes to the tax regulations.

2.4. Standards and interpretations

IFRS endorsed and adopted as at December 31, 2018 in force since 2018

Regulation endorsement	Title	Effective date
1905/2016	IFRS 15 Revenue from contracts with customers	01/01/2018 First financial year starting on or after 01/01/2018
2067/2016	IFRS 9 Financial instruments	01/01/2018 First financial year starting on or after 01/01/2018
1987/2017	Amendments to IFRS 15 Revenue from contracts with customers	01/01/2018 First financial year starting on or after 01/01/2018
1988/2017	Amendments to IFRS 4 Insurance contracts	01/01/2018 First financial year starting on or after 01/01/2018
	Amendments to IAS 28 Investments in associates and Joint ventures	01/01/2018 First financial year starting on or after 01/01/2018
182/2018	Amendments to IFRS 1 First-time adoption of International Financial Reporting	01/01/2018 First financial year starting on or after 01/01/2018
	Amendments to IFRS 12 Disclosure of interest in other entities	01/01/2018 First financial year starting on or after 01/01/2018
289/2018	Amendments to IFRS 2 Share-based payment	01/01/2018 First financial year starting on or after 01/01/2018
400/2018	Amendments to IAS 40 Investment property	01/01/2018 First financial year starting on or after 01/01/2018
519/2018	IFRIC 22 Foreign currency transactions and advance	01/01/2018 First financial year starting on or after 01/01/2018

2.4. Standards and interpretations (continued)

IFRS endorsed and adopted as at December 31, 2018 applicable subsequent to December 31, 2018

Regulation endorsement	Title	Effective date
1986/2017	IFRS 16 Leasing	01/01/2019 First financial year starting on or after 01/01/2019
498/2018	Amendments to IFRS 9 Financial instruments	01/01/2019 First financial year starting on or after 01/01/2019
1595/2018	IFRIC 23 Uncertainty over income tax treatments	01/01/2019 First financial year starting on or after 01/01/2019

IFRS not endorsed as at December 31, 2018

Standard/ Interpretation	Title	Date of issue
IFRS 17	Insurance Contracts	18/05/2017

Standard/ Interpretation	Amendments	Date of issue
IAS 28	Long-term Interest in Associates and Joint Ventures	12/10/2017
IFRS 3	Business Combination	12/10/2017
IFRS 11	Joint Arrangement	12/10/2017
IAS 12	Income Taxes	12/10/2017
IAS 23	Borrowing Costs	12/10/2017
IAS 19	Plan Amendment, Curtailment or Settlement	07/02/2018
(*)	Amendments to References to the Conceptual framework in IFRS Standards	29/03/2018
IFRS 3	Definition of a Business	22/10/2018
IAS 1	Definition of Material	31/10/2018
IAS 8	Definition of Material	31/10/2018

(*) The document amends references to Conceptual Framework in IFRS2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32

2.5. Adoption of the new standards IFRS 9, IFRS 15 and IFRS 16

IFRS 15 "Revenue from contracts with customers"

The regulatory provisions of IFRS 15 "Revenue from Contracts with Customers" and "Clarifications to IFRS 15" issued by the IASB respectively on September 11, 2015 and April 12, 2016, were endorsed by Regulations 2016/1905 and 2017/1987, issued by the European Commission on September 22, 2016 and October 31, 2017. The provisions of the standard were effective from January 1, 2018.

The main issues covered by the standard, reported below, were analyzed with reference to revenues for the year:

(i) identification of the performance obligations and allocation of the transaction price to the same;

(ii) identification of timings to satisfy the performance obligations (over time or at a point in time);

(iii) valuation of the supply of goods and/or services as principal or agent;

(iv) valuation of any presence of significant financial components;

(v) at the time of recognition of the revenue, evaluation of the probability that the entity will receive the compensation in exchange of the provision/service rendered to the customer.

With regard to the introduction of IFRS 15, the analyses conducted found that, in general, the accounting treatment of the main cases of revenues from contracts with customers was already in line with the provisions of

2.5. Adoption of the new standards IFRS 9, IFRS 15 and IFRS 16 (continued)

the new standard and, consequently, no significant impacts were identified at accounting level on the Carve-out Financial Statements.

IFRS 9 "Financial Instruments"

By regulation no. 2016/2067, issued by the European Commission on November 22, 2016, the regulatory provisions of IFRS 9 – "Financial Instruments", issued by the IASB on July 24, 2014, were endorsed, together with the related Basis for Conclusions and Application Guidance, replacing all previous versions of the standard issued. The provisions of these documents will replace those contained in IAS 39 – "Financial Instruments: Recognition and Measurement". IFRS 9 is structured into the three different areas of classification and measurement of financial instruments, impairment and hedge accounting. In the first area, IFRS 9 requires the classification of financial assets to be guided, on the one hand, by the characteristics of the related contractual cash flows and, on the other hand, by the business model for which the assets are held. In replacement of the current four accounting categories, under IFRS 9 financial assets may be classified into three categories, according to the drivers indicated above: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (for debt instruments, the reserve is transferred to profit or loss in the event of disposal of the instrument) and, lastly, financial assets measured at fair value through profit or loss. The financial assets can be recognised in the first two categories and can, therefore, be measured at amortised cost or at fair value through other comprehensive income, only if it is demonstrated that they give rise to cash flows that are "solely payments of principal and interest" (SPPI Test). Equity instruments are always recognised in the third category and measured at fair value through profit or loss unless the entity elects (irrevocably, upon initial recognition), for equities not held for trading, to present changes in value in other comprehensive income, never to be transferred to profit or loss, even in the event of the disposal of the financial instrument (Financial assets designated at fair value through other comprehensive income without "recycling").

There are no major changes with respect to the classification and measurement of financial liabilities under the current standard. The sole change relates to the accounting treatment of own credit risk: for financial liabilities designated at fair value (fair value option liabilities), the standard requires that changes in fair value attributable to the change in own credit risk be recognised through other comprehensive income, unless this treatment creates or increases an accounting mismatch in profit or loss, whereas the remaining amount of changes in the fair value of the liabilities must be recognised in profit or loss. With respect to impairment, a model has been introduced for instruments measured at amortised cost and fair value through other comprehensive income (other than equity instruments) based on the concept of "expected loss" instead of the current "incurred loss", with the aim of recognising losses in a more timely manner. IFRS 9 requires that entities recognise expected losses in the next 12 months (stage one) starting from initial recognition of the financial instrument. The time horizon for calculating expected losses is the entire residual life of the asset being measured if credit risk has increased "significantly" since initial recognition (stage 2) or if it is impaired (stage 3). More specifically, the introduction of the new impairment rules involves the:

- allocation of performing financial assets to different credit risk stages (staging), which correspond to value adjustments based on 12-month Expected Credit Losses (ECL) (Stage 1), or lifetime ECL over the remaining duration of the instrument (Stage 2), if there is a significant increase in the credit risk (SICR) determined by comparing the Probabilities of Default at the initial recognition date and at the reporting date;
- allocation of the non-performing financial assets to Stage 3, again with value adjustments based on the lifetime ECL;
- inclusion of forward-looking information in the calculation of the ECL, also consisting of information on the evolution of the macroeconomic scenario.

No significant impacts were identified from the application of IFRS 9 on the Carve-out Financial Statements.

IFRS 16 "Leases"

The new accounting standard IFRS 16, issued by the IASB in January 2016 and endorsed by the European Commission through Regulation no. 1986/2017, replaced IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC 15 Operating leases – Incentives and SIC 27 Evaluating the substance of transactions in the legal form of a lease, with effect from January 1, 2019, and established the requirements for

2.5. Adoption of the new standards IFRS 9, IFRS 15 and IFRS 16 (continued)

accounting for lease contracts. In accordance with the new standard, entities are required to decide whether a contract is (or contains) a lease, based on the concept of control of the se of an identified asset for a period of time. As a result, rental, hire or loan for use, previously not considered as leases, may now also come under the scope of the rules for leases. In view of the above, significant changes have been made to the accounting for lease transactions in the financial statements of the lessee/user, with the introduction of a single accounting model for lease contracts for the lessee, based on the right of use model. Specifically, the main change consists of the elimination of the distinction between operating and finance leases, established by IAS 17: all lease contracts must therefore be accounted for in the same way with the recognition of an asset and a liability. Unlike the current standards, the accounting model envisages the recognition of the right of use of the leased asset under the balance sheet assets and the liabilities for lease payments not yet paid to the lessor under the balance sheet liabilities. The method of recognition of the profit or loss components has also changed: in IAS 17 lease payments are shown under the caption administrative expenses, whereas under IFRS 16 the charges relating to the amortisation of the "right of use" and the interest expense on the payable are recognised.

In terms of disclosure, the minimum information required from the lessees includes:

- the sub-division of the leased assets among different "classes";
- an analysis by due date of the liabilities related to the leases;
- the information that is potentially helpful for a better understanding of the entity's activities with regard to the lease contracts (for example, prepayment or extension options).

However, there are no substantial changes, other than some additional disclosure requirements, for the accounting for leases by the lessors, where the current distinction is maintained between operating leases and finance leases.

In addition, in accordance with the requirements of IFRS 16 and the IFRIC clarifications ("Cloud Computing Arrangements" document of September 2018), software has been excluded from the scope of IFRS 16 and will therefore be accounted for in accordance with IAS 38 and its requirements. From January 1, 2019, the effects on the financial statements resulting from the adoption of IFRS 16 can be identified for the lessee – with the same final income and cash flows – as an increase in the assets recorded in the financial statements (leased assets), an increase in the liabilities (the payable for the leased assets), a reduction in administrative expenses (lease payments) and an accompanying increase in financial costs (the remuneration of the payable recognised) and depreciation (relating to the right of use). With regard to the income statement, when the entire term of the contracts is considered, the economic impact does not change over the period of the lease, both when the former IAS 17 or the new IFRS 16 are applied, but its distribution over time is different. In 2018, Banca 5 carried out a specific project for the implementation of IFRS 16 – Leases, aimed at examining and determining the qualitative and quantitative impacts, and identifying and implementing the practical and organisational measures required for consistent, systematic and effective adoption.

No significant impacts were identified from the application of IFRS 16 on the Carve-out Financial Statements as lease contracts will not be transferred to the Banca 5 Payments Business.

3. Information about financial risks

Banca 5's risk control model provides that the potential risks that could compromise the furtherance of the organisation's objectives are identified and evaluated on an ongoing basis. To this end, the model controls and manages the risks to which Banca 5 is or may be exposed using methods and processes that are effective throughout all phases of the economic cycle. Banca 5's risk control model can detect, measure and continuously verify the typical risks of the business, in line with the provisions of the law and regulations, while pursuing the objective of ensuring sound and prudent management combining the profitability of the organisation with a coherent assumption of risk and operations that are dictated by the principles of fairness and transparency.

Liquidity risk

During 2018 Banca 5 continued its adaptation and improvement of the monitoring and management methods used for this type of risk, also in the wake of the regulatory developments introduced by the national and european regulators.

3. Information about financial risks (continued)

In these activities Banca 5 relied on partners and tools recognised as leaders in the sector (Prometeia—Suite Ermas), and also took into account the strictly regulatory aspects (regulatory measurement of risk and related statistical reports) and the operational aspects, based on Banca 5's particular business model. In the second half of 2014 Banca 5 put in place a set of risk indicators aimed at highlighting possible criticalities in the management of liquidity, as well as a Maturity Ladder, similar to the ladder of contractual dates, but with several deterministic adjustments in order to better describe its specific operations. The Contingency Funding Plan was also revised in September 2015. The object of this plan is to safeguard Banca 5's assets against loss or risk following a liquidity crisis, and to guarantee business continuity, by setting out appropriate intervention strategies. Banca 5 paid particular attention to liquidity management in order to guarantee an adequate level of balanced liquidity and to ensure the equilibrium of short-term cash flows. In this regard, processes have been put in place that guarantee:

- a balanced liquidity profile in relation to the development and management of commercial, lending and financial policies;
- knowledge of the liquidity risks, by the division is responsible for managing and controlling them;
- a prior assessment of the impact of any new product or project that is relevant in terms of Banca 5's liquidity;
- the limitation of liquidity risk by means of appropriate strategies aimed at the ordinary management of financial commitments and the survival of possible shocks to the specific systemic liquidity (Contingency Funding Plan);
- an adequate system of liquidity monitoring and management;
- stress tests, carried out using quantitative and qualitative techniques, in order to evaluate Banca 5's vulnerability to extraordinary but possible events;
- adequate flows of information about the trend in liquidity risk management.

Operational Risk

Regulatory purposes, the BIA (Basic Indicator Approach) was used to determine the capital requirements for operational risks. This requires the determination of capital absorption at the rate of 15% for the three-year average of the "significant indicator" as laid down in Article 316 of European Regulation 575/2013 (CRR). The above article identifies the elements (identified with positive or negative sign as the case may be) which should be considered when calculating this indicator. This calculation method came into force from the report of December 31, 2014, replacing what had previously been established in Banca 5 of Italy Circular 263/2006 as updated, in which the indicator representing Banca 5's level of business was represented by the IAS intermediation margin (item 120 on the statement of comprehensive income). However, taking into account the core business of Banca 5, there is no significant difference between the two values stated above. Banca 5 has defined the operational framework for the management of operational risks, determining the organisational processes for their measurement, management and control. Banca 5's operational risks are monitored by the Risk Management division which is responsible for elaborating the methods the risk measurement and the processing of loss data. It also prepares the relevant reports.

Banca 5 has implemented a structured series of processes, functions and resources to identify, evaluate and control risks, in order to ensure effective prevention and mitigation. The corporate governance system requires each Division to take a proactive approach to managing the operational risks of its activities, by putting in place appropriate procedures and controls. The Risk Management division provides ongoing, independent monitoring of operational risk, and minimises the impact on the statement of comprehensive income by means of appropriate control activities.

Banca 5 controls operational risks through a corporate structure that includes areas of competence and defined responsibilities, to guarantee the segregation of roles between control and operational functions. It has also put in place a system of internal controls that involves the adoption of final and forecast risk monitoring methods.

3. Information about financial risks (continued)

By virtue of the changes introduced by the 15th update to Banca 5 of Italy Circular 263/2006, which was then incorporated into Banca 5 of Italy Circular 285/2013 as updated, the following risks have also been included in the management model described above:

- IT risk: the risk of error, contraventions, interruptions or damage and loss resulting from the use of information and communication technology (ICT). IT risk is considered a subcategory of operational risk;
- compliance/legal risk: the risk of violating laws, regulations, standards, agreements, practices or ethics. Legal and compliance risks are considered a subcategory of operational risk.

The internal regulations provide for a system of controls based on the following activities:

- the identification and classification of risks through a detailed mapping of operational risks, their nature, potential impact in terms of frequency and gravity, and controls designed to mitigate their effects. This process is periodically performed by divisions of the organisation, and is supported by the Risk Management Division;
- the collation of operational events, including measurement of the frequency with which the risks manifest, and their economic impact. The collation of management information (accounting and operational) which gives a better understanding of the processes that led to any irregularities and is aimed at identifying interventions, both procedural and in terms of the information systems, which could limit the organisational or accounting impact. Accounting information such as losses, recoveries, provisions or releases of funds provides fundamental information for the development of controls aimed at reducing significant risks. It is also archived and recorded in dedicated Information Systems;
- the use of operational risk indicators (which are defined and elaborated by the Risk Management division), mainly focused on the key processes, which if monitored could avoid or simply flag up in advance any operational risk event. The alert thresholds are identified and approved with the other divisions of the organisation and are periodically reviewed;
- specific analysis carried out by the Risk Management division, at the initiative or at the request of Banca 5's divisions, in order to identify possible areas of improvement for processes or systems;
- the definition of mitigation actions based on the results of the above activities such as process reviews, the upgrading of systems in place, or the adoption of specific safeguarding policies;
- the implementation of a monitoring system focused on core customers and related to the methods by which Banca 5's collection and payment services are offered;
- the development and maintenance of a Business Continuity and Disaster Recovery plan;
- a system of reports given to top management, the board of directors and the board of statutory auditors, which ensures that operational risks are knowingly accepted and that they are kept within the defined limits.

In terms of the governance of these risks, it should be noted that Banca 5 has adopted the 231/2001 Organisational Model, and has therefore set up a supervisory body, which is the board of statutory auditors. This further reinforces Banca 5's system of internal controls and will make a specific contribution to mitigating Banca 5's exposure to operational and reputational risks.

Capital risk

Banca 5 Payments Business takes the necessary measures to maintain adequate capital coverage for its strategic lines of growth. Banca 5's capital monitoring activity takes into account the possibility of possible tensions. Maintaining an adequate capital endowment enables Banca 5 to seek new growth opportunities based on its intention to continue the current growth trend.

The capital resources used by Banca 5 consist of the capital paid, the reserves, and the profits from the current year. Compliance with the application of mandatory capital requirements as laid down in the regulations on capital and prudential coefficients is assured by the departments tasked with this obligation, and reports are issued quarterly.

3. Information about financial risks (continued)

Fair value measurement

The application of IFRS 13, which governs the measurement of fair value and related disclosures, became obligatory. This standard is intended to harmonise and unify the rules on the measurement of fair value with the related information, and has three main objectives:

- to clearly communicate the objectives of the measurement of the fair value by defining the concept itself and by setting out the relevant provisions;
- to reduce the complexity of application by determining a series of provisions for all fair value valuations imposed or required in connection with IAS/IFRS;
- to improve the information about fair value in order to enable the readers of the financial statements to better understand how fair value is applied, and the input used to determine it.

The standard defines the fair value of the price that should be received from the sale of an asset are paid for the transfer of a liability in an ordinary transaction between market operators, on the valuation date. The fair value is not therefore one for which it is necessary to stand in the shoes of the buyer or the seller, but is an “exit price” under current market conditions, regardless of whether the price is directly observable or whether it is estimated using valuation techniques.

The standard supplies the criteria to be used in measuring fair value with reference to the following main aspects:

- identification of the assets and liabilities;
- the type of transaction and the price;
- the market operators;
- the valuation techniques;
- the fair value hierarchy level.

There are also specific provisions for certain types of instruments such as non-financial assets, liabilities and own shares, and managed financial assets and liabilities such as net exposures to market and credit risks. For the purposes of measuring the fair value of assets and liabilities (financial and non), IFRS 13 establishes a three-tier fair value hierarchy based on whether or not the market parameters are observable.
Three different input levels have been identified:

- Level 1: prices taken from active markets – the valuation is made on the basis of the unadjusted list prices on active markets for identical assets or liabilities;
- Level 2: valuation methods based on observable market parameters – the valuation is based on the prices that can be deduced from the prices of similar assets, or using valuation techniques for which all the significant factors including spreads and liquidity can be taken from observable market data. This level implies a limited amount of discretion in the valuation, as all the parameters used are taken from the market (the same asset and the similar security) and the calculation methods allow the replication of the prices on active markets;
- Level 3: valuation methods based on non-observable market parameters – the determination of fair value uses valuation techniques that are based to a significant extent on significant input that cannot be deduced from the market and therefore requires estimates and assumptions from Management.

The choice between the above method is not optional, as they must be applied in hierarchical order: absolute priority is given to the official prices available on the active markets for the assets and liabilities to be valued (Level 1), or for assets and liabilities measured on the basis of valuation techniques that refer to observable parameters on the market other than the prices of the financial instrument (Level 2), and lower priority is given to assets and liabilities whose fair value is calculated according to valuation techniques that are based on non-observable parameters with a greater level of discretion (Level 3). The valuation method used for a financial instrument is adopted on an ongoing basis and is only changed if there are significant variations in the market conditions, or in the individual conditions of the issuer. In determining the fair value, Banca 5 uses—where available—information based on market data obtained from independent sources, as this is considered the best

3. Information about financial risks (continued)

evidence of the fair value. In such a case, the fair value is the market price of the instrument being valued, in other words without modifications or recomposition, which can be deduced from the prices on an active market (and classified in Level 1 of the fair value hierarchy). A market is considered active when the operations occur with sufficient frequency and volumes to provide useful information in determining the price on an ongoing basis. If no prices can be directly observed from the active markets, valuation techniques must be used that maximised the recourse to the available information, using the comparable approach or, in the absence of observable transaction prices for the asset in question over similar instruments, the model valuation approach.

4. Use of estimates

The preparation of the Carve-out Financial Statements requires recourse to estimates and assumptions which may have significant effects on the values recognised, and on the information relating to the potential assets and liabilities shown. The elaboration of these estimates implies the use of the available information and the adoption of subjective assumptions based on past experience, used to formulate reasonable assumptions for the reporting of operational events. By their nature, the estimates and assumptions may vary from year to year, and therefore it is possible that in subsequent years the current values recognised on Carve-out Financial Statements may differ significantly as a result of changes in the subjective valuations used. The main cases in which subjective valuations need to be used by entity management are: the valuation of the fair value of intangible assets, the quantification of personnel funds.

5. Notes to Statement of Comprehensive Income

5.1. Revenues

in euro thousands	Year ended December 31, 2018	Year ended December 31, 2017
Revenues	132,982	144,265
Supply chain/other revenues	1,250	1,291
Total	**134,232**	**145,556**

Supply chain and other revenues mainly refer to grants paid for the terminals installation.

Revenues for services are analyzed as follows:

Revenues for services

in euro thousands	Year ended December 31, 2018	Year ended December 31, 2017
Telco	5,808	8,029
Bill payments	86,895	100,166
Prepaid cards	25,772	20,113
Affiliation fee	14,199	15,954
Other	308	3
Total	**132,982**	**144,265**

The decrease of revenues for Telco is due to the decreasing volume of telephone top-up transactions but this decline is recovering in December 2018; the decrease of revenue for bill payments is due to the closure of the "Voucher INPS" service in the previous year. The increase of revenues for Prepaid cards is due to the increasing volume of prepaid refills transactions; this service rappresents a significant share of the revenues.

5.2. Purchases of materials, consumables and merchandise

This item is composed as follows:

in euro thousands	Year ended December 31, 2018	Year ended December 31, 2017
Material purchases	(96)	(130)
Sundry materials purchases	(102)	(226)
Total	**(198)**	**(356)**

All the above costs are specifically attributable to the Banca 5 Payments Business.

5.3. Costs for services

This item is composed as follows:

in euro thousands	Year ended December 31, 2018	Year ended December 31, 2017
Marketing and commercial expenses	(3,012)	(1,012)
Commercial services	**(3,012)**	**(1,012)**
Sales channel – Payment services	(96,279)	(104,831)
Other	(6,148)	(5,184)
Other services	**(102,427)**	**(110,015)**
Total	**(105,439)**	**(111,027)**

The sales channel-payment services costs are almost totally specifically attributable to the Banca 5 Payments Business. Marketing and commercial expenses include the cost of the exhibition space contribution with tobacco seller. The total cost of these agreements until June 30, 2018 equal to euro 2,808 thousands were affected by the costs incurred to promote and develop the new services; from July 1, 2018 such costs decreased to euro 711 thousands as a result of new agreements with tobacco seller. The decrease of sales channel—payment services is due to the closure of the "Voucher INPS" service in the previous year consistent with what already detailed in the revenues comments.

5.4. Cost for Leased assets

This item is composed as follows:

in euro thousands	Year ended December 31, 2018	Year ended December 31, 2017
Building leases	(435)	(383)
Other rentals and operating leases	(1,308)	(611)
Total	**(1,743)**	**(994)**

Building leases and other rentals and operating leases are costs attributable to the Banca 5 Payments Business that include the expenses associated with the use of the shared assets. The related lease contracts will not be transferred to the Banca 5 Payments Business.

5.5. Personnel costs

This item is composed as follows:

in euro thousands	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and wages	(5,639)	(4,906)
Social security contributions	(1,242)	(1,134)
Employee severance indemnities	(98)	(127)
Other personnel costs	(1,197)	(1,140)
Total	**(8,176)**	**(7,307)**

The above personnel costs are allocated to the Banca 5 Payments Business proportionately to the number of employees that will be transferred.

5.6. Other operating costs

This item is composed as follows:

in euro thousands	Year ended December 31, 2018	Year ended December 31, 2017
Other taxes and duties	(9)	(8)
Gifts and donations	(1)	(1)
Sundry operating costs	(25)	(23)
Total	**(35)**	**(32)**

5.7. Depreciation of property, plant and equipment and amortization of intangible assets

This item is composed as follows:

in euro thousands	Year ended December 31, 2018	Year ended December 31, 2017
Depreciation of property, plant and equipment	(4,639)	(3,392)
Total	**(4,639)**	**(3,392)**

The increase of depreciation of property, plant and equipment is mainly due to the higher level of tangible assets purchases during 2018.

5.8. Income taxes

This item is composed as follows:

in euro thousands	Year ended December 31, 2018	Year ended December 31, 2017
Current taxes	(4,556)	(7,530)
Deferred tax assets and liabilities	9	108
Total	**(4,547)**	**(7,422)**

5.8. Income taxes (continued)

The reconciliation of tax rate as follows:

Reconciliation of tax rate

in euro thousands	Year ended December 31, 2018	Year ended December 31, 2017
Profit (loss) before income taxes	14,002	22,448
Nominal tax rate	33.07%	33.07%
Theoretical tax using the nominal tax rate	4,630	7,424
Other changes	(9)	(108)
IRES tax	3,637	6,175
IRAP tax	919	1,355
Total effective tax expense	**4,547**	**7,422**

Note:
IRES: corporate income tax
IRAP: regional business tax

6. Notes to Statement of Financial Position

6.1. Property, plant and equipment

The composition and changes in this item are as follows:

in euro thousands	Land and Buildings	Plant and equipment	Industrial equipment	Other assets	Property, plant and equipment under construction	Total property, plant and equipment
Initial allocation on Payment Business	**0**	**0**	**0**	**24,280**	**0**	**24,280**
Investments	0	300	0	6,143	0	6,443
Depreciation, amortization	0	0	0	(3,392)	0	(3,392)
Net Amount at 31 December 2017	**0**	**300**	**0**	**27,031**	**0**	**27,331**
Investments	0	208	0	7,987	0	8,195
Depreciation, amortization	0	0	0	(4,639)	0	(4,639)
Net Amount at 31 December 2018	**0**	**508**	**0**	**30,379**	**0**	**30,887**

The 2017 and 2018 investments are mainly due to the replacement of the terminals provided to the tobacco seller. These terminals have a useful estimated life of 5 years.

6.2. Intangible assets

The composition and changes in this item are as follows:

in euro thousands	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Intangible assets in progress and advances	Total Intangible assets
Investments	0	283	0	0	283
Net Amount at 31 December 2018	**0**	**283**	**0**	**0**	**283**

6.3. Deferred tax assets and liabilities

This item can be broken down as follows:

in euro thousands	As of December 31, 2018	As of December 31, 2017
Deferred tax assets	15	96
Net amount	**15**	**96**

Net changes in this item are as follows:

Deferred tax assets and liabilities - net changes

in euro thousands	
Charge/release to income statement	108
Charge/release to statement of comprehensive income	(12)
Net Amount at 31 December 2017	**96**
Charge/release to income statement	(98)
Charge/release to statement of comprehensive income	17
Net Amount at 31 December 2018	**15**

Deferred tax assets are summarized in the following table:

Deferred tax assets

	As of December 31, 2018		As of December 31, 2017	
in euro thousands	Temporary differences (Amount)	Tax effect	Temporary differences (Amount)	Tax effect
Other temporary differences	15	4	96	26
Total deferred tax assets	**15**	**4**	**96**	**26**

No data related to Deferred tax liabilities to report.

6.4. Cash and cash equivalents

This item is composed as follows:

6.4. Cash and cash equivalents in hand

in euro thousands	As of December 31, 2018	As of December 31, 2017
Bank and postal accounts	1,350	1,498
Total	**1,350**	**1,498**

The balance relating to bank and postal accounts represents investments of cash with the Central Banks.

6.5. Other current assets

This item is composed as follows:

in euro thousands	As of December 31, 2018	As of December 31, 2017
Prepaid expenses	41	0
Other receivables from third parties	5,178	6,706
Total	**5,219**	**6,706**

Other receivables from third parties mainly includes accruals related to revenues on bill payments and other acquiring receivables.

6.6. Equity - Net Investment

in euro thousands	As of December 31, 2018	As of December 31, 2017
Equity - Net Investment	12,800	12,800

6.7. Provision for employee severance indemnities

The changes in this item are as follows:

in euro thousands	As of December 31, 2018	As of December 31, 2017
Initial balance	**955**	**1,039**
Current costs	98	127
Actuarial (gains) losses	(30)	(178)
Contributions made - Benefits paid	(91)	(33)
Final balance	**932**	**955**

The provision includes the effects of the present value calculation required by IAS 19.

6.8. Trade payables and other payables

This item is composed as follows:

in euro thousands	As of December 31, 2018	As of December 31, 2017
Payables to suppliers	3,379	2,202
Payables to partners for services	9,656	5,314
Total	**13,035**	**7,516**

6.9. Short-term debts

The difference between the assets and liabilities and equity—net investments resulting from the application of the allocation criteria (explained in the Criteria for the preparation of the Carve-out Financial Statements) is represented by an equivalent amount of due to customers of Banca 5, classified as short-term debt; such short-term debts will not be transferred with the Banca 5 Payments Business.

Short-term debts accrued interests that do not figure in the Statement of comprehensive income because they are considered less than insignificant.

6.10. Taxes payables

This item is composed as follows:

in euro thousands	As of December 31, 2018	As of December 31, 2017
Payables for IRAP tax	919	1,355
Payables for IRES tax	3,637	6,175
Total	**4,556**	**7,530**

6.11. Other current liabilities

This item is composed as follows:

in euro thousands	As of December 31, 2018	As of December 31, 2017
Payables to employees	240	266
Other current liabilities	1,466	1,341
Other taxes payable	176	208
Total	**1,882**	**1,815**

7. Related party transactions

In application of IAS 24, the related party transactions are the relations with the companies, which are shareholders of Banca 5, or controlled by/affiliated to shareholder companies with at least one representative on the entity's board of directors and other related parties as of December 31, 2018 and December 31, 2017.

These relations, which do not include any atypical or unusual transactions, were settled at normal market conditions.

In relation to costs/revenues with the parent company Intesa Sanpaolo S.p.A., there are costs for services amounting to euro 4,869 thousands, indirect personnel costs amounting to euro 90 thousands, revenues equal to euro 521 thousands. In addition, with regard to ISGS company there are costs for services for euro 42 thousands and indirect personnel costs equal to euro 135 thousands in 2018.

With the company Sec Servizi there are costs for services amounting to euro 671 thousands in 2018.

8. Significant events occurring after the end of the year

No significant subsequent events occurred other than the events described in the Carve-out Financial Statements.

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