## IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") OR (2) NON U.S. PERSONS OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S ("**REGULATION S**") UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE (A "**MEMBER STATE**") OF THE EUROPEAN ECONOMIC AREA ("**EEA**") OR IN THE UNITED KINGDOM (THE "**UK**"), NOT RETAIL INVESTORS (AS DEFINED BELOW)).

**IMPORTANT:** You must read the following before continuing. The following applies to the offering memorandum (the "**Offering Memorandum**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

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

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of Your Representation:** In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities described in this Offering Memorandum, either you or the customer you represent must be either (1) a QIB or (2) a non-U.S. person purchasing the Notes outside of the United States in an offshore transaction in reliance on Regulation S (provided that investors resident in a Member State of the EEA must be qualified investors (within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and any relevant implementing measure in each Member State of the EEA) and not retail investors (as defined below) and investors resident in the UK must be qualified investors pursuant to the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK Prospectus Regulation**"). The Offering Memorandum is being sent at your request. By accepting this e-mail or other electronic transmission and by accessing the Offering Memorandum, you shall be deemed to have represented to us and the initial purchasers set forth in this Offering Memorandum (collectively, the "**Initial Purchasers**") that:

(1) you consent to delivery of such Offering Memorandum by electronic transmission, and

(2) either you or any customers you represent are:

   (a) QIBs; or

   (b) a non-U.S. person outside the United States and the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia (and, if you are a resident in a Member State of the EEA or in the UK, you are not a retail investor).

(3) if you and any customer you represent are a resident of a Member State of the EEA, you are not a retail investor. For the purposes of this paragraph (3), the expression "retail investor" means a person who is one (or more) of the following:

   (a) a "retail client" as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**");

   (b) 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

(c) not a "**qualified investor**" as defined in Article 2(e) of the Prospectus Regulation.

(4) if you and any customer you represent are a resident of the UK, you are not a retail investor. For the purposes of this paragraph (4), the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of and any rules or regulations made under, the Financial Services and Markets Act 2000, as amended (the "**FSMA**") to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA.

Prospective purchasers who are QIBs are hereby notified that the seller of the securities offered under the Offering Memorandum may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

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

Under no circumstances shall this Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate thereof is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or affiliate on behalf of Marcolin S.p.A. in such jurisdiction.

The Offering Memorandum is not being distributed by, nor has it been approved by, an authorized person in the UK and is for distribution only to (i) persons who have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), (ii) persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) persons outside the UK or (iv) persons to whom an invitation or inducement to engage in investment activity within the meaning of section 21 of the FSMA in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**Relevant Persons**"). The Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Offering Memorandum 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 UK Prospectus Regulation.

The Offering Memorandum has not been submitted to *the Commissione Nazionale per le Società e la Borsa*, the Italian securities regulator ("**CONSOB**"), for clearance and will not be subject to formal review or clearance by the CONSOB pursuant to the Italian securities legislation. The notes may not be offered, sold or delivered, directly or indirectly, nor may copies of the following Offering Memorandum or of any other document relating to the notes be distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*) as referred to in Article 2(e) of the Prospectus Regulation; or (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended, and the applicable Italian laws and regulations.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Initial Purchasers, nor any person who controls any of them, nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

**EEA product governance / Professional investors and ECPs (as defined below) only target market**: Solely for the purposes of the product approval process of each manufacturer, the target market assessment in respect of

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

**UK MiFIR product governance / professional investors and ECPs only target market**: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only ECPs, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to 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, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

**Prohibition of sales to retail investors in the EEA**: The securities described in this Offering Memorandum 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 (as defined above). No key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

This Offering Memorandum has been prepared on the basis that any offer of the securities in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Securities. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation.

**Prohibition of sales to UK retail investors**: this Offering Memorandum has been prepared on the basis that any offer of the securities in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from a requirement to publish a prospectus for offers of such securities. This Offering Memorandum is not a prospectus for the purpose of the UK Prospectus Regulation. The securities described in this Offering Memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the UK has been or will be prepared and, therefore, offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The information in this Offering Memorandum is not complete and may be changed. This Offering Memorandum is not an offer to sell these securities and it is not soliciting offers to buy these securities in any jurisdiction where such offer or sale is not permitted.

**OFFERING MEMORANDUM**

**CONFIDENTIAL**
**NOT FOR GENERAL DISTRIBUTION**
**IN THE UNITED STATES**

# MARCOLIN

**Marcolin S.p.A.**
**€350,000,000**
**6.125% Senior Secured Notes due 2026**

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Marcolin S.p.A., incorporated as a joint stock company (*societá per azioni*) under the laws of the Republic of Italy (the "**Issuer**"), is offering (the "**Offering**") €350,000,000 aggregate principal amount of its 6.125% Senior Secured Notes due 2026 (the "**Notes**"). The Notes will be issued pursuant to an indenture (the "**Indenture**") dated May 27, 2021 (the "**Issue Date**") by and between, *inter alios*, the Issuer, The Law Debenture Trust Corporation p.l.c. as trustee (the "**Trustee**") and UniCredit S.p.A. as security agent (the "**Security Agent**").

The Notes will bear interest equal to 6.125% per annum. Interest will be payable on the Notes semi-annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2021. The Notes will mature on November 15, 2026. Prior to May 15, 2023, the Issuer may, at its option, redeem all or a portion of the Notes at a redemption price equal to 100% of the amount thereof, plus accrued and unpaid interest to, but not including, the applicable redemption date, and additional amounts, if any, plus the applicable "make-whole" premium, as described herein. At any time on or after May 15, 2023, the Issuer may redeem all or a portion of the Notes at the redemption prices set forth under "*Description of the Notes—Optional Redemption*." At any time prior to May 15, 2023, the Issuer may redeem up to 40% of the aggregate principal amount of the Notes (including any additional Notes), using the net cash proceeds from certain equity offerings at a redemption price equal to 106.125% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the applicable redemption date, and additional amounts, if any, provided that at least 50% of the original aggregate principal amount of the Notes (including any additional Notes) remains outstanding after each redemption. At any time prior to May 15, 2023, the Issuer may redeem during each twelve-month period up to 10% of the aggregate principal amount of the Notes originally issued (including any additional Notes) at its option, from time to time, at a redemption price equal to 103.000% of the principal amount of the Notes redeemed, plus accrued and unpaid interest to, but not including, the applicable redemption date, and additional amounts, if any. If the Issuer undergoes certain events constituting a change of control or sells certain assets, the Issuer may be required to offer to repurchase the Notes. See "*Description of the Notes*" for further information.

The Notes will be senior obligations of the Issuer. The Notes will rank equal in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including the obligations of the Issuer under the New Revolving Credit Facility Agreement (as defined herein) and will rank senior to all of the Issuer's future indebtedness that is subordinated in right of payment to the Notes. Within 15 business days of the Issue Date, the due and punctual payment of certain amounts due and payable in respect of the Notes will be guaranteed (the "**Guarantees**") by Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany (each as defined hereinafter) (the "**Guarantors**"). The Guarantees will be subject to contractual and legal limitations that may limit their enforceability, and the Guarantees may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*," "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

Within 15 business days of the Issue Date, the Notes will be secured on a first-ranking basis by the Collateral (as defined herein). The New Revolving Credit Facility (as defined herein) will be secured by security interests granted over the same Collateral that secures the Notes, as well as by a special lien (*privilegio speciale*) over the Issuer's movable assets. Under the terms of the Intercreditor Agreement (as defined herein), the lenders under the New Revolving Credit Facility and the counterparties to certain hedging obligations will receive priority to the proceeds from the Collateral in the event of any enforcement. See "*Description of the Notes—Security*." Subject to the terms of the Indenture, the Collateral may be pledged to secure certain future indebtedness. The Notes, the Guarantees and the assets securing the Notes and the Guarantees will be subject to restrictions on enforcement and other intercreditor arrangements. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." The Collateral will be subject to the Agreed Security Principles (as defined herein) and limitations under applicable law, and may be released in certain circumstances. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

Subject to and as set forth in "*Description of the Notes*," the Issuer will not be liable to pay any Additional Amounts (as defined herein) to holders of the Notes in relation to, among other things, any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) where the Notes are held by a person resident in a country that does not allow for satisfactory exchange of information with Italy (as per Italian Ministerial Decree dated September 4, 1996, as amended or supplemented) and otherwise in circumstances as described in "*Description of the Notes—Additional Amounts*." This offering memorandum (the "**Offering Memorandum**") includes information on the terms of the Notes and the Guarantees, including redemption and repurchase prices, guarantees, covenants, events of default and offering and transfer restrictions.

There is currently no market for the Notes. The Issuer will apply to list the Notes offered hereby on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Notes will be represented on issue by one or more global notes, which will be delivered through Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, S.A. ("**Clearstream Banking**") on or about the Issue Date. See "*Book-Entry, Delivery and Form*."

**Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 33.**

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**Price: 100% plus accrued interest, if any, from the Issue Date**

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**The Notes and the Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"). The Notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act and to certain non-U.S. persons in offshore transactions in accordance with Regulation S under the U.S. Securities Act. See "*Plan of Distribution*" and "*Offering and Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions.**

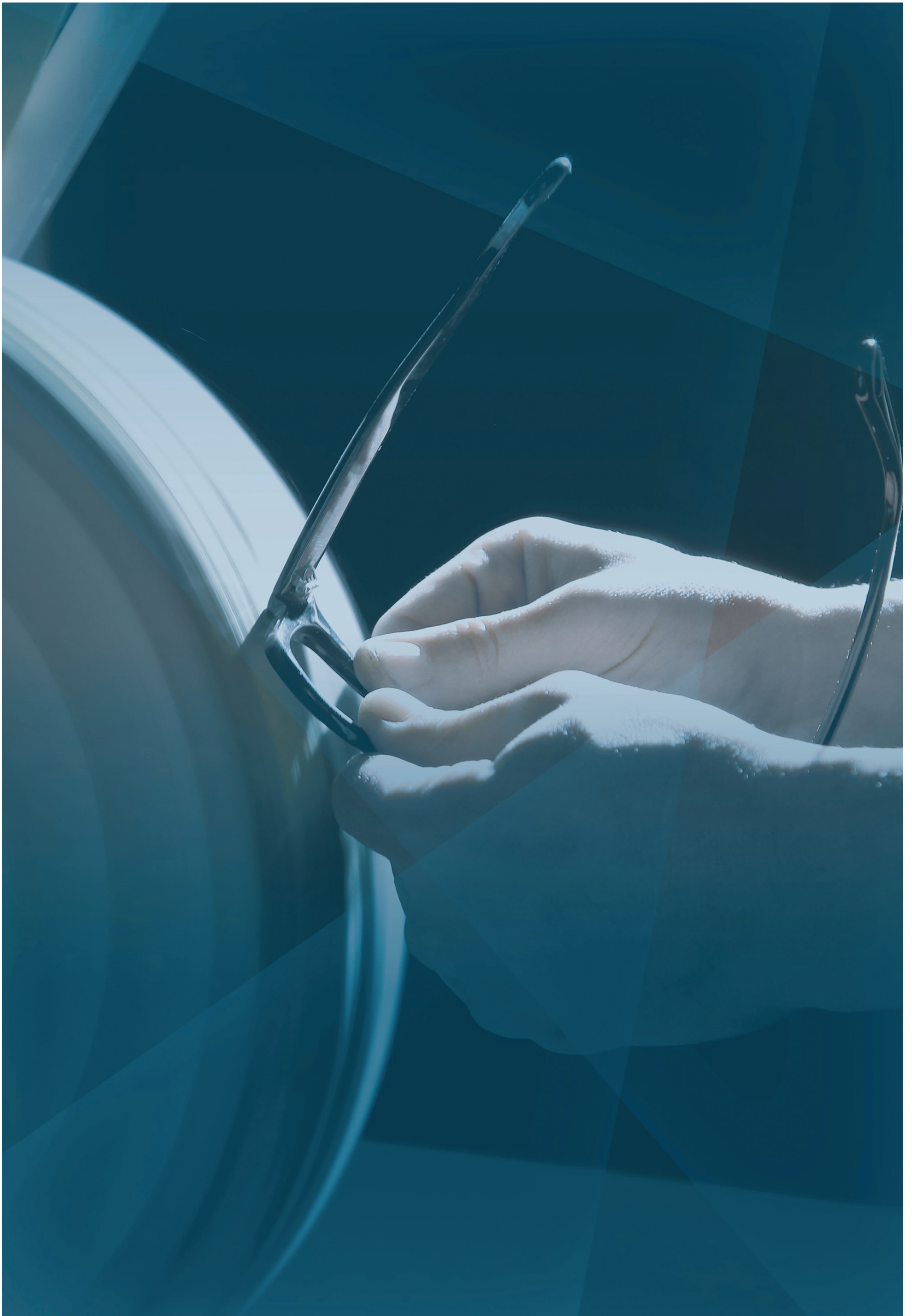
*Joint Global Coordinators and Joint Bookrunners*

**Deutsche Bank** **Banca Akros S.p.A. – Gruppo Banco BPM** **UniCredit**

*Joint Bookrunners*

**Credit Suisse** **IMI – Intesa Sanpaolo**

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



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## NOTICE TO INVESTORS

This Offering Memorandum is confidential. The Issuer has prepared this Offering Memorandum solely for use in connection with the proposed offering of the Notes. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this Offering Memorandum to any person other than the offeree and any person retained to advise such offeree with respect to its purchase is unauthorized, and any disclosure of any of its contents, without the Issuer's prior written consent, is prohibited. By accepting delivery of this Offering Memorandum, you agree to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to herein.

Deutsche Bank Aktiengesellschaft, Banca Akros S.p.A. – Gruppo Banco BPM, UniCredit Bank AG, Credit Suisse Securities, Sociedad de Valores S.A. and Intesa Sanpaolo S.p.A. (the "**Initial Purchasers**"), The Law Debenture Trust Corporation p.l.c. (the "**Trustee**") and the Agents (as defined hereinafter) make no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in this Offering Memorandum. Nothing contained in this Offering Memorandum is or should be relied upon as a promise or representation by the Initial Purchasers as to the past or the future. You agree to the foregoing by accepting receipt of this Offering Memorandum.

Except as provided below, we accept responsibility for the information contained in this Offering Memorandum. We have made all due inquiries and confirm that to the best of our knowledge and belief, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry, Delivery and Form,*" is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While the Issuer accepts responsibility for accurately extracting and summarizing the information concerning Euroclear and Clearstream, the Issuer does not accept further responsibility in respect of such information. In addition, this Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to the Issuer. The information in this Offering Memorandum is current only as of the date on its cover, and may change after that date. For any time after the cover date of this Offering Memorandum, the Issuer does not represent that its affairs are the same as described or that the information in this Offering Memorandum is correct, nor does the Issuer imply those things by delivering this Offering Memorandum or selling Notes to you. References to any website contained herein do not form a part of this Offering Memorandum.

By accepting delivery of this Offering Memorandum, you acknowledge that you have had an opportunity to request from the Issuer for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. You further 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 investment in the Notes. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. You should consult your own legal, tax and business advisors regarding an investment in the Notes. Information in this Offering Memorandum is not legal, tax or business advice.

You may not use any information herein for any purpose other than considering an investment in the Notes.

The Issuer reserves the right to withdraw this offering of the Notes at any time. The Issuer and the Initial Purchasers reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or for no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser.

**Neither the U.S. Securities and Exchange Commission, any U.S. state securities commission nor any non-U.S. securities authority nor other authority has approved or disapproved the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.**

This Offering Memorandum is not an offer to sell the Notes and it is not soliciting an offer to buy any Notes in any jurisdiction in which such offer or sale is not permitted.

The distribution of this Offering Memorandum and the offer and sale of the Notes may, in certain jurisdictions, be restricted by law. None of the Issuer or the Initial Purchasers represent that this Offering Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. None of the Issuer or the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. In particular, no action has been taken by any of the Issuer or the Initial Purchasers which would permit a public offering of any Notes or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations.

Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. Persons into whose possession this Offering Memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum and the offering and sale of Notes. In particular, there are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States and the United Kingdom and to persons connected therewith. See "*Notice to Investors.*" We do not make any representation to you that the Notes are a legal investment for you.

We will apply to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange. In the course of any review by the competent authority, we may be required (under applicable law, rules, regulations or guidance applicable to the listing of securities or otherwise) to make certain changes or additions to or deletions from the description of our business, financial statements and other information contained herein in producing listing particulars for such 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. We cannot guarantee that such application for the admission of the Notes to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market 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. 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.

In connection with the Offering, the Initial Purchasers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for providing advice in relation to the Offering.

## Stabilization

**IN CONNECTION WITH THE OFFERING, DEUTSCHE BANK AKTIENGESELLSCHAFT (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON THEIR BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER HAS RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.**

## Notice to Investors in the United States

This Offering Memorandum is being (1) submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes and (2) to investors outside the United States who are not U.S. persons in connection with offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the U.S. 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. 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. In making any purchase of Notes, you will be deemed to have made certain acknowledgments, representations and agreements as stated elsewhere in this Offering Memorandum.

For the 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 U.S. 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. See "*Notice to Investors*."

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or regulatory authority in the United States, nor have the foregoing authorities approved this Offering Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

## Notice to Certain European Investors

***European Economic Area.***

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 (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a "qualified investor" within the meaning of Article 2(e) of Prospectus Regulation.

This Offering Memorandum has been prepared on the basis that any offer of the Notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation. The Notes described in this Offering Memorandum 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 (as defined above) in a Member State. 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 a Member State has been or will be prepared. Offering or selling the Notes or otherwise making them available to any retail investor in a Member State may be unlawful.

Each person located in a Member State to whom any offer of Notes is made, or who receives any communication in respect of an offer of Notes, or who initially acquires any Notes, or to whom the Notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Initial Purchaser and the Issuer that (i) it is a "qualified investor" within the meaning of the law in that Member State implementing Article 2(e) of the Prospectus Regulation; and (ii) it is not a retail investor (as defined above).

***EEA product governance / Professional investors and ECPs only target market***. Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is 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 such 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.

***Republic of Italy.*** The Offering has not been cleared by *the Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") (the Italian securities exchange commission), pursuant to Italian securities legislation and will not be subject to formal review or clearance by CONSOB. 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 or other offering material or document relating to the Notes to be issued, may be distributed or published in the Republic of Italy either on the primary or on the secondary market, except (a) to qualified investors (*investitori qualificati*) as referred to in Article 2(e) of the Prospectus Regulation; or (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter*, first paragraph, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuer Regulation**"), and the applicable Italian laws and regulations.

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

(a) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r, of Italian Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Financial Act**")), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, Regulation No. 20307 of February 15, 2018, as amended ("**Regulation 20307**"), Italian Legislative Decree No. 385 of September 1, 1993, as amended (the "**Italian Banking Act**"), the Issuer Regulation and any other applicable laws and regulations; and

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

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

For selling restrictions in respect of Italy, see also "*Notice to Certain European Investors—European Economic Area*" above.

***France***. This Offering Memorandum has not been approved by, or registered or filed with the *Autorité des marchés financiers* (the French financial markets authority ("**AMF**")) and does not require a prospectus to be submitted for approval to the AMF. Consequently, the Notes may not be, directly or indirectly, offered or sold in France (other than to qualified investors as defined in, and in accordance with, Article 2(e) of the Prospectus Regulation and Article L.411-2 of the *French Code monétaire et financier*), and neither this Offering Memorandum nor any offering or marketing materials relating to the Notes may be made available or distributed in any way in France except to qualified investors.

***Germany***. The Offering is not a public offering in the Federal Republic of Germany. The Notes may not be offered and sold in the Federal Republic of Germany except in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (as amended, the "**German Securities Prospectus Act**"), of the Prospectus Regulation, and any other laws applicable in Germany. This Offering Memorandum has not been and will not be submitted to, nor has it been nor will it be approved by, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") and the Issuer does not intend to procure a notification to the BaFin from another competent authority of a Member State pursuant to Article 25 of the Prospectus Regulation. The Notes must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this Offering Memorandum and any other document relating to the Notes, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of Notes to the public in Germany. Consequently, in Germany the Notes will only be available to, and this Offering Memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors

(*qualifizierte Anleger*) as defined by Article 2(e) of the Prospectus Regulation. Any resale of the Notes in Germany may only be made in accordance with the Prospectus Regulation and the German Securities Prospectus Act and other applicable laws.

***United Kingdom.*** This Offering Memorandum has been prepared on the basis that any offer of the securities in the UK will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**") from a requirement to publish a prospectus for offers of such securities. This Offering Memorandum is not a prospectus for the purpose of the UK Prospectus Regulation. The securities described in this Offering Memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the UK has been or will be prepared and, therefore, offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation. This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) are outside the UK, (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "**Financial Promotion Order**"), (iii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to "qualified investors" as defined in the UK Prospectus Regulation. This Offering Memorandum has not been approved by the Financial Conduct Authority or any other competent authority. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its content.

***UK MiFIR product governance / Professional investors and ECPs only target market.*** Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only ECPs, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to 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, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

## Notice to Canadian Investors

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

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

refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

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

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

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

## FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. These forward-looking statements include, but are not limited to, all statements other than statements of historical fact contained in this Offering Memorandum, including, without limitation, those regarding our intentions, beliefs or current expectations concerning, among other things, our future financial conditions and performance, results of operations and liquidity, our strategy, plans, objectives, prospects, growth, goals and targets, future developments in the markets in which we participate or are seeking to participate, behavior of and trends with our customers and end-users of our products, and anticipated regulatory environment in which we operate. These forward-looking statements can be identified in some cases by the use of certain terms, including without limitation, "aim," "anticipate," "assume," "believe," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "project," "risk," "should," "will," and their negatives, other similar expressions or other variations or comparable terminology that are predictions of or otherwise indicate future events or trends identify forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. Forward-looking statements are not guarantees of future performance. These risks, uncertainties and factors may cause our actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements (and from past results, performances or achievements). Factors that may cause these differences include but are not limited to the risks described under "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*." These factors include, but are not limited to:

- the negative impact of the COVID-19 pandemic on our business, financial condition and results of operations;
- royalties and other license fees required pursuant to our license agreements;
- our ability to negotiate, maintain and renew license agreements on satisfactory terms with leading brands;
- the loss of one of our key license agreements;
- competition in our industry;
- risks related to changing consumer preferences;
- risks related to and inability to control Thélios;
- risks related to unfavorable economic conditions and political uncertainty;
- exchange rate fluctuations;
- disruptions of operations at our manufacturing facilities or our distribution centers or problems with third-party manufacturers or suppliers;
- risks related to vision correction alternatives to prescription glasses;
- inability to procure raw materials and semi-finished products on acceptable terms;
- risks related to compliance with anti-corruption laws, anti-bribery laws and regulations and economic sanctions programs;
- risks related to non-compliance with the GDPR;
- failure to maintain proper levels of inventory;
- the seasonality of our business;
- risks related to new distribution channels and business models in the eyewear industry;
- risks related to the international scope of our operations;
- risks related to the use of third-party distributors;
- risks related to our participation in joint venture agreements;
- risks related to changing environmental laws and regulations;
- risks related to tax rates, exposure to additional tax liabilities and tax audits;
- risk of liability and costs in connection with asbestos-containing materials at certain of our facilities;
- pursuing acquisitions or business combinations that prove unsuccessful or strain or divert our resources;

- the need to protect our license and trademark rights;
- risks related to our advertising and promotional activities;
- risks related to diverting cash flow into required capital expenditures;
- risks related to our exposure to the credit risk of our customers;
- risks related to rising employment costs;
- risks related to our dependence on our IT systems;
- risks related to the United Kingdom's withdrawal from the European Union;
- risks related to limits on insurance;
- adverse developments in sovereign debt markets and by the exit from the Eurozone of one or more current Eurozone states;
- risks related to attrition among key employees and management;
- risks related to compliance with anti-competition laws;
- risks related to litigation;
- risks related to labor disruptions;
- risks related to certification standards set by third party industry bodies;
- risks related to our capital structure;
- risks related to our indebtedness;
- risks related to the Notes, the Guarantees and the Collateral; and
- the other risks described under "*Risk Factors*."

The foregoing factors and others described under "*Risk Factors*" should not be construed as exhaustive. We urge you to read the sections of this Offering Memorandum entitled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry Overview*," "*Business*" and "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" for a more complete discussion of the factors that could affect the Group's future performance and the markets in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not occur. These forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum, including those set forth under "*Risk Factors*."

You should not place undue reliance on these forward-looking statements because they reflect our judgment at the date of this Offering Memorandum. Forward-looking statements are not intended to give any assurances as to future results. We will not normally publicly release any revisions we may make to these forward-looking statements that may result from events or circumstances arising after the date of this Offering Memorandum or otherwise.

## INDUSTRY AND MARKET DATA

Unless otherwise stated, all information regarding markets, market position and other industry data contained in this Offering Memorandum is based on our own estimates, internal surveys, market research, customer feedback, publicly available information and industry reports prepared by consultants. In many cases, there is no readily available external information (whether from trade associations, government bodies, other industry organizations or competitors) to validate market-related analyses and estimates, and we instead rely on our own internally developed estimates.

We include in this Offering Memorandum certain information and data prepared and published in January 2021 by Statista (the "**Statista Eyewear Report 2021**") on the size of the sunglasses and prescription frames markets both on a historical and forecast basis. Statista reports on the size of the global retail market for prescription frames and sunglasses as a whole, for certain sub-categories within those markets and by geography. We also include certain information prepared and published by the World Health Organization in 2019 (the "**WHO World Report on Vision**") on, among other things, the key drivers of growth of the eyewear market.

In addition, we have made estimates of the size, geographic spread and success of our competitors' businesses in the market for prescription frames and sunglasses, and of market trends more generally. These estimates are based on a number of factors which include, but are not limited to, the following:

- our assessment of our competitors' brand portfolios, positions and capabilities;
- information published by our competitors, including their financial statements and securities filings;
- our estimates of the relative proportion that sales of prescription frames and sunglasses constitute of our competitors' businesses;
- additional information obtained from customers, consultants and other contacts within the industries in which we operate;
- our regular discussions with customers across our product categories in respect of current and future market trends;
- our knowledge of the product categories and geographies in which we operate; and
- our management estimates, experiences and our own interpretation of material conditions within our industry.

Our estimates involve risks and uncertainties and are subject to change based on various factors. In considering the industry and market data included in this Offering Memorandum, prospective investors should note that this information is subject to considerable uncertainty due to differing definitions of the relevant markets and market segments described, the lack of public data and the assumptions we have made in compiling data from various sources. Any third party sources we use, including the data provided by Statista and the World Health Organization, generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed, and that the projections they contain are based on significant assumptions. Similarly, while we believe that internal surveys, industry forecasts, customer feedback and market research we have used in making our estimates are generally reliable, none of this data has been independently verified. Market data and statistics are inherently subject to uncertainties and not necessarily reflective of actual market conditions. We cannot assure you that any of the assumptions that we have made in compiling this data are accurate or correctly reflect our position in the relevant markets. None of the Issuer, the Guarantors, PAI, the Initial Purchasers, the Trustee or the Agents makes any representation or warranty as to the accuracy or completeness of the industry and market data set forth in this Offering Memorandum, and none of the foregoing has independently verified this information and cannot guarantee its accuracy. Our estimates involve risks and uncertainties and are subject to change based on various factors. See "*Risk Factors*," "*Industry Overview*" and "*Business*" for further discussion.

### 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 respective holder.

### License Duration and Average License Duration

In this Offering Memorandum, we refer to license duration, average license duration as of March 31, 2021, average length of license relationship with our top ten brands by net revenues upon the expiration of the current

license and percentage of net revenues generated for the twelve months ended March 31, 2021 by products under licenses with at least six years of residual life. In each case, we assume both that we have satisfied the conditions for the automatic renewal of our one license subject to such automatic renewal and that we have exercised our options to renew the relevant licenses that can be renewed at our sole discretion. Based on such assumptions, our average license duration as of March 31, 2021 was 7.0 years, the average licensing relationship with our top ten brands by net revenues upon the expiration of the current license was 25.7 years and the percentage of net revenues generated for the twelve months ended March 31, 2021 by products under licenses with at least six years of residual life was 71.7%. Assuming, instead, that we do not satisfy the conditions for the automatic renewal of our one license subject to such automatic renewal; our average license duration as of March 31, 2021 was 6.9 years. The average licensing relationship with our top ten brands by net revenues upon expiration of the current license was 25.6 years and the percentage of net revenues generated for the twelve months ended March 31, 2021 by products under licenses with at least six years of residual life was 69.0%. In addition, average license duration as presented in this Offering Memorandum refers to the weighted average taking into account the net revenues for the twelve months ended March 31, 2021 of each such license.

In this Offering Memorandum, we refer to our renewal rate over the period between January 1, 2014 and March 31, 2021. Such renewal rate excludes the licenses we voluntarily decided to terminate over such period of time.

## CERTAIN DEFINITIONS

As used in this Offering Memorandum:

- "**3Cime**" refers to 3 Cime S.p.A., a joint stock company (*società per azioni*) organized under laws of Italy, the direct parent company of the Issuer;
- "**Agents**" refers to the Paying Agent, the Transfer Agent, the Registrar and the Security Agent, collectively, as each institution is identified under "*Listing and General Information*";
- "**cash conversion**" refers to a non-IFRS financial metric calculated as Adjusted EBITDA minus capital expenditures in property, plant and equipment divided by Adjusted EBITDA, calculated on a pre-IFRS 16 basis. See "*Presentation of Financial Information and Other Data—Non-IFRS Information*";
- "**Collateral**" refers to the first-ranking security interests, subject to the provisions of the Intercreditor Agreement and applicable law, which will, within 15 business days of the Issue Date be granted to secure the Notes and the Issuer's obligations under the New Revolving Credit Facility Agreement, and consisting of (subject to the release provisions in the Indenture): (i) a pledge over all of the shares of the Issuer held by 3Cime, which will constitute (x) 90% of the share capital of the Issuer at the Issue Date or (y) in the event of the subsequent exercise by LVMH of its rights to acquire additional shares of the Issuer pursuant to the PAI/LVMH Shareholders' Agreement, no less than 82.5%, (ii) pledges over all of the shares of Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany; (iii) a pledge over substantially all of the material assets of Marcolin USA; and (iv) an assignment of the Issuer's receivables under the Intercompany Loans;
- "**EU**" refers to the European Union;
- "**Euro**" or "**€**" to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- "**Eurozone**" refers to the member states of the EU participating in the European Monetary Union;
- "**Existing 2023 Notes**" refers to the Issuer's €250,000,000 senior secured floating rate notes due 2023, issued on February 3, 2017;
- "**Existing Proceeds Loan**" refers to the loan by the Issuer to Marcolin USA, that will remain outstanding following the Refinancing (see "*Description of Certain Financing Arrangements—Intercompany Loans*");
- "**Existing Revolving Credit Facility**" refers to the revolving credit facility available pursuant to the terms of the Existing Revolving Credit Facility Agreement, to be terminated and replaced by the New Revolving Credit Facility available under the New Revolving Credit Facility Agreement;
- "**Existing Revolving Credit Facility Agreement**" refers to the Group's revolving credit facility agreement dated February 3, 2017 (as amended from time to time), to be terminated and replaced on or prior to the Issue Date by the New Revolving Credit Facility Agreement;
- "**Group**," "**us**," "**we**," "**our**" and "**Marcolin**" refers to Marcolin S.p.A. and its Subsidiaries, unless as indicated or the context requires otherwise;
- "**Guarantees**" refers to the guarantees of the Notes offered hereby to be extended by the Guarantors;
- "**Guarantors**" refers to Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany;
- "**IFRS**" refers to International Financial Reporting Standards as adopted by the European Union;
- "**Indenture**" refers to the indenture related to the Notes to be dated the Issue Date between, among, *inter alios*, the Issuer, the Trustee and Security Agent;
- "**Initial Purchasers**" refers to the Initial Purchasers listed on the front cover of this Offering Memorandum;
- "**Intercreditor Agreement**" refers to the intercreditor agreement dated on or about the Issue Date between, *inter alios*, the Issuer, the RCF Agent, the Trustee, the Security Agent and the lenders under the New Revolving Credit Facility (see "*Description of Certain Financing Arrangements—Intercreditor Agreement*");
- "**Issue Date**" refers to the date of original issuance of the Notes;
- "**Issuer**" refers to Marcolin S.p.A.;

- "**Italian Civil Code**" refers to the Italian civil code (*codice civile*), enacted by Italian Royal Decree No. 22 of March 16, 1942, as subsequently amended and supplemented from time to time;
- "**Italy**" refers to the Republic of Italy;
- "**LVMH**" refers to LVMH Moët Hennessy Louis Vuitton SE, a European public company (*societas Europaea*) organized under the laws of France;
- "**MAG**" refers to the minimum annual guaranteed amount payable by a licensee to a licensor under a license agreement;
- "**Made in Italy**" refers to products that are compliant with applicable EU and Italian law and can carry the *Made in Italy* label indicating that they were entirely produced in Italy or their last significant transformation occurred in Italy;
- "**Marcolin France**" refers to Marcolin France, a simplified joint stock company (*société par actions simplifiée*) organized under the laws of France;
- "**Marcolin Germany**" refers to Marcolin (Deutschland) GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany;
- "**Marcolin Technical Services**" or "**MTS**" refers to Marcolin Technical Services (Shenzhen) Co. Ltd., a limited company organized under the laws of the People's Republic of China;
- "**Marcolin UK**" refers to Marcolin (UK) Ltd, a private limited company incorporated under the laws of England;
- "**Marcolin USA**" refers to Marcolin U.S.A. Eyewear Corp., a corporation organized under the laws of the State of New Jersey, previously named Viva Optique Inc., each of Marcolin USA, Inc., Viva Europa, Inc., Viva International, Inc. and Viva IP, Corp. were merged with and into Marcolin USA on January 1, 2015;
- "**Marmolada**" refers to Marmolada S.p.A., a joint stock company (*società per azioni*) organized under the laws of Italy, which directly owned the Issuer and which was merged into 3Cime on November 27, 2017;
- "**New Revolving Credit Facility**" refers to the revolving credit facility available pursuant to the terms of the New Revolving Credit Facility Agreement, and replacing the Existing Revolving Credit Facility;
- "**New Revolving Credit Facility Agreement**" refers to the revolving credit facility agreement that will be entered into on or before the Issue Date between, *inter alios*, the Issuer, the RCF Agent, the arrangers (as named therein) and the Security Agent (see "*Description of Certain Financing Arrangements—New Revolving Credit Facility*");
- "**Non-Guarantor Subsidiaries**" refers to those Subsidiaries of the Issuer that are not Guarantors;
- "**North America**" refers to the United States and Canada, collectively;
- "**Notes**" refers to the €350,000,000 aggregate principal amount of 6.125% Senior Secured Notes due 2026 offered hereby;
- "**Offering**" refers to the offering of the Notes pursuant to this Offering Memorandum;
- "**PAI**" refers to PAI Partners S.A.S., a major European private equity firm that manages and advises buyout funds with combined commitments in excess of approximately €14.7 billion;
- "**PAI/LVMH Shareholders' Agreement**" refers to the shareholders' agreement between, *inter alia*, LVMH, PAI and Tofane S.A. (an indirect holding company of the Issuer) entered into on January 31, 2017, in connection with the execution of the Thélios JVA;
- "**POS**" refers to points of sale where sales of eyewear are made (*e.g.*, independent optician, optical chain, duty-free store, department store and licensed brand store);
- "**RCF Agent**" refers to the agent under the New Revolving Credit Facility;
- "**Refinancing**" has the meaning described under "*Summary—The Refinancing*";
- "**SACE Facility**" refers to the €50.0 million credit facility granted to the Issuer by UniCredit S.p.A., Banco BPM S.p.A., Deutsche Bank S.p.A. and Credit Suisse AG, Milan Branch, pursuant to a senior facility agreement executed on June 24, 2020. The SACE Facility benefits from a guarantee by SACE S.p.A. equal to 90% of the amount made available under the SACE Facility. See "*Summary—The Refinancing*";

- "**Security Agent**" refers to UniCredit S.p.A. in its capacity as security agent and as representative (*rappresentante*) pursuant to and for the purposes set forth under Article 2414-*bis*, paragraph 3, of the Italian Civil Code under the Indenture and the New Revolving Credit Facility;
- "**Security Documents**" means the security agreements defining the terms of the Collateral that secure or will secure the Notes and the Guarantees, as described in more detail under "*Description of the Notes—Security*";
- "**Subsidiaries**" refers to all consolidated subsidiaries of the Issuer;
- "**Thélios**" refers to Thélios S.p.A., the joint venture between the Issuer and Vicuna, organized as a joint stock company (*società per azioni*) under the laws of Italy, in which the Issuer is a minority shareholder;
- "**Thélios JVA**" refers to the joint venture agreement by and between the Issuer and LVMH dated as of January 31, 2017 (as amended from time to time);
- "**Tofane**" refers to Tofane S.A. a corporation (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg, the direct parent of 3Cime;
- "**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;
- "**United States**" or "**U.S.**" refers to the United States of America;
- "**U.S. dollar**", "**$**", "**dollar**", "**U.S.$**" refers to the lawful currency of the United States;
- "**U.S. GAAP**" refers to generally accepted accounting practices in the United States;
- "**U.S. Securities Act**" refers to the U.S. Securities Act of 1933, as amended;
- "**Viva**" refers to Viva Optique, Inc., a corporation organized under the laws of the State of New Jersey, whose name was changed to Marcolin USA Eyewear Corp. on January 1, 2015;
- "**Vicuna**" refers to Vicuna Holding S.p.A., a joint stock company (*società per azioni*) under the laws of the Republic of Italy, indirectly held by LVMH which holds 10% of the share capital of the Issuer;
- "**Viva Acquisition**" refers to the acquisition by Marcolin USA, Inc. (merged with and into Marcolin USA on January 1, 2015) of 100% of the share capital of Viva by Marcolin USA, Inc. and Marmolada S.p.A. (merged with and into 3Cime November 27, 2017), which was completed on December 3, 2013;
- "**Viva Group**" refers to Viva and its subsidiaries prior to the Viva Acquisition; and
- "**VRA**" refers to the variable royalty amounts, which can be based on a percentage of net revenues, some of which are subject to a minimum, which are payable by a licensee to a licensor under a license agreement.

## PRESENTATION OF FINANCIAL INFORMATION AND OTHER DATA

### Issuer

The Issuer's consolidated financial information included in this Offering Memorandum has been extracted or derived from:

(i) the unaudited interim condensed consolidated financial statements of the Issuer and its subsidiaries as of March 31, 2021 and for the three months ended March 31, 2020 and 2021, prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" (the "**Unaudited Interim Condensed Consolidated Financial Statements**"); and

(ii) the audited consolidated financial statements of the Issuer and its subsidiaries as of and for the years ended December 31, 2018, 2019 and 2020, prepared in accordance with IFRS, audited by PricewaterhouseCoopers S.p.A. (the "**Audited Consolidated Financial Statements**") and containing the auditors' reports therein.

The Unaudited Interim Condensed Consolidated Financial Statements and the Audited Consolidated Financial Statements are included in the F-Pages to this Offering Memorandum.

The Unaudited Interim Condensed Consolidated Financial Statements and the Audited Consolidated Financial Statements contained in the F-Pages to this Offering Memorandum have been prepared in accordance with IFRS and 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 other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the effect that future additions to, or amendments of, IFRS principles may have on the Issuer's results of operations and/or financial condition, as well as on the comparability of the prior periods.

Historical audited and unaudited consolidated financial information is not necessarily indicative of future expected results. The financial information for the three months ended March 31, 2021 is not necessarily indicative of the results that may be expected for the year ended December 31, 2021, and should not be used as the basis for or prediction of an annualized calculation.

In this Offering Memorandum we present certain financial information related to periods prior to 2018. The financial information for periods prior to 2018 has been presented herein for illustrative purposes only and investors should place no reliance on such information. The financial information for periods prior to 2018 is not comparable to financial information for later periods, including as a result of changes in accounting policies and application of new accounting standards.

### Application of IFRS 16 (Leases)

We adopted IFRS 16 (Leases) on January 1, 2019. The main impact of the new standard for lessors is the recognition of nearly all leases in the statement of financial position, subject to certain exemptions including in relation to short term and low value leases, effectively eliminating the different methods for accounting for operating leases and financial leases. IFRS 16 provides for recognizing a right-of-use asset (right to use the leased asset) and a lease liability referring to the future payments for which a contractual obligation exists. Short-term leases and leases of low-value assets are excluded from the new accounting method. We adopted the new standard on January 1, 2019 using the simplified approach, without restating the comparative period for the year ended December 31, 2018. Right-to-use assets were initially valued in accordance with the lease liability (adjusted for any prepaid or allocated lease costs as of December 31, 2018). The lease liability was discounted by applying a discount rate to the present value of the expected future lease payments as of January 1, 2019. The discount rate used on average was 3.2%. Due to the adoption of such new reporting standard, our Audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019 and the corresponding figures presented in this Offering Memorandum may not be directly comparable with the corresponding figures derived from our Audited Consolidated Financial Statements for the year ended December 31, 2018.

### Adjusted Information

We present in this Offering Memorandum certain financial information on an adjusted basis, to give effect to the Refinancing, as if the Refinancing had occurred on March 31, 2021, or April 1, 2020, as the context requires (the "**Adjusted Information**"). See "*Summary Historical Consolidated Financial Information and Other Data*" and "*Capitalization*," and for a description of the *pro forma* effect of the Refinancing, including the issuance of the Notes offered hereby and the application of the proceeds thereof, including the redemption of the Existing 2023 Notes. See "*Use of Proceeds*."

The Adjusted Information set forth elsewhere in this Offering Memorandum has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934, the Prospectus Regulation or any generally accepted accounting standard, including U.S. GAAP. Neither the adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with International Standards on Auditing (Italy) or any other auditing standards. The Adjusted Information should be read in conjunction with the historical consolidated financial statements and notes thereto of the Issuer, included elsewhere in this Offering Memorandum and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

**Twelve Months Ended March 31, 2021**

The summary financial information for the twelve months ended March 31, 2021 is calculated by taking the results of operations of the Issuer for the three months ended March 31, 2021 and adding to it the difference between the results of operations of the Issuer for the full year ended December 31, 2020 and the three months ended March 31, 2020. The financial information for the twelve months ended March 31, 2021 is not necessarily indicative of the results that may be expected for the year ended December 31, 2021, and should not be used as the basis for or prediction of an annualized calculation.

**Non-IFRS Information**

This Offering Memorandum includes financial indicators which are used by our management to monitor the economic, financial and operating performance of the Group, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Net Indebtedness, total financial debt, Capital Expenditure and Operating Free Cash Flow.

EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Net Indebtedness, total financial debt, cash conversion, Capital Expenditure and Operating Free Cash Flow are not recognized as measures of financial performance or liquidity under IFRS. Investors should not place any undue reliance on these non-IFRS, measures as financial indicators and should not consider these measures as: (a) an alternative to operating income or net income as determined in accordance with generally accepted accounting principles, or as measures of operating performance; (b) an alternative to cash flows from operating, investing or financing activities (as determined in accordance with generally accepted accounting principles), or as a measure of the ability to meet cash needs; or (c) an alternative to any other measures of performance under generally accepted accounting principles. These measures are not indicative of historical operating results, nor are they meant to be predictive of future results. These measures are used to monitor the underlying performance of the Issuer and its business and operations. Since all companies do not calculate these measures in an identical manner our presentation may not be consistent with similar measures used by other companies. In addition, the presentation of this non-IFRS information 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. Therefore, investors should not place undue reliance on this data.

EBITDA and Adjusted EBITDA are not measurements of performance under IFRS and you should not consider them as an alternative to profit/(loss) before taxes or profit/(loss) for the period determined in accordance with IFRS, or, as the case may be, or to cash flows from/(used in) operating activities, cash from/(used in) investing activities or cash flow from/(used in) financing activities. EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation. Some of these limitations are:

- they do not reflect our capital expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant financial expense, or the cash requirements necessary, to service interest or principal payments on our indebtedness;
- although depreciation, amortization and write-offs are non-monetary items, the assets being depreciated, amortized and/or written-off will often need to be replaced in the future and EBITDA and Adjusted EBITDA do not reflect any cash requirements that would be required for such replacements; and
- the fact that other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do, which limits their usefulness as comparative measures.

A more detailed explanation of each of the financial indicators and non-IFRS measures together with relevant reconciliations is provided in section "*Selected Historical Consolidated Financial and Other Information*."

### Geographic Information

In this Offering Memorandum, we present certain Group financial and business information by the following geographical divisions:

- *Americas*: Which includes North, Central and South America;
- *Europe*: Which is itself subdivided between:
  - *Italy*; and
  - *Rest of Europe*: Which primarily includes Benelux (Belgium, Netherlands and Luxembourg), France, Germany, Portugal, Russia, Spain, Sweden (servicing Nordic Europe, which includes Denmark, Finland, Iceland, Norway and Sweden), Switzerland and the United Kingdom;
- *Asia* or *APAC*: Which includes Australia, China, South Korea, Singapore and the rest of the Asia Pacific region; and
- *Rest of World*: Which includes all countries and regions not covered in the above divisions, and primarily the Mediterranean region (mainly Turkey, Greece, Israel and Cyprus), Africa, the Middle East and India.

The geography of sale is attributed to the geographical area of the destination market. For example, all sales by the Issuer or a Subsidiary into Japan are attributed towards sales for the geographical area "Asia," regardless of which Group company initiated the sale.

### Rounding

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

### Constant Currency Information

This Offering Memorandum includes information on a constant currency basis. We use this information to assess how the underlying business has performed independent of fluctuations in foreign currency exchange rates. We calculate constant currency by applying the prior-period average foreign currency exchange rates to the current-period financial data expressed in the original currency, in order to eliminate the effect of foreign currency exchange rate fluctuations. Although we do not believe that these measures are a substitute for GAAP measures, we do believe that such results excluding the effect of foreign currency fluctuations provide additional useful information to investors regarding the operating performance on a local currency basis. For example, if a U.S. entity with U.S. Dollar functional currency recorded net revenues of U.S.$100 million for 2020 and 2019, we would have reported €87.6 million in net revenues for 2020 (using the 2020 average exchange rate of $1.142), representing a €1.8 million decrease compared to €89.4 million reported for 2019 (using the 2019 average exchange rate of $1.119). The constant currency presentation would translate the 2020 net revenues using the 2019 foreign currency exchange rates, and therefore indicate that the underlying net revenues on a constant currency basis was unchanged year-over-year.

### Thélios

The Issuer holds 49% of Thélios' shares. We account for our interest in Thélios using the equity method and, as a result, Thélios' results are not consolidated in our Unaudited Interim Condensed Consolidated Financial Statements and our Audited Consolidated Financial Statements and we only recognize income or loss in respect of our investment in Thélios equal to our proportionate share of its income or net loss. See "*Business—Our Business—Thélios*."

## EXCHANGE RATE INFORMATION

In this Offering Memorandum:

- "**$**", "**dollar**," "**U.S.$**" or "**U.S. dollar**" refers to the lawful currency of the United States;
- "**€**" or "**euro**" refers to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;

The following tables set forth, for the periods indicated, the period end, period average, high and low Bloomberg Composite Rates 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 Bloomberg Composite Rate of the euro on May 18, 2021 was $1.2222 per €1.00.

| | U.S. dollar per €1.00 | | | |
|---|---|---|---|---|
| | **Period end** | **Average[1]** | **High** | **Low** |
| Year ended December 31, | | | | |
| **2016** | 1.0520 | 1.1069 | 1.1532 | 1.0389 |
| **2017** | 1.2036 | 1.0406 | 1.1300 | 1.2005 |
| **2018** | 1.2492 | 1.1245 | 1.1811 | 1.1452 |
| **2019** | 1.1543 | 1.0900 | 1.1193 | 1.1214 |
| **2020** | 1.2298 | 1.0691 | 1.1419 | 1.2217 |

| | U.S. dollar per €1.00 | | | |
|---|---|---|---|---|
| | **Period end** | **Average[2]** | **High** | **Low** |
| Months in 2021 | | | | |
| **January 2021** | 1.2136 | 1.2174 | 1.2327 | 1.2077 |
| **February 2021** | 1.2075 | 1.2095 | 1.2175 | 1.1964 |
| **March 2021** | 1.1730 | 1.1900 | 1.2091 | 1.1717 |
| **April 2021** | 1.2020 | 1.1971 | 1.2126 | 1.1759 |
| **May (through May 18, 2021)** | 1.2222 | 1.2105 | 1.2222 | 1.2005 |

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

(2) The average rate for each month presented is based on the average Bloomberg Composite Rate for each business day of such month.

The above rates differ from the actual rates used in the preparation of the consolidated financial statements and other financial information, including constant currency data, appearing in this Offering Memorandum. Our inclusion of the exchange rates is not meant to suggest that the euro amounts actually represent U.S. dollar amounts or that these amounts could have been converted into U.S. dollars at any particular rate, if at all.

## SUMMARY

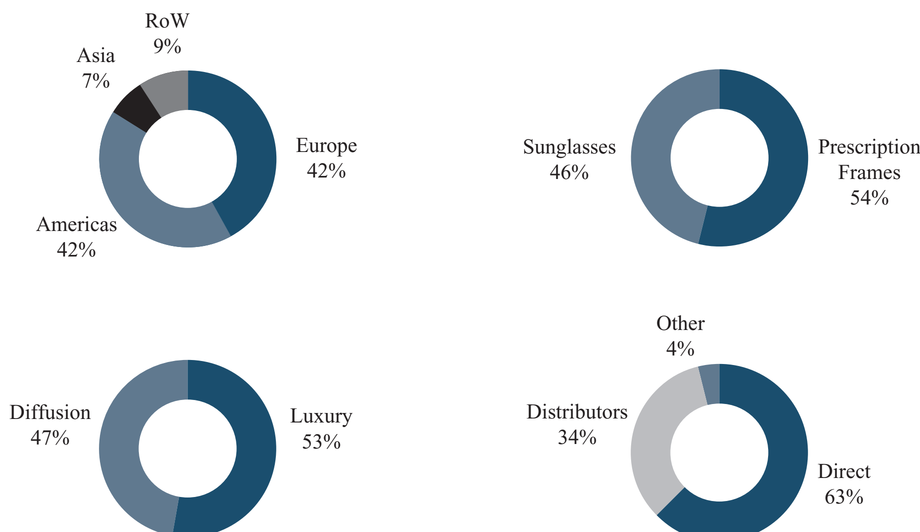
*This summary highlights certain information about the Issuer and the Refinancing contained in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and the following summary is qualified in its entirety by, the more detailed information included in this Offering Memorandum, including the financial statements of the Issuer and the related notes therein. You should carefully read the entire Offering Memorandum to understand the business of the Issuer, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the risks discussed under the caption "Risk Factors." In this "Summary," references to "we," "us," "our," "Group," or "Marcolin" refer to the Issuer and its subsidiaries (including any of their predecessors) and, unless otherwise indicated or the context otherwise requires, shall be deemed to exclude Thélios.*

### Overview

We are a leading global designer, manufacturer and distributor of branded sunglasses and prescription frames, with a broad portfolio of 28 licensed brands that appeal to key demographics worldwide. We are primarily a licensed brand business, and we design, manufacture (or contract to manufacture) and distribute eyewear primarily bearing brand names we have licensed pursuant to long-term, exclusive agreements. We focus on high performing, internationally recognized brands with eyewear accessory lines that generate profitable growth over the license duration.

Our portfolio includes some of the most prestigious fashion brands such as Tom Ford, Max Mara, Moncler, Ermenegildo Zegna, Barton Perreira, Omega, Longines, Bally, Tod's and Sportmax as well as more affordable brands such as Guess, Adidas, Swarovski, Timberland, Harley Davidson, Gant, Max&Co, Kenneth Cole, Skechers, BMW and GCDS. Our proprietary brand portfolio includes Web, particularly well-known in Italy, as well as Marcolin and Viva, which are currently marketed exclusively in the United States. We believe the long tenure of our licenses provide us with strong revenue visibility, as 71.7% of our net revenues for the twelve months ended March 31, 2021 was generated by sales of products under licenses expiring after 2026. The weighted average remaining term of our licenses was seven years as of March 31, 2021. For the year ended December 31, 2019 we sold approximately 14 million units.

For the year ended December 31, 2019, we had total net revenues of €486.7 million and Adjusted EBITDA of €56.0 million. The graphics below present certain information about our net revenues for the year ended December 31, 2019.




Our product portfolio encompasses 28 licensed brands as well as three proprietary brands. We produce prescription frames, sunglasses, sports eyewear and ski goggles for women and men, targeting consumers at different price points. We generate most of our net revenues from sales of prescription frames which we believe are less-discretionary purchases and exhibit lower seasonal variation, particularly for higher-priced models. We divide our portfolio of licensed brands into luxury and diffusion categories. The luxury category comprises

high-end, handcrafted pieces produced for prestigious fashion houses, which we create using our decades of experience with our licensors' vision for their brands and our in-house product design and high-quality craftsmanship. Through our close creative partnerships with each of our licensors we design and create innovative products that reflect the character of each brand. Most of our luxury brand products are handcrafted or hand-finished at our facilities in Longarone and Fortogna, which are constantly being optimized and modernized and are located in northeastern Italy, long considered the birthplace of the modern eyewear industry. As a result of our sophisticated and quality-driven design and production processes, the eyewear in our luxury category generally retails for prices of between €180 and €950. The diffusion category comprises stylish but more affordable licensed-brand alternatives. Within this category we use our expertise in industrializing eyewear production and integrating style and value. Diffusion brand products are mainly produced in Asia by third parties or assembled in Italy by Marcolin from components and semi-finished products made in China. These more economical design and manufacturing techniques allow us to sell our diffusion eyewear products at retail prices of generally between €30 and €265. In addition, through our license with Adidas, signed in 2018 and for which a collection will be launched in 2021, we have started penetrating the sport segment.

In 2013, we acquired the Viva Group, a then-leading eyewear wholesale designer and distributor of distinctive eyewear, and the second largest U.S.-based eyewear wholesale player. The Viva Group represented a strategically important acquisition for us, adding a portfolio of leading diffusion brands to Marcolin's existing portfolio, balancing a leading position in both sunglasses and prescription frames as well as a significantly expanded distribution network in our core North American market.

Since October 2017, we gained the support of LVMH, one of the largest and most well-known luxury brand conglomerates in the world through its investment in our share capital. In addition, following the creation of Thélios, our joint venture with LVMH, we have enhanced our competitive position in the global luxury eyewear market. Thélios has been formed with the intention of becoming the eyewear designer, manufacturer and distributor of choice for the family of LVMH luxury brands. We own 49% of Thélios' shares, while LVMH (through its vehicle Vicuna) owns the remaining 51%. In 2018, Thélios opened the Manifattura Thélios, its flagship production site and center for excellence, in Longarone where it designs and manufactures eyewear for certain luxury LVMH brands, including Dior, Céline, Kenzo, Stella McCartney, Fred, Louis Vuitton, Loewe, Rimowa and Berluti as of the date of this Offering Memorandum. See "*Business—Our Business—Thélios.*"

We believe the risk of changing consumer fashion tastes is mitigated by our and by Thélios' ample portfolio of licensed brands and by the fact that the eyewear collections of our highest revenue-generating brands are characterized by timeless, classic looks and colors, meaning that year by year, several high-selling models continue to be produced with only slight variations.

We believe we have created a stable, diversified business model for both our luxury and diffusion brands. Across both our luxury and diffusion categories, we produce sunglasses and prescription eyewear under brands that primarily target men such as Timberland, Ermenegildo Zegna, Barton Perreira and Harley-Davidson and that primarily target women such as Swarovski, Sportmax and Max&Co, and that primarily target younger consumers such as Adidas, Kenneth Cole and GCDS.

We are a wholesaler with a presence in approximately 125 countries and an extensive distribution network through 14 direct subsidiaries, over 150 partner distributers and two controlled joint ventures worldwide that reaches 78,381 individual POS (of which 28,511 POS are in the US alone). Each of our licensed brands receives careful attention and a tailored distribution strategy appropriate for each brand's prestige and exclusivity. We also design, manufacture, or contract to manufacture, and distribute proprietary brands which currently target entry-level price points for sales to managed care networks in the United States. Our sales force (present through 14 commercial subsidiaries) markets our products through selective channels tailored to match and enhance brand equity of our licensors and appropriate to the brand's price points, including through our strong customer relationships with independent opticians, optical chains, department stores, managed care networks, and the flagship shops of our licensed brands.

Our wholesale business model is based on the integration of our product design, manufacturing and sales and distribution operations. Our success is a result of an attuned understanding of trends and customer preference gained by developing close partnerships with our licensors and integrating their strategic vision into our product designs. This model allows us to express the essence of the identity of our licensed brands. Our business model also enables our design team to create eyewear with a view to industrialize its production. For in-house

production of our luxury brand units, our manufacturing plants have been streamlined through the constant optimization and modernization of our processes and equipment and include on-site raw materials and semi-finished components storage and logistics. Certain machine intensive phases used in our luxury products are outsourced, such as galvanization of metals and acetate. For our outsourced production of diffusion brand models, our manufacturing and supply strategy is based on established relationships with best-in-class suppliers in China, granting us not only good pricing, but more importantly, constant high standards of product quality in-line with our customer needs. We operate through a sales force and extensive international distribution network that, together, form a careful distribution strategy that utilizes a variety of channels to preserve exclusivity. We also provide POS display and marketing materials that showcase the distinctiveness of our licensed brands.

### Our Strengths

We attribute our market position and opportunities for continued growth to the following competitive strengths:

***Leading player in the attractive eyewear industry, leveraging a strong 'Made-in-Italy' heritage and exemplary craftsmanship capabilities.***

We are a leading wholesale player in the global eyewear market and since 1961 we have been building on our Italian tradition of eyewear craftsmanship, expertise and extensive product know-how. The majority of our products are developed and designed internally by our design team of approximately 85 expert artisans to capture the latest fashion trends across the word. We estimate that for the twelve months ended March 31, 2021, approximately 53% of our net revenues carried the "*Made in Italy"* designation. We believe that the combination of the best Italian craftsmanship, our international presence in key markets and our strong ability to anticipate and change the world of fashion has determined our success.

Our business is vertically integrated, encompassing all the key critical functions from research and development, product design, to production, quality control, marketing and distribution. We believe that being highly integrated is a key distinctive factor as it provides maximum control over our operations, allowing us to design eyewear with an industrial view and to respond to consumer demand in a quick and efficient way. We believe that our integrated business model has helped us preserve our margins over time and contributed, together with our long-standing expertise in the industry, to our growth, positioning us as a strong partner for leading brands in the eyewear market.

Most of our luxury brand products are handcrafted or hand-finished at our facilities in Longarone and Fortogna, which are constantly being optimized and modernized and are located in northeastern Italy. With 885 employees in Italy as of March 31, 2021, we are an important employer in the area. In addition, Longarone is also the home town of Manifattura Thélios, the flagship production site and center for excellence of Thélios, our joint venture with LVMH. See "*—Thélios becoming a major industry player with the entrance of Dior and another major license in 2021, with no further major external funding needs.*" Our "*Made in Italy*" production activities are complemented by carefully selected Italian third-party manufacturers and supported by high quality suppliers with whom we have developed strong relationships. In addition, we leverage an extensive network of Asian manufacturers for our diffusion brand and proprietary products that allows for an efficient production cycle.

We believe our particular attention to licensors' interests, our best-in-class product design capabilities and our distribution network's scale make us a preferred licensee for potential partners and creates even greater opportunities for us to further develop existing relationships and attract new licenses in the future, with a focus on brands that have clear potential to be accretive.

***Solid position in the attractive eyewear industry that shows favorable growth trends.***

We believe that the eyewear industry is an attractive and relatively stable market with favorable long-term growth trends due to a variety of economic, demographic and social factors. The Statista Eyewear Report 2021 estimates that the global eyewear market was worth $128 billion in 2019 but experienced a COVID-19 related decline of 19.8% in 2020. However, as the fundamental long-term growth drivers of the eyewear market remain intact, the market is expected to recover over the next two years reaching pre-COVID-19 levels by 2022 with a market size of $127 billion and showing a strong CAGR of 11% for the period from 2020 until 2022 and a 7% CAGR for the period from 2020 to 2025.

The eyewear industry is generally considered to be more resilient to economic shocks than other retail categories given that eyewear frames for the most part are considered non-discretionary purchases. This is particularly the case for contact lenses and prescription glasses but less so for sunglasses, although there are good eye health related reasons to purchase sunglasses. Unlike in other retail categories where a lack of access to stores could result in lost sales, eyewear's non-discretionary nature means sales are rarely lost but are rather usually only delayed. There is already evidence that the post COVID-19 recovery will be fairly strong, as demonstrated following the brief re-opening of stores during 2020 with many eyewear companies reporting a quick return to growth.

We expect that the recovery of the eyewear market will be further supported by a combination of long-term economic, demographic and social drivers, including evolving consumer behaviors, increasing optical deficiency, higher purchasing power in emerging markets and more widespread health consciousness.

The eyewear market is driven by, among other things, the rapidly growing incidence and awareness of visual disorders, such as myopia, hyperopia, presbyopia and astigmatism, across the world, and the ability of optical frames and sunglasses to correct such impairments. This trend is accelerated in part by the increased use of digital devices which has been linked to increased eye strain and thus the development of vision disorders. As per the WHO World Report on Vision, at least 2.2 billion people globally have some form of visual impairment, of which at least 1 billion have an impairment that is yet to be addressed. On top of this, the study predicts a further 2.6 billion people suffer from myopia, one of the most common eye conditions that can lead to vision impairment. This study also estimates that by 2030 this number will increase to 3.3 billion suffering from myopia. In addition, significant new demand for sunglasses is expected due to increased awareness of the harm of ultraviolet rays and the increased brand awareness of consumers, which we believe we can satisfy through our high quality and diverse brand portfolio.

The growth of the optical frames and sunglasses market is also being driven by the growing demand for fashionable products. Consumers, in particular Generation Z and Millennials, have begun to view eyewear as a fashion accessory and method of personal expression, heightening interest in branded eyewear products. Hence, we believe that consumers are increasingly more likely to change their prescription glasses when they change their lenses, generally once every three years, with a similar pattern seen with sunglasses. We believe we are well positioned to take advantage of the positive trends in prescription frames given our strength in this segment.

Statista Research estimates that the eyewear frame segment represents about 28% of the total eyewear market and was worth $28.8 billion in 2020. This incorporates a drop of 20% in 2020 due to COVID-19, primarily driven by the Americas. In line with the overall market, a recovery towards pre COVID-19 levels is expected by 2022 and in 2025 the market is expected to reach $40 billion. The sunglasses segment has historically exhibited similar growth rates as the eyewear frame segment, though demand is more dynamic and sensitive to economic factors. Statista Research estimates that the sunglasses market was worth approximately $22 billion in 2019 and going forward the market is forecasted to reach approximately $25 billion by 2025, representing 17% of the overall eyewear market.

In the near-term, demand in emerging markets, particularly for branded products, is expected to be a strong driver of growth of the global eyewear market. This is a result of, among other things, increased access to eye health facilities, better optical diagnosis and optical care, and general improvement of living standards. Especially China is estimated to be a strong driver of future growth, with CAGRs of 21.5% and 29.4% for the period from 2020 to 2025 for prescription lens and eyewear frame categories, respectively, as per Statista Research estimates. We expect that demand for such products will outpace demand for non-branded products as consumer awareness of internationally recognized brands grows and economic segmentation among consumers becomes an important social signifier.

Finally, innovative marketing and sales strategies, such as internet retailing, allow eyewear manufacturers to interact with the end consumers through new channels (*e.g.*, online, smartphone applications) which enhances the purchasing experience and creates more effective opportunities to target potential customers. As per Mordor Intelligence estimates, global online eyewear sales are expected to grow at a CAGR of 12% between 2020 and 2025. Our online sales are based on partnership agreements with selected third-party online retailers in key geographies, such as Europe and the Americas. In addition, we are currently developing proprietary e-commerce tools for selected brands (*e.g.*, Web). For the twelve months ended March 31, 2021, sales through online channels represented approximately 3% of our net revenues, leaving significant room for future growth on the back of the expected online segment expansion.

We believe that we are well-positioned to take advantage of these positive trends in the optical frames and sunglasses market given our high quality and diversified brand portfolio, as well as our global reach.

***Balanced global brand portfolio of iconic brands, which is constantly reviewed and optimized to enhance resilience and profitability.***

We have a diversified portfolio of 28 licensed brands and three proprietary brands balanced between luxury and diffusion brands that appeal to a wide range of demographic groups across different stylings. For the year ended December 31, 2019 and the twelve months ended March 31, 2021, 53% and 54% of our net revenues were generated from our luxury category, respectively, which offers high-fashion, innovative designs, personalization and high-quality materials. The remaining 47% and 46% of our net revenues in the same periods were generated from our diffusion category, respectively, which offers stylish eyewear at more affordable price points.

We have an outstanding track record in renewing important licenses proved by our industry leading renewal rate (approximately 95% over the period between January 1, 2014 and March 31, 2021, excluding voluntary terminations by Marcolin). Moreover, our license portfolio is continuously reviewed in order to ensure value accretive contribution of all brands and generate profitable growth going forward. As such, between 2020 and the first quarter of 2021 we have carried out a strategic repositioning, (i) terminating three selected license agreements in advance of the envisaged expiration dates and (ii) not renewing four selected license agreements terminating at natural expiry, which we considered no longer core to our business. The licensed brands associated with such license agreements accounted for approximately 5% of our net revenues for the twelve months ended March 31, 2021.

Due to the segmentation of our offering into luxury and diffusion brands, we can offer a wide array of eyewear at various price options, suitable for wholesale distribution through different channels, including, for example, independent opticians throughout Europe, department stores in the United States and retail stores of our licensors. We believe that the balance of our offering between luxury and diffusion brands with their differing price points and distribution channels balances our appeal to a wide range of demographic groups and offsets the potential cyclicality of the eyewear market and mitigates the risks related to potential sales slowdowns in specific markets and changes in consumer buying habits. Our product offering is also well balanced between prescription frames and sunglasses. For the year ended December 31, 2019 and the twelve months ended March 31, 2021, 54% and 61% of our net revenues were generated by sales of prescription frames, respectively, with the remaining generated by sales of sunglasses. We believe that this relatively even balance serves to insulate us somewhat from seasonality and also from economic downturns since prescription frames are less discretionary, leading to a more constant stream of sales.

We have high revenue visibility as a result of our strong brand portfolio supported by long-term licenses with some of the most recognizable brands in the eyewear industry, including Tom Ford, Guess, Max Mara, Moncler and others. As of March 31, 2021, the average licensing relationship with our top ten brands by net revenues, measured to the date of the expiration of the current license agreements, was 25.7 years. For the twelve months ended March 31, 2021, approximately 99% of our net revenues were generated by sales of licensed brand products. The weighted average residual life of our licenses was seven years as of March 31, 2021 and 71.7% of our net revenues for the twelve months ended March 31, 2021 were generated by sales of products under licenses with more than six years of residual life (beyond 2026).

The strength of our brand portfolio provides the foundation for our success and we believe the strength of the portfolio is attributable to our strong reputation among licensors as a valued partner with a proven ability to deliver brand equity enhancement through capturing and translating each brand’s essence into eyewear products, while respecting and preserving each licensor’s brand identity.

***Global business with extensive distribution capabilities in key international markets with clear opportunity to further tap future growth in APAC and through digitalization.***

While we have a strong foothold and heritage in Italy, we are a global player with a presence in more than 125 countries on five continents and an extensive distribution network either directly, through our 14 subsidiaries and two controlled joint ventures in Middle East and Mexico, or through our relationships with over 150 distributors.

For the year ended December 31, 2019, 42% of our net revenues were generated in the Americas, 42% in Europe, 7% in Asia and 9% in Rest of World. Our global scale and distribution network enables us to market our licensed

and proprietary brands on a global platform, take advantage of growing opportunities in emerging markets with high-growth potentials, such as Asia and the Middle East, and extensively cover the United States market more, where our distribution network has considerable reach among POS in the United States. We believe that our extensive and diversified geographic presence acts as a natural hedge against localized economic downturns and allows us to maximize distribution in regions of increasing demand, such as China.

Starting from 2019, we have streamlined the distribution footprint in key areas, such as Europe and the United States and enhanced our operations and strengthened distribution in key APAC markets, such as China and Australia to improve our growth in those regions. We believe that we can leverage our increased presence in APAC to capitalize on the projected growth in these markets.

In addition, as part of our digital agenda, we launched a project named "MORE" (Marcolin Order Replenishment Evolution), a modern end-to-end customer and category management solution aiming to improve sales sustainably through a joint business plan, we developed an online platform, the "Marcolin HUB", and improved our customer knowledge through a new customer relationship management ("**CRM**") tool tracking sales data.

***Solid track record of profitable growth and high cash conversion under PAI ownership.***

Under the ownership of our controlling shareholder PAI, we have demonstrated a solid track record of achieving significant growth, while maintaining a high cash conversion, as a result of stable double-digit margins combined with the limited property, plant, and equipment capital expenditure requirements of our business. In the years ended December 31, 2013 (the first fiscal year under PAI ownership) and 2019 (before the COVID-19 pandemic), we have more than doubled our net revenues, which grew from €212.3 million to €486.7 million, recording a CAGR in the same period of 14.8%, as a result of both organic performance and the acquisition of Viva Group.

In the same period, we have grown our Adjusted EBITDA from €26.2 million in 2013 to €56.0 million in 2019 (post-IFRS-16), recording a CAGR in the same period of 13.5%, while maintaining double-digit margins. In fact, our Adjusted EBITDA margin was 12.4% in 2013 and 11.5% in 2019 (post-IFRS 16), despite 2019 being negatively affected by certain additional extraordinary charges mostly related to new brand start-up costs (the slight EBITDA margin dilution is attributable to certain impacts in 2019 related to U.S. duties, significant MAG under a currently terminated license and start up costs for the launch of new brands). In terms of our limited tangible capital expenditure requirements to run our operations, for the years ended December 31, 2013 and 2019, our capital expenditures in property, plant and equipment were respectively 1.2% and 1.9% of our net revenues. As a consequence of that, over the same period, our business showed a solid cash conversion: for the years ended December 31, 2013 and 2019, our Adjusted EBITDA (post-IFRS 16) less capital expenditures in property, plant and equipment was respectively, €23.6 million and €46.7 million, implying a stable and high cash conversion respectively of 89.9% and 81.7%.

We believe that our financial performance demonstrates the significant growth we have been able to achieve, the consistent profitability and the high cash conversion that we have historically recorded. We have been able to achieve such results thanks to some important strategic milestones that we achieved under the PAI ownership, with all major investments now completed. In 2013, we acquired Viva Group (successfully integrated by the end of 2015), a then-leading eyewear wholesale designer and distributor of distinctive eyewear, and the second largest U.S.-based eyewear wholesale player. The Viva Group represented a strategically important acquisition for Marcolin, adding a portfolio of leading diffusion brands to Marcolin's existing portfolio. The acquisition allowed us to balance our leading position in both sunglasses and prescription frames and to significantly expand the distribution network in North America with a wider product offering.

Moreover, we expanded our production capacity through the opening of our new plant in Fortogna, completed in 2015. Thanks to this important investment, we believe that we have now reached sufficient capacity to support the anticipated spike in demand for eyewear as the world recovers from the COVID-19 pandemic. For the next phase of growth of our Group we do not envisage any further major capital expenditure requirement.

In addition, in 2017 we created Thélios, our joint venture with LVMH, for which we, as owner of 49% of Thélios' shares, have invested approximately €47.5 million (including approximately €2 million invested in the three months ended March 31, 2021) since its inception in order to fund its start-up phase. Following the addition

of Dior to its already fully up-to-speed portfolio of brands in January 2021, Thélios is now completely operational, without major future external funding need expected going forward (approximately €3 million is still expected to be invested by us in the remainder of 2021). During 2021, we expect another major LVMH license to be added to Thélios' portfolio, further enhancing its upside potential.

Finally, we have successfully completed the onboarding of new important licenses to our portfolio such as Moncler, Omega, Barton Perreira, Max&Co, Max Mara and Adidas (which will allow us to penetrate the sport segment) as well as extended other key licenses such as Tom Ford, Guess, Moncler and Svarowski, creating a well balanced and optimized portfolio of iconic brands, with a long contractual horizon.

***Thélios becoming a major industry player with the entrance of Dior and another major license in 2021, with no further major external funding needs.***

We believe that Thélios, our joint venture created in 2017 together with one of the leading global luxury groups, LVMH, is a real differentiating factor and a strong signal of the quality and strength of our Group. Thélios represents a very important industrial investment for us and we believe it provides many tangible benefits. In particular, it enhances our focus on high-end brands, significantly improving our positioning in the high-growth luxury eyewear segment. Thélios was established with the purpose of becoming the preferred partner of LVMH in the eyewear business. Through Thélios, we apply our design, industrialization, manufacturing and distribution know-how to certain LVMH brands. In addition, we believe that we will be able to use the know-how we gain through Thélios to attract new brands in the future.

Thélios designs and manufactures eyewear for certain luxury LVMH brands, which, as of the date of this Offering Memorandum, are Céline, Kenzo, Stella McCartney, Fred, Louis Vuitton, Loewe, Rimowa and Berluti and since, January 2021, Dior, one of the major global LVMH brands. Finally, an additional major license is expected to enter Thélios' portfolio in July 2021. As the business ramps up further, we expect no further major external funding needs as well as potential for additional luxury brands from LVMH to be added to the portfolio increasing our focus on high-end brands.

***New top management team combining strategic vision, extensive operational experience and strong adaptability as proven during COVID-19 impacted 2020.***

Under PAI's leadership, in 2020, we have strengthened our senior management team by hiring our new Chief Executive Officer, Mr. Fabrizio Curci, and selected highly skilled professionals with extensive operational experience and proven international track record in the consumer products and fashion industry. Our new top management team was carefully selected with the aim of strengthening key functions such as Style & Product Development and Operations, which are key to positioning us for future profitable growth. In addition, our Chief Executive Officer will have a key role in leading the Group throughout the recovery from the ongoing pandemic, providing his strategic vision and strong operational expertise. The new organizational set-up aims at enhancing digital capabilities, extracting industrial efficiencies, optimizing profitability and increasing cash conversion, and has already provided strong results, as demonstrated during the pandemic in 2020 and in the first quarter of 2021 given the circumstances.

In fact, thanks to our management's resiliency and adaptability through the pandemic, the Group was able to undertake immediate actions to ensure better control over costs and secure liquidity. The cumulative positive impact on EBITDA resulted in approximately €61 million cost savings, all of which were achieved in the year ended December 31, 2020. On the cost side, license agreements were renegotiated in order to obtain waivers or reductions of minimum guaranteed royalties and advertising amounts (approximately €23 million cost savings). We reached very positive results and received strong support from licensors, with full waivers for the vast majority of our key licenses, providing significant economic benefits. Moreover, we took advantage of government subsidies and furlough to mitigate costs related to personnel and overheads savings (approximately €14 million cost savings) and the lower sales volumes allowed saving on agents' commission and freight costs (approximately €7 million cost savings) and variable royalties (approximately €17 million cost savings). On cash management side, we took advantage of the SACE Facility, a €50.0 million loan backed by SACE S.p.A. and the 3Cime Shareholder Loan, a €25.0 million loan which allowed to increase our liquidity during the pandemic. In addition, we focused on the re-alignment of cash outflows and inflows, leveraging our strong relations with suppliers, and on the improvement of cash collection, reaching strong results with our days sales outstanding (the "**DSO**") progressively decreasing from circa 113 days in May 2020 (historical high) to 72 days in December

2020. As a result of the actions taken, the year ended December 31, 2020 closed with €52.4 million of cash, higher than our pre-pandemic level.

Additionally, in response to the COVID-19 pandemic, the management team decided to review the Group's traditional business approach and operations. We expect that the strong focus of our management on industrial processes with the aim of streamlining the supply chain will result in significant efficiency gains and cost savings. For example, increasing insourcing capacity, reducing stock obsolescence and back-orders and optimizing the product development process. In addition, our portfolio was carefully reviewed and rationalized in order to focus only on licenses with higher profitability and guarantee access to new channels (*e.g.*, Adidas, which provides access to the new sport channel). As a result of the transformation plan undertaken by management, the impact from the pandemic was successfully mitigated with the Group being able to preserve cash generation and with positive results already achieved in the first months of 2021, which typically result in negative cash flow.

***Strategic, strong and fully supporting shareholders as further demonstrated during the COVID-19 pandemic.***

We benefit from strong support from our shareholders, as also demonstrated by the recent fund transfer and during the COVID-19 pandemic when one of our direct shareholders, 3Cime, made available a shareholder loan of an amount of €25.0 million. Our controlling shareholder is PAI, one of the leading European private equity funds. Marcolin represents a strategic investment for PAI, to which it has demonstrated strong commitment over time including through continued equity injections, also to support strategic acquisitions, without dividend extraction since its entry and by the recent transfer of Marcolin to the new PAI Strategic Partnerships fund. In addition, in December 2019, Marcolin was transferred into "PAI Strategic Partnerships" fund, a continuation fund designated to provide continued and long-term investments to priority assets, such as our Group. In addition, LVMH, one of the leading global luxury groups enjoying strong stability, is one of our main strategic partners that invested in our expertise and it is strategically committed to us through Thélios and as a minority shareholder since 2017. Finally, we benefit from the support of other key long-term shareholders, such as the Della Valle family, controlling shareholders of Tod's, and Marcolin's family.

## Our Strategies

We intend to further strengthen our position as a leading wholesale eyewear company by focusing on the following strategic pillars:

***Strengthen our core business.***

We are one of the leading vertically integrated wholesale eyewear group with a global reach. Our business has extensive global distribution networks, especially in the mature markets of North America and Europe and we intend to maintain a strong foothold in these markets and leverage our know-how to expand further. In addition, we intend to pursue organic growth opportunities in fast-growing emerging markets, where we believe consumer demand for branded products will increase. Especially in APAC we have significantly strengthened our footprint by setting up a logistic center in Hong Kong and replaced our distributor in South Korea to ensure that we are well positioned to capture this future growth opportunity.

We expect that our balanced geographic presence and integrated business model both place an emphasis on proximity and responsiveness to consumers that will benefit us while the market recovers from the COVID-19 related impacts.

We intend to continue to develop our successful business model of providing collections in a variety of styles, materials and colors to distinctive brands with high commercial potential in eyewear. For luxury brands, we will continue producing "Made in Italy" pieces that seek to translate each licensed brand's unique identity into eyewear. For diffusion brands, we intend to continue to offer consumers compelling propositions of style and value. We believe establishing the eyewear collection for some of our largest brands and continuing to grow them as formidable, recognized and profitable brands in the eyewear accessory line has contributed to raise awareness among consumers for these brands, and therefore, increased consumer loyalty and brand value.

To improve our core business further, we will strengthen our financial profile by renegotiating the commercial terms of our licenses with more favorable terms than the original ones and a clear focus on high contribution brands. We therefore constantly review our portfolio of licenses and monitor ongoing developments to ensure that our agreements are accretive to the top line and profitability.

We continue to invest in new strong brands, as shown by the addition of two new core brands Adidas and Max Mara. Through Adidas we will enter the attractive sport category, while Max Mara allows us to consolidate our premium offering. In addition, we continue to invest into our own brand portfolio through Web's new international brand identity which aims at developing a strong in-house brand.

Lastly, we have implemented significant changes to the management structure and related internal processes to ensure that our governance, compliance and ESG policies are strengthened, which we believe are in line with best practices across the industry.

***Maximize operational efficiency.***

We believe our integrated business model provides maximum control over our operations, allows us to quickly respond to consumer demands and has contributed to margin preservation. We intend to continue to focus on operational efficiencies and best-in-class internal processes. Between 2020 and the first quarter of 2021, our management has started to implement significant actions in order to streamline the supply chain and extract efficiencies on the procurement, production and distribution side, including through the adoption of new scorecards, which allow us to rank our suppliers in terms of costs and efficiency, and scouting for best price suppliers. In this context, we are now increasing the insourcing capacity for our "Made in Italy" production, through the redesign of our production process at our Fortogna facility. In addition, in order to optimize our logistics operations, we completed two new automation projects: an automated component counter system at our Fortogna facility and an automated kit packaging system at our Longarone facility.

We will continue to focus on operational improvements, including reduction of stock obsolescence risk, back-orders and optimization of product development process. We do not expect to incur any major extraordinary investments going forward in order to improve our operations and internal processes.

***Refocus on profitable growth.***

To ensure that we are well positioned, following the market disruption from the pandemic, we have developed a more disciplined approach for new licenses with a clear focus on highly profitable as well as scalable brands. As such, we have recently terminated three selected license agreements in advance of the envisaged expiration dates and not renewed four selected license agreements terminating at natural expiry which we considered no longer core to our business. In addition, we have recently renewed Guess, one of our top brands, until 2030. At the same time we have an outstanding track record in renewing important licenses thanks to our industry leading renewal rate (approximately 95% over the period between January 1, 2014 and March 31, 2021, excluding voluntary terminations by Marcolin), due to our strong reputation in the eyewear sector and long-standing relationships with licensors.

We believe this track record can help us develop other luxury and diffusion brands that have yet to establish eyewear collections or are otherwise dissatisfied with their current licensee. In addition, our ability to produce, industrialize and distribute eyewear in the diffusion brand category can be attractive to licensors seeking to complement their offering and reach mass-market consumers. We will continue to focus on profitable licensed brands that have broad consumer appeal or target selective and profitable niches, such as Tom Ford and Guess, and will also gain indirect access to an increased portfolio of luxury brands through Thélios.

Through our global presence and deep understanding of the market, we continuously evaluate and, where economically reasonable, leverage market opportunities to increase the weight of own brands, with a specific focus on strategic regions such as the U.S. and APAC. Finally, we intend to focus on the expansion of our main proprietary brand, Web, which has the potential to have a higher margin profile (due to the lack of royalty payments), by relaunching its brand identity and expanding its distribution, including via online channels, and therefore we will seek to strengthen this part of the business.

***Digital reinvention.***

As part of our strategy of profitable sustained growth going forward, we have developed a digital agenda to improve the customer journey, increase connectivity with our clients, better track consumer behaviors and increase sales efficiency. In particular, we intend:

- to increase the efficiency and reliability of our supply chain flows through the full roll out of our "MORE" ("Marcolin Order Replenishment Evolution") project, our modern end-to-end customer and category management solution aiming to improve sales sustainably through a joint business plan;

- to strengthen our business-to-consumer (B2C) channel by expanding our e-commerce presence through partnership agreements with selected third-party online retailers in key geographies and developing proprietary e-commerce tools for selected brands (*e.g.*, Web);
- to re-design and transform our customer experience through our an improved CRM tool platform, to drive the business, better track customer needs and sales data and develop a more tailored approach with the goal to (i) optimize our operating model, in light of customer centricity, (ii) improve overall customer satisfaction and (iii) be able to react faster to changing customer and consumer behavior; and
- to strengthen our business-to-business (B2B) channel through the full roll out of our "Marcolin HUB", our online platform, where customers can*, inter alia*, place orders, check order status, download digital assets images and request marketing materials.

***Increasing benefits from Thélios.***

Thélios has been a core part of our strategy since the setting up of such joint venture with LVMH in 2017. Thélios strengthens, indirectly, our luxury brand portfolio by giving us the opportunity to apply our design, industrialization, manufacturing and distribution know-how to luxury LVMH brands, including Céline and Dior, which have previously been designed and manufactured by one of our largest competitors. The primary purpose of Thélios is to strengthen LVMH's eyewear business by enhancing the creativity and innovation of the designs of the licensed brands through the application of our know-how, thereby improving the overall brand equity and luxury positioning of LVMH.

Following significant investments over the course of the last three years to support the start-up phase, Thélios' operations are now up to speed and we are seeing the benefits of such joint venture as the scale of operations increase. As of today, we foresee no major further cash injection and we believe that Thélios will provide us with dividend potential going forward.

We believe that Thélios is set to become a strong value contributor to our Group. The entrance of Dior in January 2021 as well as an additional major license, which is expected to enter in July 2021, will further enhance the attractiveness of Thélios due to the strength of the brands and their size. We expect these additions to the brand portfolio to be a further milestone for Thélios as volumes are expected to ramp-up significantly further strengthening profitability.

Finally, we expect to have the opportunity to win additional LVMH brands by leveraging Thélios' ability to successfully launch and manage Dior.

***Maintain disciplined financial strategy, focus on cash generation and reduce leverage.***

We intend to focus on cash generation and operationally reduce our leverage through improving working capital practices (e.g., reduction of stock obsolescence, improving inventory rotation, reducing DSOs) and actively monitoring cash flow management. The New Revolving Credit Facility, which we expect will have available drawings of €46.3 million after the Refinancing, will help us maintain a liquidity cushion for on-going business needs. Leveraging our limited capital expenditures, combined with our disciplined financial strategy, we intend to continue focus on cost reduction and efficiency improvement opportunities.

Further, as part of our plan to maximize efficiency in our expenses and to maintain adequate levels of liquidity, we intend to maintain our conservative dividend and acquisition policies. Historically, where we have undertaken certain acquisitions, these generally arose from extraordinary opportunities that helped us globalize our business, penetrate unexplored markets (such as our acquisition of the Viva group in 2013 which expanded our footprint in the United States and added a number of leading diffusion brands to our portfolio including Guess) or otherwise meet our strategic business objectives. Subject to any exceptional opportunities that may materialize in the future, we do not presently envisage any significant acquisition or business combination, as we are well positioned with our diversified brand portfolio and open to forming partnerships with brands that resonate with customers and can generate profitable returns. As part of this prudent financial policy, we currently expect the 3Cime Shareholder Loan, for an aggregate principal amount of €25.0 million, to remain outstanding following the completion of the Refinancing.

### The Sponsor

PAI Partners is a leading European private equity firm with offices in Paris, London, Luxembourg, Madrid, Milan, Munich, New York and Stockholm. It manages €14.7 billion of dedicated buyout funds and, since 1994, has completed 83 transactions in 11 countries, representing over €60 billion in transaction value. PAI Partners is characterized by its industrial approach to ownership combined with its sector-based organization. It provides the companies it owns with the financial, operational and strategic support required to pursue their development and enhance value creation.

### The Refinancing

Throughout this Offering Memorandum, we collectively refer to as the "**Refinancing**": (i) the Offering, (ii) the application by the Issuer of the proceeds of the Offering to redeem the entire outstanding principal amount of the Existing 2023 Notes (plus accrued interest), repay all amounts outstanding under the Existing Revolving Credit Facility, repay and cancel the SACE Facility, fund cash on balance sheet and pay certain fees and expenses in connection with such transactions, and (iii) the entering into of the New Revolving Credit Facility and cancellation of the Existing Revolving Credit Facility. For additional information, see "*Use of Proceeds*," "*Description of the Notes*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" and "*Description of Certain Financing Arrangements—New Revolving Credit Facility*."

#### *Sources and Uses*

We expect the gross proceeds from the Offering will be €350.0 million. We intend to use the proceeds from the Offering to redeem all of the outstanding Existing 2023 Notes (plus accrued interest), repay all amounts outstanding under the Existing Revolving Credit Facility, repay and cancel the SACE Facility, fund cash on balance sheet for general corporate purposes and pay certain fees and expenses in connection with the Refinancing.

The estimated sources and uses of the proceeds of the Offering 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, differences from our estimates of the costs of redeeming the Existing 2023 Notes and the ultimate timing thereof.

| Sources of funds | (€ in millions) | Uses of funds | (€ in millions) |
|---|---|---|---|
| Notes offered hereby[1] | 350.0 | Refinancing of the Existing 2023 Notes[2] | 250.0 |
| | | Repayment and cancellation of the Existing Revolving Credit Facility[3] | 40.0 |
| | | Repayment and cancellation of the SACE Facility[4] | 50.0 |
| | | General corporate purposes[5] | 2.7 |
| | | Transaction fees and expenses[6] | 7.3 |
| **Total sources** | **350.0** | **Total uses** | **350.0** |

(1) Represents the gross proceeds of the Notes.

(2) On or about the Issue Date, we intend to use the proceeds from the Offering to redeem the Existing 2023 Notes. The Existing 2023 Notes will be redeemed on or about the Issue Date at par following the delivery of a notice of redemption in respect of the Existing 2023 Notes and the deposit with the Paying Agent of funds in an amount sufficient to pay the redemption price. The amount indicated in the table above refers to the outstanding aggregate principal amount of the Existing 2023 Notes as of March 31, 2021 (€250.0 million) and excludes accrued interest in respect of the Existing 2023 Notes to be redeemed on about the Issue Date at a price of par plus accrued interest of €0.3 million from May 17, 2021 (the most recent scheduled interest payment date) to May 27, 2021 (the assumed redemption date). Following the Refinancing, the Existing 2023 Notes will have been redeemed and liens and guarantees securing them will have been released as of the Issue Date. See "*Capitalization*."

(3) Represents the outstanding principal amount of the Existing Revolving Credit Facility as of March 31, 2021 which will be repaid and cancelled in connection with the Refinancing. No additional amounts have been drawn under the Existing Revolving Credit Facility after March 31, 2021. The amount indicated in the table above does not include accrued interest or break costs.

(4) Represents the outstanding principal amount of the SACE Facility as of March 31, 2021 which was entered into by the Issuer in connection with ongoing coronavirus pandemic to provide further liquidity to the Group and which will be repaid and cancelled in connection with the Refinancing. No additional amounts have been drawn under the SACE Facility after March 31, 2021. The amount indicated in the table above does not include accrued interest or break costs.

(5) Represents funding of cash on balance sheet that will be used for general corporate purposes.
(6) Represents the estimated fees and expenses associated with the Offering including underwriting fees and commissions, financial advisory fees and other transaction costs and professional fees.

On or about the date of this Offering Memorandum, we expect to enter into the New Revolving Credit Facility Agreement with and the agent and lenders named therein in the amount of €46.3 million, pursuant to which the Issuer is the borrower. The New Revolving Credit Facility will be secured by first-ranking security interests granted on an equal and ratable first-priority basis over the Collateral as well as by a special lien (*privilegio speciale*) to be granted by the Issuer over its movable assets. In the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the New Revolving Credit Facility and counterparties to certain hedging obligations, if any, have been repaid in full. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

## Recent Developments

### *COVID-19 Pandemic*

At the end of 2019, a novel strain of coronavirus was reported in China. It was named SARS-Cov-2 and it is the cause of the COVID-19 disease. In early 2020, as a number of suspected cases were detected in the country, the Republic of Italy declared a state of emergency on January 31, 2020, the first European Union member state to do so. On February 21, 2020, the Italian government instituted a quarantine zone in the province of Lodi in Lombardy and the province of Padua in Veneto, which was expanded to most of Northern Italy on March 8, 2020, including Longarone, where we are based. The measures restricted travel, temporarily closed businesses, schools and other public gathering spaces and ordered residents to stay in their homes. The virus spread around the world and on March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic amidst a rising number of confirmed cases and thousands of deaths worldwide. Many countries around the world also reacted to the pandemic by instituting quarantines, mandating business and school closures as well as restricting travel.

#### *The Impact of COVID-19 on Our Business*

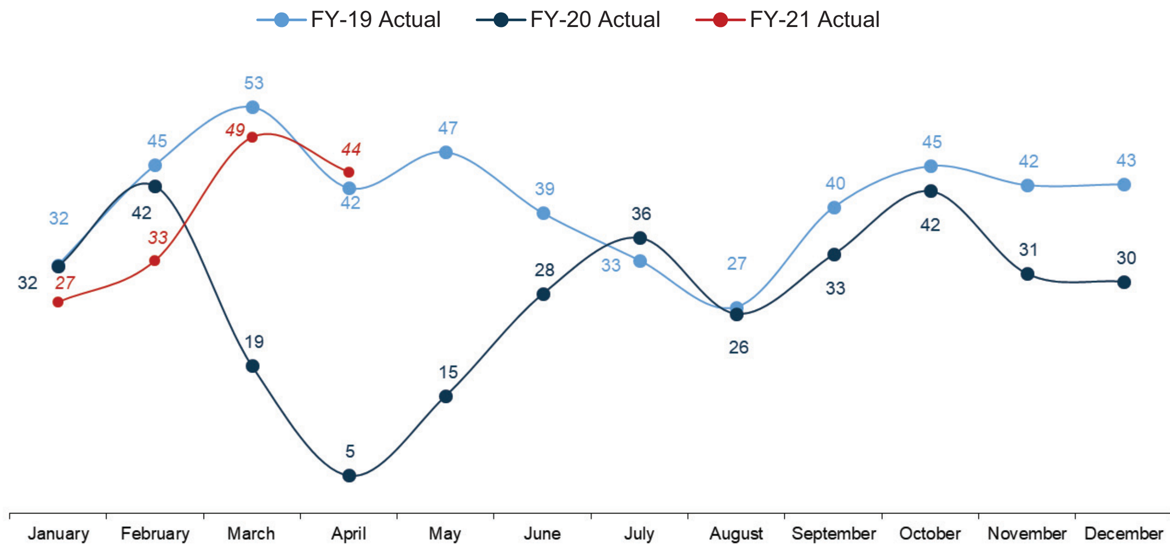
The impact of the COVID-19 pandemic on our industry was significant as data from Statista recorded a 21% decrease in revenue from sunglasses and a 20% decrease in spectacle frames segments. Our business was similarly affected, as we recorded a decrease in net revenues of €146.7 million, or 30.1% (€137.8 million decrease, or 28.3%, on a constant currency basis), from €486.7 million for the year ended December 31, 2019 to €340.0 million for the year ended December 31, 2020, primarily due to volumes reduction following the lockdown of the markets resulting from the COVID-19 pandemic. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Comparison of the Years Ended December 30, 2019 and 2020*" for more information.

The effect of the pandemic recorded in 2020 was asymmetrical and affected different areas and geographies of our business throughout the year depending on local conditions, government actions and economic impact. The following briefly describes the impact of the COVID-19 pandemic on our business.

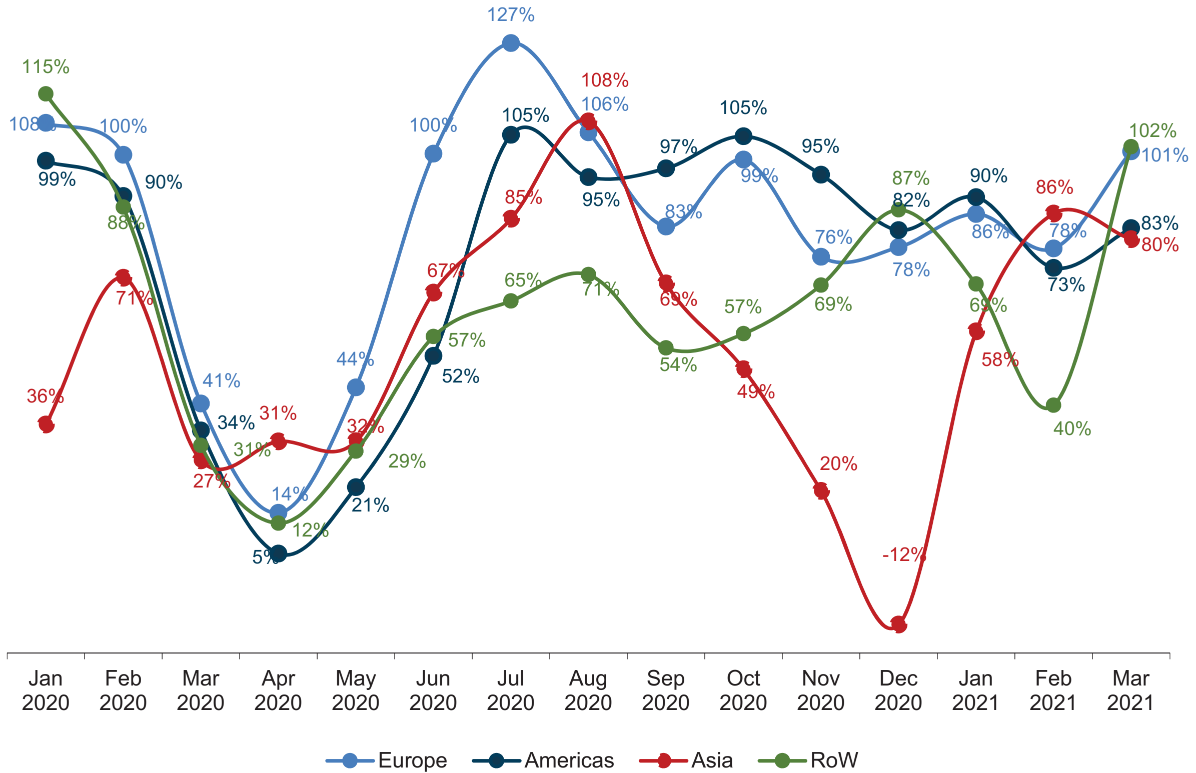
- The first disruptions that we navigated were both supply and production-related disturbances due to the lockdowns and stay-at-home directives in the first quarter of 2020 imposed by authorities in China, which reduced our manufacturing capacity and increased the level of our backorders. This had a disproportionate impact on our business because we typically ramp up production in preparation for the important spring collection sales (which were additionally affected by the various lockdowns).
- The impact on our net revenues was initially experienced in Asia where net revenues contracted significantly by 64% in January, 29% in February, 73% in March, 69% in April, and 68% in May, in each case as compared to the same months of 2019. However, the main adverse effect of the pandemic on our net revenues was recorded starting from March onwards when lockdowns were instituted in Europe and the Americas, our most important markets, which respectively accounted for 42.0% and 41.5% of our net revenues in the year ended December 31, 2019. We recorded decreases of net revenues in Europe of 59% in March, 86% in April and 56% in May and in the Americas of 66% in March, 95% in April and 79% in May, in each case as compared to the same months of 2019. This had a particularly deleterious effect on our revenue generation as these months are typically peaks of monthly net revenues.

- Following the first wave of the COVID-19 pandemic, there was a brief period when net revenues recovered quickly and even exceeded net revenues generated during the same periods in 2019. In Europe, net revenues in June, July and August were 100%, 127% and 106% of 2019 figures, respectively. In the Americas, where the initial easing of lockdowns occurred later, net revenues in July, August, September and October were 105%, 95%, 97% and 105% of 2019 figures, respectively.
- The second wave of the pandemic which progressively struck Europe and the Americas beginning in the third quarter of 2020 reverting to renewed market lockdowns in the fourth quarter was also particularly damaging to our revenue generation as the fourth quarter represents another peak of the revenue generation given the seasonality of our business.
- While in the first quarter of 2020 the pandemic mainly affected our net revenues generated in Asia, in the first quarter of 2021 the pandemic affected our revenues globally. However, in early 2021 we began to see green shoots of a recovery, when net revenues for January, February and March 2021 were 85.1%, 72.6% and 92.3%, respectively, as compared to the same month of 2019, despite the impact of the second wave with lockdowns reinstated in many European countries having eroded the emerging trend of recovery. Net revenues in March 2021 were nevertheless approximately 154% of March 2020.

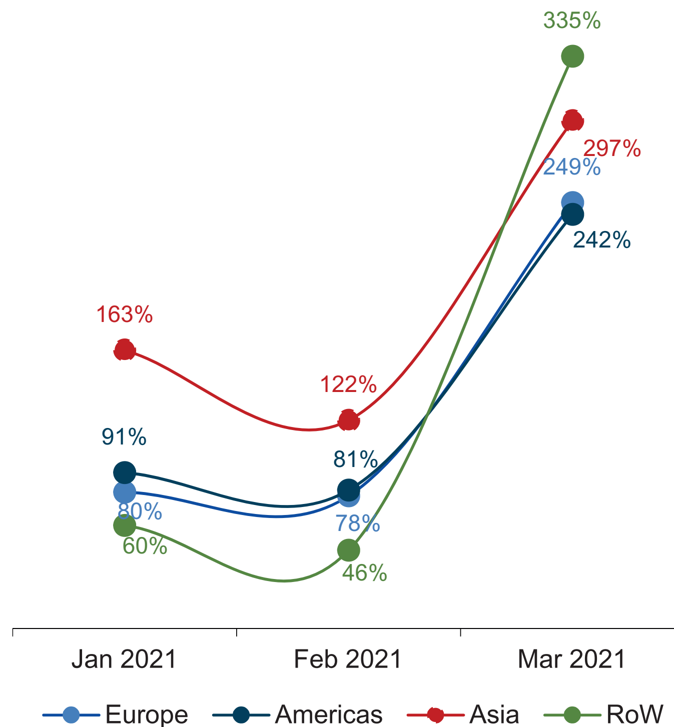
The below graphic shows our net revenues by month for the periods indicated, showing the significant contraction in our revenues during the first lockdown in 2020, the beginnings of a recovery and convergence with 2019, particularly in the third quarter, and the recovery recorded in the first quarter of 2021. For certain preliminary unaudited information on sales performance since March 31, 2021, see "*—Current trading*."



The regional impact of the COVID-19 pandemic was uneven and each geographic region proceeded on its own trajectory as a result of prevailing health conditions and government measures. The below graphic shows our net revenues by region for each month of the year ended December 31, 2020 and the three months ended March 31, 2021 compared to our net revenues by region for each month of the year ended December 31, 2019.




The below graphic shows our net revenues by region for each month of the three months ended March 31, 2021 compared to our net revenues by region for each month of the three months ended March 31, 2020.




Statista reports that global eyewear revenues are expected to recover relatively quickly with a return to 2019 levels by 2022. This v-shaped recovery is expected across all segments of the market.

The results we have recorded in the first three months of 2021 reflect green shoots of the recovery. Net revenues generated in the three months ended March 31, 2021 compared to net revenues generated in the three months ended March 31, 2020, increased by €21.3 million or 22.8%, on a constant currency basis and by €15.1 million or 16.2%, on a current basis, and exceeded our budgeted expectations by approximately 3%. Net revenues generated in March 2021 were up approximately 154% versus March 2020, demonstrating our ability to catch up and recover sales that we missed during the lockdowns and related COVID-19 uncertainty. In terms of Adjusted EBITDA, we recorded €14.3 million for the three months ended March 31, 2021, an increase of 23.2% as compared to the three months ended March 31, 2020, and exceeded our budgeted expectations by approximately 41%. While historically, our cash generation has been negative in the first quarter (our cash on balance sheet was €31.5 million and €24.6 million as of March 31, 2019 and 2020, respectively), as of March 31, 2021, our cash on balance sheet was €54.7 million, up from €52.4 million as of December 31, 2020. This was higher than the pre-pandemic level and it was not only driven by the €25.0 million capital injection linked to the 3Cime Shareholder Loan but also by our disciplined and optimized working capital management. Our strong first quarter 2021 results were recorded notwithstanding the seasonality of our business that typically leads us to record negative cash flow for the first quarter of a given year. Based on industry information and our experience in the period following the initial lockdown months of 2020, we expect the eyewear market to stabilize, return to pre-pandemic levels and thereafter continue to display secular growth trends driven by demographics and technological factors.

We expect the ultimate significance of the impact of the pandemic on our financial condition, results of operations, or cash flows will be dictated by the length of time that such circumstances continue, which will depend on the speed of reopening of the broader economy and back-to-normal initiatives, any further outbreaks of COVID-19 and government measures to contain it and any supply chain interruptions that may be caused by the same. For certain preliminary unaudited information on sales performance since March 31, 2021, see "—*Current trading*."

*Our Actions During the COVID-19 Pandemic*

The following briefly describes our management's actions amid the COVID-19 pandemic.

- *Employee safety.* Our first concern upon the emergence of the COVID-19 pandemic was the safety and wellbeing of our employees and their families. We adhered to regulations, orders and guidance issued by relevant health and governmental authorities in the regions where we operate, carefully monitoring the latest pronouncements and recommendations and adapting our protocols accordingly. For the first wave of the pandemic in March and April 2020, we closed our manufacturing plant in compliance with the lockdown instituted by the Italian authorities. In preparation for a reopening when it was safe to do so, we implemented various preventive measures and hygiene protocols at our plant in Longarone, our administrative headquarters and our logistics hubs worldwide, such as providing, installing, and making available appropriate protective equipment (e.g., masks, gloves and disinfectant supplies), installing instructional signage for our employees (i.e., managing flow of people within the plant, warehouses and offices) and instituting reinforced and more frequent cleaning measures. During the lockdowns, we instituted work-from-home policies for our headquarters and subsidiaries' employees in order to encourage and maintain social distancing while preserving business continuity.
- *Supply chain.* Our Chinese suppliers were closed during most of the first quarter of 2020, which created shipping delays and disrupted our ability to manufacture certain of our products. Management therefore devoted considerable time to supply chain optimization and working with our procurement teams and suppliers to mitigate disruptions caused by the pandemic. For much of 2020, we focused on maintaining our supply chain and adapting our logistics process to accommodate longer lead times and rightsizing our manufacturing orders based on expected demand reductions.
- *Cost control initiatives.* Given the high degree of uncertainty caused by the global pandemic, beginning in the first quarter of 2020, our management immediately froze discretionary spending and took measures to reduce fixed and variable costs, including, in partnership with our licensors, reducing or, in some cases, waiving minimum guaranteed royalties and advertising amounts, top management waiving part of their salaries, utilizing government mobility plans and furlough as well as reducing agent commissions and freight costs as a result of lower sales volumes. These and other cost control initiatives yielded approximately €61 million in savings across our cost structure, all of which were achieved in 2020.

- *Licensed brand portfolio management.* Portfolio management is an important element in maintaining the resilience and diversity of our licensed brand portfolio. Management sharpened its focus on maximizing profitability and cash flow generation and by successfully announcing the extension of one of our top brands and pruning the portfolio of certain licensed brands that had a more limited appeal and had not reached, and we thought they would not have reached in the future, critical mass in terms of volumes in order to reach satisfactory levels of profitability.
- *Liquidity management*. As part of prudent liquidity management, we obtained a covenant holiday with the lenders under our Existing Revolving Credit Facility and made certain other amendments. Additionally, in June 2020, we obtained and drew on a €50 million club term loan in June 2020 benefitting from a 90% guarantee by SACE, an Italian government instrumentality. Finally, we received a €25 million capital injection consisting of a shareholder loan from 3Cime (*i.e.*, PAI and other Marcolin co-investors). Demonstrating this conservative approach, we had a cash balance of €52.4 million as of December 31, 2020 (higher than pre-pandemic year-end levels), which we believe provided us with a good foundation to weather the third wave. This cash balance increased to €54.7 million as of March 31, 2021.
- *Management of payables and receivables*. To manage our payables and receivables, we renegotiated supplier payment terms to increase flexibility and focused on cash collections. Our DSO reached a pre-COVID-19 level at the end of 2020 (72 days in December 2020 compared to 113 days in May 2020, due to the exceptional working capital movements, with clients delaying payments).

During the COVID-19 pandemic, management also undertook a series of initiatives to reorientate our business so that we can benefit fully from the anticipated growth in sales that is expected when economies return to normalcy following the relaxation of restrictive pandemic containment measures, including in light of the ongoing vaccinations campaigns. This included rethinking our organization structure to place digital innovation and retooling of our sales process at the forefront of our enterprise, exploiting industrial and distribution synergies and harnessing economies of scale and driving cash generation through cost cutting and development of our direct sales channel.

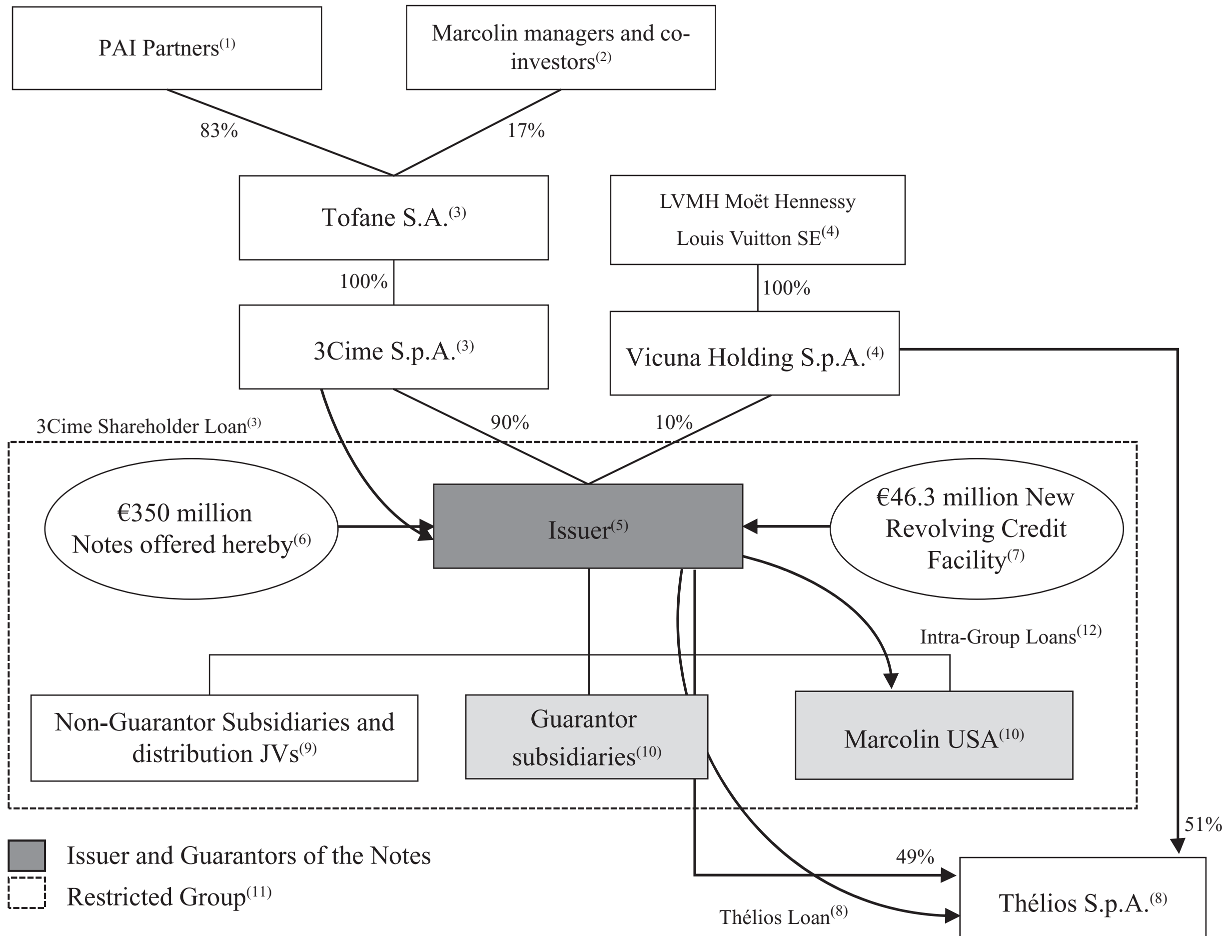
***Current Trading***

Based on the management's initial review of our results of operations for the month of April 2021 and unaudited management accounts as of April 30, 2021, we had approximately €57.5 million of cash and cash equivalents on balance sheet as of April 30, 2021, an increase of €2.8 million compared to March 2021. In addition, we expect that our net revenues for the month of April 2021 will be approximately €44 million, which is approximately 9 times our net revenues for April 2020 and which will represent an increase of approximately €2 million compared to April 2019.

*These preliminary indications are estimates based on our management's initial reviews of our results of operations. Our independent auditors have not audited, reviewed, compiled or performed any procedures with respect to such unaudited financial information for the purpose of its inclusion herein and accordingly, they have not expressed an opinion or provided any form of assurance with respect thereto for the purpose of this Offering Memorandum. Furthermore, the unaudited financial information does not take into account any circumstances or events occurring after the period to which it refers. The foregoing information relating to our results is based in part on estimates. These estimates are based on our internal management accounts for the month ended April 30, 2021, which are unaudited. While we believe these estimates are reasonable, our actual results for the month ended April 30, 2021 may differ from those presented above, remain subject to change and may not be indicative of our future results. You should therefore not place undue reliance on the information presented above. See "Forward-Looking Statements," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."*

## CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following diagram summarizes our corporate structure and principal outstanding financing arrangements after giving *pro forma* effect to the Refinancing as described in "*Use of Proceeds*" and "*Capitalization*." Other than with respect to our joint ventures, including Thélios, all subsidiaries of the Issuer are directly or indirectly wholly-owned by the Issuer. Unless otherwise indicated, the subsidiaries represented below are wholly-owned, either directly or indirectly, by their respective parent companies. For a summary of the debt obligations referenced in this diagram, see "*Description of Certain Financing Arrangements*" and "*Description of the Notes*."




(1) Funds advised or managed by PAI, a major European private equity firm that manages and advises dedicated buyout funds with combined commitments in excess of around €14.7 billion, own a 74.7% indirect interest in Marcolin's share capital (on a fully diluted basis). See "*Principal Shareholders*."

(2) Certain co-investors own a 15.3% indirect interest in Marcolin's share capital (on a fully diluted basis). See "*Principal Shareholders*."

(3) 3Cime, organized as a joint stock company (società per azioni) under the laws of the Republic of Italy, holds all of the Issuer's Class A shares, equal to 90% of the Issuer's total share capital. 3Cime is directly held by the holding company Tofane, a corporation (société anonyme) organized under the laws of the Grand Duchy of Luxembourg. See "*Principal Shareholders*." 3Cime, as lender, granted an interest-bearing shareholder loan to the Issuer, as borrower, for an aggregate principal amount of €25.0 million (the "**3Cime Shareholder Loan**"), pursuant to a shareholder loan agreement entered into on June 24, 2020 and governed by Italian law. This shareholder loan agreement, as amended and restated on or about the Issue Date, will remain in place following the Refinancing. As of March 31, 2021, €25.0 million in aggregate principal amount was outstanding under the 3Cime Shareholder Loan. See *"Description of Certain Financing Arrangements—3Cime Shareholder Loan.*"

(4) Vicuna, organized as a joint stock company (*società per azioni*) under the laws of the Republic of Italy, holds all of the Issuer's Class B shares, equal to 10% of the Issuer's total share capital. Vicuna is directly held by LVMH, a European public company (*societas Europaea*) organized under the laws of France. The shares of the Issuer held by Vicuna Holding will not be pledged to secure the Notes or the New Revolving Credit Facility and will thus not form part of the Collateral. In addition, LVMH has been granted a call option that it may exercise to acquire additional shares of the Issuer (the "**LVMH Call Option**"). The LVMH Call Option may be exercised in case of (i) an IPO of the Issuer, (a "**Marcolin IPO**"), or (ii) a sale of the shares of the Issuer (whether directly by 3Cime or indirectly by PAI or any of the companies that directly or indirectly control the Issuer) to LVMH or to a third party (a "**Marcolin Share Sale**"). The LVMH Call Option allows LVMH to acquire additional Issuer shares depending on the capital gain realized by the Issuer's indirect shareholders resulting from a Marcolin IPO or a Marcolin Share Sale (as the case may be). The Indenture and the relevant Security Document will permit the Issuer to issue new shares to LVMH and/or 3Cime to release shares of the Issuer subject to pledge in order to

transfer such shares to LVMH, in each case in accordance with the PAI/LVMH Shareholders' Agreement and for a number of shares equivalent to a maximum of 7.5% of the Issuer's current share capital. Upon such transfer to LVMH, the relevant shares of the Issuer will not be pledged to secure the Notes. See "*Principal Shareholders—Shareholders' Agreement—PAI/LVMH Shareholders' Agreement*" and "*Description of the Notes—Security.*"

(5) The Issuer is organized as a joint stock corporation (*società per azioni*) under the laws of the Republic of Italy. See "*Management*," "*Principal Shareholders*" and "*Listing and General Information*." As of March 31, 2021, after giving effect to the Refinancing, the Issuer and the Guarantors would have had €39.3 million in outstanding financial debt other than the Notes, none of which was secured. For the twelve months ended March 31, 2021, the Issuer and the Guarantors generated 79.7% of the Group's net revenues and 80.5% of the Group's Adjusted EBITDA. As of March 31, 2021, the Issuer and the Guarantors held 90.2% of the Group's total assets.

(6) The Notes will be senior secured obligations of the Issuer and will rank equal in right of payment with all of the Issuer's existing and future senior indebtedness and will rank senior to all of the Issuer's future indebtedness that is subordinated in right of payment to the Notes. Within 15 business days of the Issue Date, the Notes will be secured on a first-ranking basis by pledges over (subject to the release provisions in the Indenture): (i) a pledge over all of the shares of the Issuer held by 3Cime, which will constitute (x) 90% of the share capital of the Issuer on the Issuer Date or (y) in the event of the subsequent exercise by LVMH of its rights to acquire additional shares of the Issuer pursuant to the PAI/LVMH Shareholders' Agreement, no less than 82.5%, (ii) pledges over all of the shares of Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany; (iii) a pledge over substantially all of the material assets of Marcolin USA; and (iv) an assignment of the Issuer's receivables under the Intercompany Loans (the "**Collateral**"). The Collateral is currently pledged in favor of the Existing 2023 Notes, the Existing Revolving Credit Facility and the SACE Facility and these security interests will be released on or about the Issue Date following the redemption of the Existing 2023 Notes, the discharge of the Existing Revolving Credit Facility and the SACE Facility. See "*Use of Proceeds*." Furthermore, following the Refinancing, the Collateral will secure, on a first-ranking basis, the obligations under the New Revolving Credit Facility. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*." The Collateral will be subject to the Agreed Security Principles and limitations under applicable law and may be released in certain circumstances. See "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*." The Issuer intends to use the proceeds from the Offering to redeem all of the outstanding Existing 2023 Notes (plus accrued interest), repay all amounts outstanding under the Existing Revolving Credit Facility, repay and cancel the SACE Facility, fund cash on balance sheet and pay certain fees and expenses in connection with the Refinancing. See "*Use of Proceeds*."

(7) The Issuer will enter into the New Revolving Credit Facility on or about the date of this Offering Memorandum, providing for up to €46.3 million (in multiple currencies) of senior secured revolving credit. The Issuer will be the borrower on a senior basis under the New Revolving Credit Facility but other Group entities may become borrowers in the future (subject to the terms of the New Revolving Credit Facility). The New Revolving Credit Facility will be guaranteed by the Issuer and, within 15 business days of the Issue Date, the Guarantors and will be secured by first-ranking security interests granted on an equal and ratable first-priority basis over the Collateral as well as by a special lien (*privilegio speciale*) over the Issuer's movable assets. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of the New Revolving Credit Facility and counterparties to certain hedging obligations (if any) that are permitted to be secured by the Collateral will receive priority with respect to any proceeds received upon any enforcement action over any Collateral. Any proceeds received upon any enforcement action over any Collateral, after all obligations under the New Revolving Credit Facility and certain hedging arrangements (if any) have been repaid and have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Indenture and the Notes and any other indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by Collateral on a *pari passu* basis pursuant to the Indenture and the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." The Issuer and the Guarantors will be borrowers and/or guarantors, respectively, under the New Revolving Credit Facility. The New Revolving Credit Facility is expected to be undrawn at closing. The Existing Revolving Credit Facility is being terminated in connection with the Refinancing. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Creditors under the New Revolving Credit Facility, certain hedging obligations and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes*," "*Use of Proceeds*," "*Capitalization*" and "*Description of Certain Financing Arrangements—New Revolving Credit Facility*" for further information.

(8) Thélios is a joint stock company (*società per azioni*) organized under the laws of Italy, whose shares are held by the Issuer (49%) and Vicuna (51%). For more information, see "*Business—Our Business—Thélios.*" The Issuer, as lender, granted an interest-bearing loan to Thélios, as borrower, for an original aggregate principal amount of €15.0 million (subsequently increased from time to time by an overall amount of €20.0 million, the "**Thélios Loan**"), pursuant to a loan agreement originally entered into on November 30, 2017 and governed by Italian law, as subsequently amended and restated. As of March 31, 2021, €13.3 million was outstanding under the Thélios Loan.

(9) Not all Group companies will guarantee the Notes. As of March 31, 2021, after giving effect to the Refinancing, such Non-Guarantor Subsidiaries (including two joint ventures that we control and that are consolidated in our financial statements) would have had €5.7 million in outstanding financial debt, none of which was secured. The Notes will be structurally subordinated to the liabilities of such Non-Guarantor Subsidiaries. In the event of a bankruptcy or liquidation of any of the Non-Guarantor Subsidiaries, such Non-Guarantor Subsidiaries will pay the holders of their respective debt and their respective trade creditors before they will be able to distribute any of their assets to their respective parent and ultimately to the Issuer. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Notes will be structurally subordinated to the liabilities of the Issuer's subsidiaries that do not guarantee the Notes*." For the twelve months ended March 31, 2021, the Non-Guarantor Subsidiaries generated 20.3% of the Group's net revenues and 19.5% of the Group's Adjusted EBITDA. As of March 31, 2021, the Non-Guarantor Subsidiaries held approximately 9.8% of the Group's total assets.

(10) Within 15 business days of the Issue Date, the due and punctual payment of certain amounts due and payable in respect of the Notes will be guaranteed (the "**Guarantees**") by Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany (each as defined hereinafter) (the "**Guarantors**"). The Guarantees will be subject to contractual and legal limitations that may limit their enforceability, and the Guarantees may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*," "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*." For corporate information regarding the Guarantors, see "*Listing and General Information—Guarantor Legal Information*."

(11) The entities in the "Restricted Group" will be subject to the covenants in the New Revolving Credit Facility Agreement and the Indenture.

(12) In connection with, and to partially finance, the Viva Acquisition, the Issuer loaned certain amounts to Marcolin USA, Inc. (now Marcolin USA) (the "**Existing Proceeds Loan**"). The Existing Proceeds Loan will remain outstanding following the Refinancing. The Issuer's receivables under the Intercompany Loans, including the Existing Proceeds Loan, will be pledged to secure the Notes and the New Revolving Credit Facility. See "*Description of Certain Financing Arrangements—Intercompany Loans*."

## THE OFFERING

*The summary below describes the principal terms of the Indenture and the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.*

| | |
|---|---|
| **Issuer** | Marcolin S.p.A. |
| **Notes Offered** | €350.0 million aggregate principal amount of Senior Secured Notes due 2026 (the "**Notes**"). |
| **Issue Price** | 6.125% plus accrued interest, if any, from the Issue Date. |
| **Issue Date** | May 27, 2021. |
| **Maturity Date** | November 15, 2026. |
| **Interest Rate** | 6.125% per annum. Interest on the Notes will accrue from the Issue Date. |
| **Interest Payment Dates** | Interest on the Notes will be payable semi-annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2021. |
| **Guarantees** | Within 15 business days of the Issue Date, subject to the Agreed Security Principles, each of Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany (the "**Guarantors**") will guarantee the due and punctual payment of the Notes (the "**Guarantees**").<br><br>The Guarantees will be subject to contractual and legal limitations, and may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*," "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"<br><br>For the twelve months ended March 31, 2021, the Issuer and the Guarantors generated 79.7% of the Group's net revenues and 77.8% of the Group's Adjusted EBITDA, respectively, and, as of March 31, 2021, held 90.2% of the Group's assets. As of March 31, 2021, after giving effect to the Refinancing, the Group would have had €323.3 million of net financial debt (€44.9 million of which was represented by financial debt other than the Notes), and as of the Issue Date we have €46.3 million available for drawing under the New Revolving Credit Facility. |
| **Security** | Within 15 business days of the Issue Date, the Notes will be secured on a first-ranking basis by pledges over (subject to the release provisions in the Indenture): (i) a pledge over all of the shares of the Issuer held by 3Cime, which will constitute (x) 90% of the share capital of the Issuer at the Issue Date or (y) in the event of the subsequent exercise by LVMH of its rights to acquire additional shares of the Issuer pursuant to the PAI/LVMH Shareholders' Agreement, no less than 82.5%, (ii) pledges over all of the shares of Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany; (iii) a pledge over substantially all of the material assets of Marcolin USA; and (iv) an assignment of the Issuer's receivables under the Intercompany Loans (the "**Collateral**"). |

Other than the French law or German law Collateral which will be granted to the Security Agent as creditor of the parallel debt (see "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations—Limitations on Validity and Enforceability of the Guarantees and Security Interests—France—Limitations on the Enforcement of Security Interests—Parallel Debt*"), the Collateral will be granted to the Trustee as legal representative (*mandatario con rappresentanza*) and common representative (*rappresentante comune*) of, and on behalf of, the holders of the Notes. See "*Description of the Notes—Security.*"

The New Revolving Credit Facility will be guaranteed by the Issuer and, within 15 business days of the Issue Date, the Guarantors, and, subject to the Agreed Security Principles, will benefit from the same Collateral as the Notes as well as by a special lien (*privilegio speciale*) to be granted by the Issuer over its movable assets. The Intercreditor Agreement will provide that lenders under the New Revolving Credit Facility, and the counterparties to certain hedging obligations (if any) will receive priority to the proceeds from the Collateral in the event of any enforcement. See "*Description of the Notes—Security*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

In addition, the Indenture will permit us to secure additional indebtedness with liens on the Collateral under certain circumstances, including on a super senior priority basis.

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically, without your consent or the consent of the Trustee. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

**Ranking of the Notes** . . . . . . . . . . . . . . . The Notes will:

- be general senior obligations of the Issuer;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including indebtedness incurred under the New Revolving Credit Facility, certain hedging obligations (if any) and certain other future indebtedness;
- 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 or future indebtedness 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;
- be structurally subordinated to any existing or future indebtedness of the Non-Guarantor Subsidiaries, including obligations to trade creditors; and

- be unconditionally guaranteed on a senior basis by the Guarantors, subject to the limitations described in the "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*."

**Ranking of the Guarantees** . . . . . . . . . . The Notes will be fully and unconditionally guaranteed by the Guarantors subject to the guarantee limitations described in "*Description of the Notes—Guarantees*," including the Agreed Security Principles. Each Guarantee will:

- be a general obligation of the Guarantor that granted such Guarantee;
- rank *pari passu* in right of payment with any existing and future indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Guarantee, including that Guarantor's obligations under the New Revolving Credit Facility Agreement, certain hedging obligations (if any) and certain other future indebtedness;
- rank senior in right of payment to all existing and future indebtedness of that Guarantor that is expressly subordinated in right of payment to such Guarantee;
- be effectively subordinated to any existing and future indebtedness of that Guarantor that is secured by property or assets that do not secure such Guarantee, to the extent of the value of the property or assets securing such other indebtedness; and
- be structurally subordinated to any existing or future indebtedness, including obligations to trade creditors, of the subsidiaries of such Guarantor that are not Guarantors.

**Use of Proceeds** . . . . . . . . . . . . . . . . . . . We intend to use the proceeds from the Offering to redeem all of the outstanding Existing 2023 Notes (plus accrued interest), repay all amounts outstanding under the Existing Revolving Credit Facility, repay and cancel the SACE Facility, fund cash on balance sheet and pay certain fees and expenses in connection with the Refinancing. See "*Use of Proceeds*."

**Optional Redemption** . . . . . . . . . . . . . . The Issuer may redeem all or part of the Notes on or after May 15, 2023 at the redemption prices described under "*Description of the Notes—Optional Redemption*."

At any time prior to May 15, 2023, the Issuer may redeem up to 40% of the aggregate principal amount of the Notes (including any additional Notes), using the net cash proceeds from certain equity offerings at a redemption price equal to 106.125% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the applicable redemption date, and Additional Amounts, if any, provided that at least 50% of the original aggregate principal amount of the Notes (including any additional Notes) remains outstanding after each redemption as described under "*Description of the Notes—Optional Redemption*."

At any time prior to May 15, 2023, the Issuer may redeem during each twelve-month period up to 10% of the aggregate principal amount of the Notes (including any additional Notes) at its option, from time to time, at a redemption price equal to 103.000% of the principal amount of the Notes redeemed, plus accrued and unpaid interest to, but not including, the applicable redemption date, and

Additional Amounts, if any as described under "*Description of the Notes—Optional Redemption*."

At any time prior to May 15, 2023, the Issuer may redeem all or part of the Notes at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest to, but not including, the applicable redemption date, and Additional Amounts, if any and a "make-whole" premium as described under "*Description of the Notes—Optional Redemption*."

**Tax Redemption** . . . . . . . . . . . . . . . . . . If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes and Guarantees, the Issuer may redeem the Notes in whole, but not in part, at any time upon giving proper notice, at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*."

**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—Additional Amounts,"* the Issuer will not be liable to pay any Additional Amounts to holders of the Notes if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) ("**Decree 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 461**"), except, in the case of Decree 239, where the procedures required under Decree 239 in order to benefit from an exemption have not been complied with due solely to the actions or omissions of the Issuer or its agents. See *"Description of the Notes—Additional Amounts."*

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree 239 or Decree 461 where a holder of Notes is resident for tax purposes in a country which allows for a satisfactory exchange of information with Italy (as identified by the Italian tax authorities in the Italian Ministerial Decree of September 4, 1996) (a "white list country") or otherwise eligible for the Decree 239 regime, 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 239 or Decree 461 after the date hereof, including any change in the white list countries.

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| **Certain Covenants** | The Indenture governing the Notes and the Guarantees will, among other things, restrict the ability of the Issuer and its restricted subsidiaries to:<br>• incur or guarantee additional indebtedness and issue certain preferred stock;<br>• pay dividends, redeem capital stock and make certain investments;<br>• make certain other restricted payments;<br>• create or permit to exist certain liens;<br>• impose restrictions on the ability of the Issuer's subsidiaries to pay dividends;<br>• transfer or sell certain assets;<br>• merge or consolidate with other entities;<br>• enter into certain transactions with affiliates; and<br>• impair the security interests for the benefit of the holders of the Notes.<br>Certain of the covenants will be suspended if the Notes obtain and maintain an investment-grade rating.<br>Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*." |
| **Change of Control** | Upon the occurrence of certain events constituting a change of control, you will have the right to require the Issuer to repurchase the Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts, if any, to the date of repurchase. A change of control will not be deemed to have occurred if a certain consolidated leverage ratio is not exceeded as a result of such event. See "*Description of the Notes—Change of Control*" and "*Description of the Notes—Certain Definitions—Specified Change of Control Event*." |
| **Form and Denomination** | The Issuer will issue the Notes on the Issue Date in global form in minimum denominations of €100,000 and in 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. |
| **Transfer Restrictions** | The Notes have not been, and will not be, registered under the U.S. Securities Act, or under any other national, federal, state or local securities laws. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See "*Offering and Transfer Restrictions*." |
| **No Established Public Market for the Notes** | The Notes will be new securities for which there will be no established trading market. Accordingly, there can be no assurances as to the development or liquidity of any market for the Notes. |
| **Listing** | Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. |

| | |
|---|---|
| **Governing Law** | The Indenture, the Guarantees and the Notes will be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement will be governed by English law.<br><br>The Security Documents will be governed by Italian, New York, New Jersey, English, French and German laws, generally depending on the location of the asset subject to Lien. |
| **Trustee** | The Law Debenture Trust Corporation p.l.c. |
| **Paying Agent, Registrar and Transfer Agent** | Elavon Financial Services DAC. |
| **Security Agent** | UniCredit S.p.A. |
| **Risk Factors** | Investing in the Notes involves substantial risks. See "*Risk Factors*" for a description of certain of the risks you should carefully consider before investing in the Notes. |

## SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

*The following tables set forth the summary historical consolidated financial information and other data for the Issuer as well as certain Adjusted Information for the Group after giving effect to the Refinancing. For a detailed discussion of the presentation of financial data, see "Presentation of Financial Information and Other Data."*

### Basis of Preparation

The Issuer's summary consolidated financial information presented below has been extracted or derived from: (i) the Unaudited Interim Condensed Consolidated Financial Statements; and (ii) the Audited Consolidated Financial Statements.

The Unaudited Interim Condensed Consolidated Financial Statements and the Audited Consolidated Financial Statements contained in the F-Pages to this Offering Memorandum have been prepared in accordance with IFRS and 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 other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the effect that future additions to, or amendments of, IFRS principles may have on the Issuer's results of operations and/or financial condition, as well as on the comparability of the prior periods.

Historical audited and unaudited consolidated financial information is not necessarily indicative of future expected results. The financial information for the three months ended March 31, 2021 is not necessarily indicative of the results that may be expected for the year ended December 31, 2021, and should not be used as the basis for or prediction of an annualized calculation.

#### *Application of IFRS 16 (Leases)*

We adopted IFRS 16 (Leases) on January 1, 2019. The main impact of the new standard for lessors is the recognition of nearly all leases in the statement of financial position, subject to certain exemptions including in relation to short term and low value leases, effectively eliminating the different methods for accounting for operating leases and financial leases. IFRS 16 provides for recognizing a right-of-use asset (right to use the leased asset) and a lease liability referring to the future payments for which a contractual obligation exists. Short-term leases and leases of low-value assets are excluded from the new accounting method. We adopted the new standard on January 1, 2019 using the simplified approach, without restating the comparative period for the year ended December 31, 2018. Right-to-use assets were initially valued in accordance with the lease liability (adjusted for any prepaid or allocated lease costs as of December 31, 2018). The lease liability was discounted by applying a discount rate to the present value of the expected future lease payments as of January 1, 2019. The discount rate used on average was 3.2%. Due to the adoption of such new reporting standard, our Audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019 and the corresponding figures presented in this Offering Memorandum may not be directly comparable with the corresponding figures derived from our Audited Consolidated Financial Statements for the year ended December 31. 2018.

### Adjusted *Information*

We also present below certain summary Adjusted Information. See "*Capitalization*," and for a description of the *pro forma* effect of the Refinancing, including the issuance of the Notes offered hereby and the application of the proceeds thereof, see "*Use of Proceeds*."

The Adjusted Information set forth below has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934, the Prospectus Regulation or any generally accepted accounting standard, including U.S. GAAP. Neither the adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with International Standards on Auditing (Italy) or any other auditing standards. The Adjusted Information should be read in conjunction with the historical consolidated financial statements and notes thereto of the Issuer, included elsewhere in this Offering Memorandum and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

*Twelve Months Ended March 31, 2021*

The summary financial information for the twelve months ended March 31, 2021 is calculated by taking the results of operations of the Issuer for the three months ended March 31, 2021 and adding to it the difference between the results of operations of the Issuer for the full year ended December 31, 2020 and the three months ended March 31, 2020. The financial information for the twelve months ended March 31, 2021 is not necessarily indicative of the results that may be expected for the year ended December 31, 2021, and should not be used as the basis for or prediction of an annualized calculation.

**Summary Consolidated Income Statement Information**

| | For the year ended December 31, | | | For the three months ended March 31, | | For the twelve months ended March 31, |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 | 2021 | 2021 |
| | | | | (Unaudited) | (Unaudited) | (Unaudited) |
| | (€ in thousands) | | | | | |
| Net revenues | 482,219 | 486,670 | 339,978 | 93,534 | 108,663 | 355,107 |
| Cost of sales | (207,227) | (207,464) | (155,543) | (38,795) | (46,764) | (163,512) |
| **Gross profit** | **274,992** | **279,206** | **184,435** | **54,739** | **61,899** | **191,595** |
| Distribution and marketing expenses | (221,524) | (228,349) | (167,085) | (43,206) | (48,463) | (172,342) |
| General and administrative expenses | (39,803) | (44,009) | (38,813) | (9,217) | (8,679) | (38,275) |
| Other operating income and expenses | 15,217 | 12,679 | (5,808) | 1,029 | 227 | (6,610) |
| **Operating income—EBIT** | **28,882** | **19,527** | **(27,271)** | **3,345** | **4,984** | **(25,632)** |
| Profit/(loss) from associates | (9,011) | (13,177) | (18,029) | (4,177) | (341) | (14,193) |
| Financial income and costs | (24,074) | (21,500) | (22,836) | (11,056) | (2,907) | (14,687) |
| **(Loss)/Profit before taxes** | **(4,203)** | **(15,150)** | **(68,136)** | **(11,888)** | **1,735** | **(54,513)** |
| Income tax expense | 3,372 | 324 | 11,125 | 1,805 | (1,001) | 8,319 |
| **Net (loss)/profit for the period** | **(831)** | **(14,826)** | **(57,011)** | **(10,083)** | **734** | **(46,194)** |

**Summary Consolidated Statement of Financial Position Information**

| | As of December 31, | | | As of March 31, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | | | | (Unaudited) |
| | | (€ *in thousands*) | | |
| Property, plant and equipment | 29,941 | 48,547 | 43,047 | 42,722 |
| Intangible assets | 51,377 | 50,873 | 43,263 | 42,224 |
| Goodwill | 286,506 | 288,449 | 280,277 | 284,480 |
| Investments in subsidiaries and associates | 1,377 | 451 | — | — |
| Deferred tax assets | 41,916 | 43,163 | 48,539 | 50,445 |
| Other non-current assets | 469 | 315 | 271 | 277 |
| Non-current financial assets | 2,514 | 1,813 | 1,025 | 240 |
| **Total non-current assets** | **414,100** | **433,611** | **416,422** | **420,389** |
| Inventories | 126,061 | 122,777 | 105,863 | 110,295 |
| Trade receivables | 91,992 | 90,674 | 71,652 | 87,034 |
| Other current assets | 31,162 | 27,396 | 26,040 | 28,387 |
| Current financial assets | 21,294 | 16,336 | 18,906 | 14,229 |
| Cash and cash equivalents | 34,184 | 45,872 | 52,363 | 54,743 |
| **Total current assets** | **304,693** | **303,055** | **274,824** | **294,689** |
| **Total assets** | **718,793** | **736,666** | **691,246** | **715,077** |
| Share capital | 35,902 | 35,902 | 35,902 | 35,902 |
| Additional paid-in capital | 170,304 | 170,304 | 170,304 | 170,304 |
| Legal reserve | 4,263 | 5,483 | 6,437 | 6,437 |
| Other reserves | 45,131 | 53,511 | 37,698 | 42,570 |
| Retained earning (losses) | (51,041) | (58,135) | (75,322) | (132,146) |
| Profit (loss) for the period | (2,246) | (16,233) | (56,824) | 433 |
| **Group equity** | **202,313** | **190,832** | **118,195** | **123,500** |
| Non-controlling interests | 4,864 | 5,910 | 1,100 | 1,470 |
| **Total equity** | **207,176** | **196,742** | **119,295** | **124,969** |
| Non-current financial liabilities | 252,226 | 269,622 | 340,859 | 341,310 |
| Non-current funds | 6,382 | 6,877 | 6,763 | 6,820 |
| Deferred tax liabilities | 7,889 | 6,808 | 4,836 | 5,161 |
| Other non-current liabilities | 3,344 | 1,764 | 167 | 167 |
| **Total non-current liabilities** | **269,841** | **285,071** | **352,625** | **353,457** |
| Current financial liabilities | 40,214 | 60,735 | 70,491 | 67,168 |
| Trade payables | 150,134 | 143,869 | 94,624 | 113,586 |
| Current funds | 15,162 | 16,278 | 31,618 | 25,611 |
| Tax liabilities | 5,419 | 5,331 | 3,491 | 6,728 |
| Other current liabilities | 30,847 | 28,640 | 19,102 | 23,557 |
| **Total current liabilities** | **241,776** | **254,853** | **219,326** | **236,651** |
| **Total liabilities** | **511,617** | **539,924** | **571.951** | **590,108** |
| **Total liabilities and equity** | **718,793** | **736,666** | **691,246** | **715,077** |

### Summary Consolidated Statement of Cash Flows Information

| | For the year ended December 31, | | | For the three months ended March 31, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | (Unaudited) |
| | (€ in thousands) | | | | |
| Net cash from/(used in) operating activities[1] | 51,010 | 39,642 | (32,138) | (23,738) | 15,987 |
| Net cash from/(used in) investing activities | (28,227) | (20,231) | (12,838) | (3,524) | (3,133) |
| Net cash from/(used in) financing activities[1] | (30,078) | (8,183) | 53,515 | 6,018 | (10,631) |
| Effect of foreign currency exchange rates | 674 | 460 | (2,048) | (50) | 159 |
| **Net (decrease)/increase of cash and cash equivalents** | **(6,621)** | **11,688** | **6,491** | **(21,294)** | **2,382** |

(1) Interest paid has been reclassified from operating activities to financing activities.

### Other and Adjusted Financial Information

| | As of or for the year ended December 31, | | | As of or for the three months ended March 31, | | As of or for the twelve months ended March 31, |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 | 2021 | 2021 |
| | | | | (Unaudited) | (Unaudited) | (Unaudited) |
| | (€ in thousands, except percentages and ratios) | | | | | |
| Adjusted EBITDA[1] | 57,225 | 56,041 | 30,324 | 11,628 | 14,324 | 33,020 |
| Adjusted EBITDA margin[2] | 11.9% | 11.5% | 8.9% | 12.4% | 13.2% | 9.3% |
| Capital Expenditure[3] | (18,425) | (20,231) | (12,839) | (3,524) | (3,133) | n.a. |
| Net Indebtedness[4] | (234,448) | (266,336) | (339,056) | n.a. | (339,267) | n.a. |
| Operating Free Cash Flow[5] | 29,152 | 22,041 | (35,928) | (28,956) | 12,698 | n.a. |
| Adjusted cash and cash equivalents[6] | | | | | | 57,443 |
| Adjusted cash and cash equivalents and financial assets (current and non-current)[6] | | | | | | 71,912 |
| Adjusted net financial debt[7] | | | | | | 323,033 |
| Adjusted net senior secured debt[8] | | | | | | 278,088 |
| Adjusted interest expense[9] | | | | | | 22,468 |
| Ratio of FY 2019 Adjusted EBITDA[10] for to Adjusted interest expense for the twelve months ended March 31, 2021[9] | | | | | | 2.49x |
| Ratio of Adjusted net financial debt as of March 31, 2021 to FY 2019 Adjusted EBITDA[10] | | | | | | 5.76x |
| Ratio of Adjusted net senior secured debt as of March 31, 2021 to FY 2019 Adjusted EBITDA[10] | | | | | | 4.96x |

(1) We define EBITDA as net profit for the period plus income tax expense, financial income and costs, amortization, depreciation and write-downs of receivables. We define Adjusted EBITDA as EBITDA adjusted for the effect of non-recurring transactions, such as one-off costs and other extraordinary charges, which are expected to occur infrequently. EBITDA and Adjusted EBITDA are not measurements of performance under IFRS and you should not consider EBITDA and Adjusted EBITDA as alternatives to operating income or consolidated profit or as a measure of our operating performance, cash flows from operating, investing and financing activities, as a measure of our ability to meet our cash needs or any other measures of performance under generally accepted accounting principles. We believe that EBITDA and Adjusted EBITDA are useful indicators of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate us. EBITDA and Adjusted EBITDA and similar measures may be used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. EBITDA, and Adjusted EBITDA may not be indicative of our historical operating results, nor are they meant to be predictive of potential future results. See "*Presentation of Financial Information and Other Data—Non-IFRS Information*."

The following table sets forth the calculation of Adjusted EBITDA for the periods indicated:

| | For the year ended December 31, | | | For the three months ended March 31, | | For the twelve months ended March 31, |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 | 2021 | 2021 |
| | | | | (Unaudited) | (Unaudited) | (Unaudited) |
| | | | | *(€ in thousands)* | | |
| **Net (loss)/profit for the period** | (831) | (14,826) | (57,011) | (10,083) | 734 | (46,194) |
| Income tax expense | (3,372) | (324) | (11,125) | (1,805) | 1,001 | (8,319) |
| Financial income and costs | 24,074 | 21,500 | 22,836 | 11,056 | 2,907 | 14,687 |
| Amortization and depreciation | 19,062 | 25,107 | 27,523 | 6,716 | 7,119 | 27,926 |
| Write-downs of receivables | 3,020 | 2,928 | 5,154 | 686 | 331 | 4,799 |
| Profit/(loss) from associates | 9,011 | 13,177 | 18,029 | 4,177 | 341 | 14,193 |
| Termination of activities related to existing licenses[a] | 3,196 | — | 14,170 | 355 | 479 | 14,294 |
| Personnel saving actions & restructuring[b] | 2,076 | 7,042 | 5,460 | — | 1,296 | 6,756 |
| Covid-19 impacts[c] | — | — | 1,288 | 526 | 61 | 823 |
| Extra-ordinary inventory write-off [d] | — | — | 4,000 | — | — | 4,000 |
| Other[e] | 989 | 1,437 | — | — | 55 | 55 |
| **Adjusted EBITDA** | **57,225** | **56,041** | **30,324** | **11,628** | **14,324** | **33,020** |
| IFRS 16 impact[f] | n.a. | (5,253) | (6,302) | (1,588) | (1,524) | (6,238) |
| **Adjusted EBITDA (pre-IFRS 16)** | **n.a.** | **50,788** | **24,022** | **10,040** | **12,800** | **26,782** |

(a) Termination of activities related to existing licenses for the year ended December 31, 2018 primarily relates to inventory write-downs on two licenses that were terminated prior to their contractual expiration date. The two licenses were terminated as they were internalized by the licensor. For the year ended December 31, 2020 termination of activities related to existing licenses primarily relates to the losses (settlement amounts and/or inventory write-downs) incurred on two licenses that we terminated prior to their termination expiration date, as we considered them no longer core to our business.

(b) Non-recurring employment termination expenses incurred in connection with changes in top management and personnel reorganization plans.

(c) Primarily relates to extraordinary expenses incurred due to COVID-19, including expenses for sanitization of our premises and establishment of social distancing protocols at our plant in order to comply with the government-imposed COVID-19 measures.

(d) Refers to an inventory write-off made to accommodate possible future gaps caused by market uncertainty in the post COVID-19 business recovery trend.

(e) Primarily relates to extraordinary transaction related costs, including external advisors and due diligence expenses, related to debt financings and distribution expansion transactions, both completed and considered.

(f) Represents adjustments to give effect to the disapplication of IFRS 16 for the years ended December 31, 2019 and 2020 and the three months ended March 31, 2020 and 2021, in order to facilitate the comparison of Adjusted EBITDA with the year ended December 31, 2018. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting the Comparability of Our Results of Operations—Adoption of IFRS 16 (Leases)*" for more information.

(2) We define Adjusted EBITDA margin as Adjusted EBITDA divided by net revenues.

(3) We define Capital Expenditure as investments for the period in property, plant and equipment and intangible assets, net of the proceeds from disposals, as presented in our statement of cash flows.

The following table sets forth the calculation of Capital Expenditure for the periods indicated:

| | For the year ended December 31, | | | For the three months ended March 31, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | (Unaudited) |
| | | | *(€ in thousands)* | | |
| Property, plant and equipment | (7,945) | (9,308) | (6,551) | (2,161) | (1,282) |
| Intangible assets | (10,480) | (10,923) | (6,288) | (1,362) | (1,851) |
| **Capital Expenditure[a]** | **(18,425)** | **(20,231)** | **(12,839)** | **(3,524)** | **(3,133)** |

(a) Does not include €9.8 million related to the capital increase in Thélios for the year ended December 31, 2018.

(4) We define Net Indebtedness as the non-current financial liabilities and current financial liabilities net of cash and cash equivalents and financial assets. Net Indebtedness is additionally presented excluding the 3Cime Shareholder Loan and excluding the effects of IFRS 16.

The following table sets forth the calculation of Net Indebtedness for the periods indicated:

| | As of December 31, | | | As of March 31, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | | | | (Unaudited) |
| | | (€ *in thousands*) | | |
| Cash and cash equivalents | 34,184 | 45,872 | 52,363 | 54,743 |
| Financial assets | 23,808 | 18,149 | 19,931 | 14,468 |
| Non-current financial liabilities | (252,226) | (269,622) | (340,859) | (341,310) |
| Current financial liabilities | (40,214) | (60,735) | (70,491) | (67,168) |
| **Net Indebtedness** | **(234,448)** | **(266,336)** | **(339,056)** | **(339,267)** |
| 3Cime Shareholder Loan | — | — | 25,779 | 26,149 |
| **Net Indebtedness (excluding the 3Cime Shareholder Loan)** | **(234,448)** | **(266,336)** | **(313,277)** | **(313,118)** |
| IFRS 16 effect | — | 17,566 | 15,112 | 15,447 |
| **Net Indebtedness (pre-IFRS 16 and excluding the 3Cime Shareholder Loan)** | **(234,448)** | **(248,770)** | **(298,165)** | **(297,671)** |

(5) We define Operating Free Cash Flow as Adjusted EBITDA less changes in operating working capital, changes in other elements in working capital including taxes paid, Capital Expenditures and lease cash payments .

The following table sets forth the calculation of Operating Free Cash Flow for the periods indicated:

| | For the year ended December 31, | | | For the three months ended March 31, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | (Unaudited) |
| | | | (€ *in thousands*) | | |
| Adjusted EBITDA | 57,225 | 56,041 | 30,324 | 11,628 | 14,324 |
| Changes in operating working capital | 2,213 | (5,363) | (34,949) | (25,640) | (850) |
| Changes in other elements in working capital including taxes paid | (11,861) | (3,945) | (12,410) | (10,193) | 3,276 |
| Capital Expenditures | (18,425) | (20,231) | (12,839) | (3,524) | (3,133) |
| Lease cash payments | — | (4,461) | (6,054) | (1,227) | (919) |
| **Operating Free Cash Flow** | **29,152** | **22,041** | **(35,928)** | **(28,956)** | **12,698** |

(6) Adjusted cash and cash equivalents represents cash and cash equivalents as of March 31, 2021, adjusted for the effects of the Refinancing as if the Refinancing had taken place on March 31, 2021. This calculation excludes accrued interest in respect of the Existing 2023 Notes to be redeemed on about the Issue Date at a price of par plus accrued interest of €0.3 million from May 17, 2021 (the most recent scheduled interest payment date) to May 27, 2021 (the assumed redemption date) and excludes any commitment fee payable on undrawn amounts of the New Revolving Credit Facility. As adjusted cash and cash equivalents represents the funding of cash on balance sheet of €2.7 million from the proceeds of the Notes.

(7) Adjusted net financial debt represents the principal amount of financial debt as of March 31, 2021, adjusted for the effects of the Refinancing minus Adjusted cash and cash equivalents and financial assets (current and non-current). Financial assets (current and non-current) consist primarily of the receivable under the Thélios Loan. As of March 31, 2021, we had €13.3 million outstanding under the Thélios Loan. See "*Capitalization*" and "*Use of Proceeds*." Adjusted net financial debt includes €350.0 million relating to the Notes offered hereby, €22.4 million relating to the Local Facilities, €15.4 million relating to IFRS 16 Lease Obligations, €2.4 million relating to the Capital Leases and €4.7 million of other unsecured debt. See "*Description of Certain Financing Arrangements*." Adjusted net financial debt excludes €25.0 million relating to the 3Cime Shareholder Loan. Adjusted net financial debt is shown gross of unamortized estimated debt issuance costs of €7.3 million in connection with the Refinancing, and does not include €8.5 million of non-recourse (*pro soluto*) factoring outstanding as of March 31, 2021.

(8) Adjusted net senior secured debt represents debt secured by the Collateral which as of March 31, 2021, adjusted for the Refinancing is comprised solely of the Notes.

(9) Adjusted interest expense represents the historical interest expense, as adjusted to show the effects of the Refinancing as if the Refinancing had taken place on April 1, 2020 and assuming the New Revolving Credit Facility was undrawn. Adjusted interest expense is calculated gross of the estimated €7.3 million debt issuance costs in connection with the Refinancing. Adjusted 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 Refinancing occurred on the date assumed, nor does it purport to project our net interest expense for any future period or our financial condition at any future date.

(10) As described elsewhere in this Offering Memorandum under "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" the year ended December 31, 2020 was significantly and adversely affected by the COVID-19 pandemic, which resulted in a decrease in our sales volumes due to the closure of many POS and the cancellation of important export trade fairs, amongst other effects. To assist investors in evaluating what management believes to be the cash generation and interest coverage characteristics of our business, we have decided to present certain ratios using our Adjusted EBITDA for the year ended December 31, 2019 ("**FY 2019 Adjusted EBITDA**"), which represents the most recent twelve months period of trading that was not affected by the COVID-19 pandemic. This presentation is for illustrative purposes only, does not represent the results that we would have achieved had the COVID-19 pandemic not occurred and is not intended to be a projection, estimate or guarantee of performance regarding Adjusted

EBITDA performance for the year ending December 31, 2021 or any other future period which may be affected by further waves of coronavirus infection, macroeconomic developments and the vaccine rollout. Investors are strongly cautioned against undue reliance on this presentation when evaluating an investment decision. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for a discussion of the principal factors affecting our results of operations for more information and "*Risk Factors—Risks Related to Our Business—The negative impact of COVID-19 on our business is significant and its effects may continue to materially and negatively impact our business, financial condition and results of operations due to many factors, some of which are beyond our control.*"

## Financial Information by Geographic Segment

| Net revenues | For the year ended December 31, | | | For the three months March 31, | | For the twelve months ended March 31, |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 | 2021 | 2021 |
| | | | | (Unaudited) | (Unaudited) | (Unaudited) |
| | | | | (€ in thousands) | | |
| Americas[(1)] | 197,466 | 202,143 | 143,540 | 39,366 | 45,465 | 149,639 |
| Europe[(2)] | 195,375 | 204,272 | 156,440 | 44,291 | 51,268 | 163,417 |
| *Italy* | 34,204 | 35,033 | 24,568 | 5,987 | 7,762 | 26,343 |
| *Rest of Europe* | 161,171 | 169,239 | 131,872 | 38,304 | 43,506 | 137,074 |
| Asia[(3)] | 36,372 | 34,783 | 12,863 | 2,408 | 4,502 | 14,957 |
| Rest of World[(4)] | 53,006 | 45,472 | 27,135 | 7,469 | 7,428 | 27,094 |
| **Total net revenues** | **482,219** | **486,670** | **339,978** | **93,534** | **108,663** | **355,107** |

(1) Americas relates to net revenues generated in North, Central and South America.

(2) Europe is subdivided between (i) Italy, which relates to net revenues generated in the Italian market and (ii) Rest of Europe, which primarily relates to net revenues generated in Benelux (Belgium, Netherlands and Luxembourg), France, Germany, Portugal, Russia, Spain, Sweden (servicing Nordic Europe, which includes Denmark, Finland, Iceland, Norway and Sweden), Switzerland and the United Kingdom.

(3) Asia relates to net revenues generated in Australia, China, South Korea, Singapore and the rest of the Asia Pacific region.

(4) Rest of World relates to all net revenues not generated in the above markets, and primarily includes the Mediterranean region (mainly Turkey, Greece, Israel and Cyprus), Africa, the Middle East and India.

## RISK FACTORS

*An investment in the Notes to be issued in this Offering involves a high degree of risk. In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties that we describe below are not the only ones we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial could also have a material adverse effect on our business, results of operations or financial condition. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. If that happens, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment. The order in which the risks are presented in this Section "Risk Factors" does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on our business, financial position, results of operations and prospects or on the trading price of the Notes.*

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

### Risks Related to Our Business

***The negative impact of COVID-19 on our business is significant and its effects may continue to materially and negatively impact our business, financial condition and results of operations due to many factors, some of which are beyond our control.***

In late 2019, a new strain of coronavirus was detected in Wuhan, China. In March 2020, the World Health Organization declared the spread of the coronavirus a global pandemic and governmental authorities around the world implemented measures to reduce the spread of the coronavirus. In light of the foregoing, widespread and onerous social distancing measures have been introduced in many countries and regions, including stay at home orders, restrictions on travel, bans on people gathering in workspaces, public places and at events such as entertainment and sporting events. Businesses that have been deemed non-essential have been required to heavily curtail or cease entirely their operations. In addition, many governments and central banks have intervened in economies by introducing various schemes to try to mitigate against the negative economic consequences of the foregoing social distancing measures. The pandemic and the steps taken in relation to it have caused significant and unprecedented disruption to the global, national and regional economies. The situation continues to evolve and remains extremely uncertain and, while certain social and economic effects are already evident, the full impact and consequences of the pandemic are not yet known. Many countries remain subject to onerous social distancing measures. Certain others are beginning to ease social distancing measures as the rate of infection in their region decreases. Even where the rate of infection is declining, there continues to be the significant risk that the rate of infection will increase again, whether in the short, medium or longer term and whether in limited localities or more broadly, with such further waves of infections prompting the re-introduction of social distancing measures and causing further social and economic consequences. In addition, many of our partners and those in our supply chains have also been adversely affected and are likely to continue to be adversely affected by the pandemic, which effects are not yet fully known to us and which create further uncertainties for our business. Accordingly, the spread of the coronavirus and the resultant governmental measures have had and will continue to have, a material negative impact on our business, liquidity, financial condition and results of operations.

The measures taken have adversely affected workforces, consumer sentiment, economies and financial markets, and, along with decreased consumer spending and widespread uncertainty following months of lockdowns, triggered recessions in many markets where we operate and had a direct material impact on our business for the year ended December 31, 2020, with certain significant effects persisting into the three months ended March 31, 2021. Our financial performance in the first few months of 2020 was impacted by the closure of our Chinese suppliers, who were affected first by the pandemic. Then, in March 2020, as the virus spread into Europe, the Italian government imposed a nationwide lockdown together with several other measures to contain the pandemic, which was rapidly followed by the governments of many of the other countries in which we sell our products imposing significant lockdown measures to control the rates of infection from coronavirus as it spread around the world. Such measures generally imposed the temporary closure of the vast majority of the stores in which our customers sell our sunglasses and prescription frames. As a result, we were forced to close our manufacturing facilities in Italy from March 13, 2020 until April 20, 2020 and transitioned all but our essential office staff to remote working. Although the nationwide lockdown in Italy was lifted on May 4, 2020, with shops

and businesses reopening in June 2020, significant restrictions and social distancing measures were maintained subsequently. In particular, an evening curfew was imposed in Italy during the fall of 2020 and due to restrictions imposed on large gatherings, many of the optical chains, department stores, boutiques, shopping centers and malls out of which our customers operate have suffered either full closures or restricted opening and closing times as well as restrictions on the number of customers allowed inside the respective venues. From October 2020, following a rapid increase in rates of infection, many regions in Italy adopted increasingly onerous restrictions and social distancing measures again. Such restrictions continue to be imposed as of the date of this Offering Memorandum, and continue to adversely affect the overall Italian economy and, in turn, our operations and our customers and business partners' operations. A similar pattern of initial lockdowns, followed by a relaxation of the most onerous restrictions and then the subsequent re-imposition of such restrictions has been seen globally, including in the rest of Europe, United States and Asia, as governments try to constrain the rates of infection from the coronavirus. In many other countries, we have therefore similarly been affected by the closure of stores and other POS. Additionally, the MIDO Eyewear Show which was scheduled for June 2020 was cancelled; this trade fair traditionally serves as a forum for exporters and international purchasers to gather and conclude large purchasing decisions for new eyewear collections. The pandemic has also significantly affected and is likely to continue to significantly affect national and international travel, with partial or full closures of airports, strict travel restrictions, coupled with an increased customer reluctance to travel, including during the important summer seasons in 2020 and 2021. This in turn has caused many of our customers' stores, which are located in domestic and international airports, to suffer significant losses, which are likely to continue to be adversely affected as the pandemic continues.

As a result of the coronavirus pandemic, our net revenues for the first quarter of 2020, showed a decrease of 28.0% compared to the first quarter of 2019. While our results from the third quarter of 2020 show a positive trend with a partial recovery (with net revenues showing a decrease of 4% compared to the third quarter of 2019), net revenues for the year ended December 31, 2020, decreased by 30.1% as compared to the year ended December 31, 2019. Additionally, as of the date of this Offering Memorandum, the so-called "third wave" of the pandemic has affected many countries in Western Europe, leading to additional lockdowns, notwithstanding the progressive rollout of vaccination programs in many countries. The United States and other countries around the world similarly continue to battle the rates of infection from the virus and its various mutations. We cannot predict if, when or where further waves will occur, how far into the future such waves will continue to occur nor can we predict with any level of certainty the impacts of any such subsequent waves, including the impacts of future national or local lockdowns or other measures implemented by the governments and/or local or regional authorities of the countries in which we operate.

Our business is sensitive to reductions in discretionary spending by consumers, public health events and other factors described in this "*Risk Factors*" section. To date, the pandemic has caused, and is continuing to cause, significant disruption in economic activity globally, which has led and may continue to lead to declines in discretionary spending. Our net revenues have been negatively impacted by the adverse changes in the economic climate, including higher unemployment rates, declines in income levels and loss of personal wealth resulting from the impact of the pandemic. Our net revenues may not increase in proportion to our fixed costs and deferred costs and our revenue may not be sufficient to offset the full impact of the pandemic on our business. If our cost base is higher than our net revenues, our cash management policies may fail due to factors beyond our control. We have taken extensive measures to protect our customers and our workforce, in order to minimize their exposure to the coronavirus. For example, we have implemented all necessary and required hygiene protocols in our Italian factories and logistic centers worldwide and we have implemented remote working solutions for all of our office staff. With respect to our financial health, we have also taken certain measures to protect the continuity of our business and to ensure sufficient levels of liquidity, which included minimizing discretionary expenditures (both capital and operating), adjusting marketing plans together with our clients, leveraging state measures across the various markets in which we operate (for example, mobility plans and fiscal relief plans), closely monitoring our demand to efficiently manage our supply-chain and internal production, creating a working capital management plan, and obtaining additional liquidity support through a €25.0 million shareholder loan and a €50.0 million loan guaranteed by SACE S.p.A. pursuant to Italian Law Decree 23/2020 as well as a waiver of the financial maintenance covenant provided for the Existing Revolving Credit Facility.

However, we cannot be certain that such measures will be sufficient to mitigate the risks posed by the pandemic. Further, all these risks may be exacerbated by new strains of the coronavirus. Although governments have increasingly employed sophisticated strategies for combatting the virus, the magnitude of possible virus resurgences and the resulting impacts on economies internationally may cause a further materially adverse impact on our business, financial condition, and results of operations.

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

Elsewhere in this Offering Memorandum, we present certain ratios using Adjusted financial net debt, Adjusted net senior secured debt and Adjusted interest expense, in each case as of and for the period ended March 31, 2021, as compared to the FY 2019 Adjusted EBITDA to assist investors in evaluating what management believes to be the cash generation and interest coverage characteristics of our business, as this period represents the most recent twelve months period of trading that was not affected by the COVID-19 pandemic. This presentation is for illustrative purposes only, does not represent the results that we would have achieved had the COVID-19 pandemic not occurred and is not intended to be a projection, estimate or guarantee of performance regarding Adjusted EBITDA performance for the year ending December 31, 2021 or any other future period which may be affected by further waves of coronavirus infection, macroeconomic developments and the vaccine rollout. Investors are strongly cautioned against undue reliance on this presentation when evaluating an investment decision. Therefore, metrics and other disclosure using FY 2019 Adjusted EBITDA in conjunction with recent net debt and pro forma interest expenses are inherently subject to risks and uncertainties and may not give an accurate or complete picture of our results of operations for any historical or future period, may not be comparable to our consolidated financial statements or the other financial information included in this Offering Memorandum.

***We are party to license agreements which, in the majority of cases, require us to pay a minimum guaranteed royalty amount, other license fees and, in some cases, to make certain expenditures.***

Our business depends on the sale of eyewear bearing the proprietary marks of our licensors. See "*—Our business is dependent on our ability to negotiate, maintain and renew license agreements on satisfactory terms with leading brands*." While the Group's license arrangements differ from licensor to licensor, they generally provide for royalty payments that include royalties based on a percentage of net revenues (VRAs) and/or certain minimum annual guaranteed amount (MAGs), which in general are paid annually and may include certain advertising fees payable to the relevant licensor or investments to be made by us, whose amounts are usually set (i) as a percentage of the greater of net revenues or agreed-upon minimum revenue targets for the applicable license period, or (ii) as the greater of a percentage of net revenues or a fixed amount (which, in certain instances, may vary from year to year). Under certain circumstances, MAG provisions can relate to the sales of eyewear bearing the underlying proprietary mark of our licensors and may require us to make royalty payments that exceed the amount of income we are able to generate from actual sales of the licensed products. As of March 31, 2021, our future commitments for MAGs amounted to €305.8 million. In addition, from time to time we may purchase options from our licensors which grant us the right to renew the relevant license agreement at expiry, we may pay renewal fees or we may make upfront advances of royalties or loans to licensors. Furthermore, renewal of a license can lead to renegotiation of commercial terms, which may not be as favorable as the original terms. As a result, there are circumstances in which our royalty payments to certain licensors could exceed our income earned pursuant to the relevant license, such as when we are renewing a key license or when the brand's value or perception thereof among consumers has become impaired.

We incurred total royalties of €59.4 million in 2018, €60.6 million in 2019 and €37.3 million in 2020, constituting, respectively, 12.3%, 12.5% and 11.0% of net revenues. Royalties to our licensors have the potential to be a significant cash outflow. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Financial Condition and Results of Operations—Seasonality*."

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

We have entered into license agreements that enable us to manufacture and distribute sunglasses and prescription frames under brands owned by third parties. For the twelve months ended March 31, 2021, approximately 99% of our net revenues were generated by sales of licensed brand products. We believe that our ability to negotiate, maintain and renew license agreements on satisfactory terms with leading designers in the fashion and luxury goods industries is essential to maintaining a successful brand portfolio and, therefore, material to the success of our business. License agreements for the brands representing 28.4% of our net revenues for the year ended December 31, 2020 will expire by the end of 2026. We cannot assure you that these licenses, or any of the other licenses that will expire by 2026, will be renewed. In some instances, in order to secure renewal, our licensors may require us to pay upfront compensation, renewal fees and/or advance payments of future royalties. If we are unable to maintain and renew these licenses (or secure comparable replacements), or if we are unable to negotiate new license agreements with other leading brands, our business, results of operations and financial condition could be materially and adversely affected.

In addition, our licensors typically have final approval over all eyewear bearing their proprietary marks which must meet their design specifications and quality standards. In exercising their approval rights, licensors may delay the distribution of eyewear bearing their proprietary marks. These delays could materially and adversely affect our business and results. Additionally, certain of our license agreements oblige us to present a pre-determined number of pieces and/or seasonal collections which requires us to expend sums on product design, R&D and prototyping, even if the licensor does not ultimately select all of the prototypes for industrialization and/or they choose models that are more costly to produce. Moreover, a limited number of license agreements provide for a non-compete clause preventing us from entering into new license agreements in relation to certain competing brands. Furthermore, a limited number of our licenses contain provisions that permit a licensor to terminate the license in the event that there is a change of control of the Issuer, if we default on payment, if we outsource production without the consent of the licensor, if we sell models that are not approved by the licensor or if we sell products through distribution outlets that have not been approved by the licensor. Moreover, certain other license agreements include provisions allowing licensors to terminate the relevant agreement if certain annual net revenues minimums are not met or exceeded (or not met for certain consecutive years).

Although we have historically been able to retain important, profitable licenses while continuing to gain new licenses, there can be no assurance that we will be successful in maintaining existing licenses or gaining new licenses on comparable terms or at all.

***The loss of one of our key license agreements could result in the loss of significant revenue and materially and adversely affect our business.***

Our business depends on maintaining certain key license agreements, such as the agreements with Tom Ford, Guess, Swarovski, Timberland, Skechers, Harley Davidson, Gant, Moncler and Ermenegildo Zegna and continuing to cultivate the brand equity of our licensed brands through continual product design. We cannot guarantee that we will be successful in maintaining our license agreements with our top licensors or continue to meet the minimum sales requirements to secure automatic renewal in cases where the license agreement contemplates such right. See "*Business—Our Business—Our Licensed Brands*." Our licenses typically vary in length of term from five to ten years and contain different renewal conditions, license fees and royalty obligations. Certain of our license agreements cannot be terminated by the brand licensor based on performance related criteria, although the brand licensor may elect not to renew the license at expiry if we do not meet their performance expectations. However, certain other of our license agreements can be terminated by the licensor for example, for failure to meet minimum net revenues, non-payment of royalties or a change of control of the Issuer. If we default under our obligations to pay license fees and/or royalty payments, the licensor may terminate the license. The termination or non-renewal of some of our licenses could have a material adverse impact on our business, results of operations and financial condition. See "*Business—Intellectual Property*" for more details regarding our license arrangements.

***The eyewear industry is highly competitive, and certain of our principal competitors are significantly larger than us and may have greater financial resources than we do.***

The wholesale market for sunglasses and prescription frames is highly competitive and competition is based on, among other things, the range of products and brands offered, the price of sunglasses and prescription frames and

the breadth of distribution networks. Certain of our principal competitors are significantly larger than we are and have greater financial resources for competitive activities, such as sales and marketing, research and development, strategic acquisitions. When bidding for licenses, such larger competitors may be able to offer licensors more favorable minimum guaranteed amounts and variable payment terms. Additionally, our competitors may enter into business combinations, alliances or new license arrangements that strengthen their competitive positions or prevent us from taking advantage of such opportunities. Certain industry players are becoming vertically integrated across lens manufacturing, frames design and eyewear distribution, which could be challenging for independent eyewear designers and licensees such as us. For example, in 2017, Essilor International, a leading lens manufacturer, combined with Luxottica Group, a leading designer, manufacturer and distributor of eyewear, to form EssilorLuxottica, which in 2019 agreed to purchase Grand Vision, a leading European eyewear retailer. Larger competitors, including vertically integrated groups, may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or consumer preferences. Moreover, certain of these competitors rely more extensively on proprietary brands than we do and therefore do not pay license fees for sales of such products. Competitors may also possess broader distribution networks, with more extensive e-commerce and/or geographic reach than our own, including large networks of directly-operated stores. We may face intense competition with such players when seeking to acquire new licenses or renewing existing licenses with new or existing brands, putting pressure on us to either agree to terms less favorable than we have enjoyed in the past or lose such brands. Moreover, increased competition with these companies could curtail price increases or could require price reductions, increased spending on marketing, sales and research and development, any of which could adversely affect our business, results of operations and financial condition.

In addition, licensors may elect to change the licensee that designs, produces and distributes the eyewear bearing their respective brands for a variety of reasons, either at the applicable time of renewal or otherwise, subject to certain conditions in the applicable license agreement. In connection with such a change of licensee, prior to the commencement of design, production and distribution by such new licensee, the existing licensee typically takes steps to reduce its inventory of the relevant brand’s products. As a result, price reductions in the market, rebates or liquidations can cause dislocations in the market by forcing other licensees to discount their offerings. Moreover, if the changing licensor is a luxury brand, demand may migrate from diffusion brands to such luxury brand if the price reductions are significant. Moreover, our licensor may decide to develop in-house eyewear expertise and stop outsourcing the design and manufacturing of their products to us. Our competitors generally seek to expand their market share by licensing the brands of other market participants as such licenses expire. We cannot guarantee that our proposals to renew expiring licenses will be more attractive than those of our competitors. To the extent large licensors elect to change their respective licensees in the future, our revenue, margins and volumes could be negatively affected, which could adversely affect our business, results of operations and financial condition.

Finally, we believe that, in addition to successfully introducing new products, responding to changes in the market environment and maintaining superior production capabilities, our ability to remain competitive is highly dependent on maintaining an efficient distribution network. One of the key objectives of this strategy is to strengthen our existing distribution network. This effort will require considerable expenditures and may not be successful, due to the inherent difficulties in coordinating improvements across our global sales force, our distribution subsidiaries located in key markets around the world and the third-party distributors that sell our products in non-core countries.

If we are unable to maintain an efficient distribution network, our sales may decline due to the inability to timely deliver products to customers and our profitability may decline due to an increase in our per-unit distribution costs in the affected regions, either of which may have a material adverse impact on our business, results of operations and financial condition.

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

The eyewear industry is subject to rapidly changing consumer preferences and fashion trends. The purchasing decisions of consumers are highly subjective and can be influenced by many factors, such as marketing programs, product design and brand image. Our historical success is attributable, in part, to our ability to introduce eyewear products which are perceived to anticipate, shape and reflect fashion trends developments. New clothing and lifestyle brands are regularly launching eyewear lines to complement their offerings, and as a licensee we compete to offer our services and develop innovative products in order to secure the rights to design, market and distribute eyewear bearing such in-demand brand names. For example, in line with trends towards

eco-friendly products, 35% of the material used for our Timberland Earthkeepers's collection is bio-based and Thélios, our joint venture with LVMH, has recently announced a new exclusive long-term partnership with the Stella McCartney group to produce a sustainable eyewear collection. Our future success will depend on our continued ability to develop and introduce such products in accordance with consumers' shifting preferences and technological development (*e.g.*, smart glasses). We cannot predict whether the new products we launch will be well-received by consumers in our target markets and/or demographics, or even whether such new products can be introduced in a cost-effective or timely manner. Decisions regarding product design must be made months in advance of the time when consumer acceptance can be measured and, therefore, such decisions are inherently uncertain. These requirements could strain our management, financial and operational resources. We may also be less successful in developing new products than our competitors.

Changes in fashion preferences could also affect the popularity and, therefore, the value of the brand licenses granted to us. Moreover, demand for our licensed brands is, to some extent, dependent on the particular brand's or associated designer's appeal and/or reputation. To the extent that any of our licensed or proprietary brands or the designer associated therewith ceases to be appealing to consumers or its reputation with consumers is adversely affected, sales of the related products and the value of the brand could decrease materially. Any event or circumstance resulting in reduced market acceptance of one or more of our brands could reduce our sales and the value of our inventory. Unanticipated shifts in consumer preferences may result in excess or obsolete inventory and underutilized manufacturing capacity. In addition, our success depends, in part, on our ability to anticipate and react to changing fashion trends in a timely manner. Any sustained failure to identify and respond to such trends could adversely affect our business, results of operations and financial condition. We may be unable to achieve our operating and strategic objectives.

Our business prospects and future success depend, in part, upon our ability to further penetrate developing eyewear markets, improve integration of our global production and distribution, reduce time to market, increase our market share in the eyewear industry and achieve the operating and economic objectives set forth in the business plan approved by our directors and discussed in the explanatory notes to our financial statements contained elsewhere in this Offering Memorandum. Our business plan is based on a series of projections and estimates relating to the occurrence of future events and market conditions which may or may not take place. As of March 31, 2021, we were party to licensing agreements with 28 brands, for which we manufacture and sell eyewear in approximately 125 countries in over 78,000 POS through fourteen direct subsidiaries, over 150 partner distributors and two controlled joint ventures. Expanding our portfolio with distinctive brands, reducing time to market for our existing production and maximizing operational efficiency of our global production and distribution are key aspects of our strategy, and we are devoting substantial resources to each endeavor. If we fail in implementing our strategies or we underestimate the risks deriving therefrom, our business, results of operations and financial condition could be materially and adversely affected.

Achievement of operating and financial results substantially consistent with expected growth in revenue and margins is necessary to preserve our market position and our relationships with licensors. Our results may differ, including significantly, from the expected operating and economic-financial results set out in our business plan, which could have a material adverse effect on our business, results of operations and financial condition.

***We do not control Thélios and we cannot assure you that the investments we have made will generate the expected returns.***

On January 31, 2017, we entered into the Thélios JVA to establish a joint venture, which was then created in October 2017 under the name of Thélios. LVMH (through its vehicle Vicuna) holds 51% of Thélios' shares, while we hold the remaining 49%. Therefore, while we have a certain amount of influence over Thélios, we do not control it and we are therefore dependent on LVMH to cooperate with us in making decisions regarding Thélios. As a result, we and LVMH jointly have, directly or indirectly, the power to affect Thélios' legal and capital structure as well as the ability to elect and change management and to approve other changes to Thélios' operations and to influence the outcome of matters requiring action by its shareholders. All significant actions to be taken by Thélios (including the repayment of the Thélios Loan) will require approval of its board of directors, which is composed by our and LVMH's members. If a matter is not approved by the board of directors due to a deadlock that is not solved through the procedure set forth in the Thélios JVA, the relevant resolution shall not be adopted. Any such deadlock, if not promptly resolved, could adversely affect Thélios' business.

Between 2017 and the first quarter of 2021 our equity contributions (also in the form of shareholder loans) for the start-up costs, capital expenditures and working capital requirements have been €47.5 million (including approximately €2 million invested in the three months ended March 31, 2021) and approximately €3 million is still expected to be invested by us in the remainder of 2021. As of March 31, 2021, we had €13.3 million

outstanding under the Thélios Loan. To date, Thélios has not paid dividends and dividends may only be declared by a vote of the board of directors of Thélios, which we do not control. Payments of future dividends will depend on, among other things, Thélios' future profits, financial position and capital requirements, general economic conditions, and other factors that the members of the board of directors of Thélios would deem to be important from time to time.

Moreover, the Thélios JVA includes clauses which subject the sales or transfers of our interests in Thélios to lock-up periods. Finally, the Thélios JVA also grants LVMH a call option right to acquire our shares in Thélios starting from June 30, 2028. The exercise by LVMH of its call option rights could have a material adverse effect on our business, results of operations and financial condition. For more information, see "*Business—Our Business—Thélios*" and "*Principal Shareholders—Shareholders' Agreement—Thélios JVA*."

***Unfavorable economic conditions and political uncertainty could adversely affect demand for our products and/or our ability to finance our business.***

Our operations and performance depend significantly on worldwide economic conditions. Downturns in global economic conditions and uncertainties regarding future economic prospects (including those related to the coronavirus pandemic), which affect consumer disposable income, pose a risk to our business because consumers and businesses may postpone spending in response to tighter credit markets, unemployment, negative financial news and/or declines in income or asset values, which could have a material adverse effect on demand for our products. In particular, the Italian statistical agency ("**ISTAT**") has announced in December 2020 that it anticipates a significant decrease in Italy's gross domestic product per capita of -8.9% for the year 2020 with a partial recovery of +4.0% in 2021. Such a decrease may affect consumer confidence and in turn, materially and adversely affect our business, results of operations and financial condition. Discretionary spending is affected by many factors, including general business conditions, inflation, interest rates, consumer debt levels, unemployment rates, availability of consumer credit, conditions in the real estate and mortgage markets, currency exchange rates and other matters that influence consumer confidence. Many of these factors are outside our control. Purchases of discretionary items such as sunglasses could decline during periods in which disposable income is lower or prices have increased in response to rising costs or in periods of actual or perceived unfavorable economic conditions. We believe purchases of prescription frames are less discretionary. Sales of prescription frames generated approximately 39% of our net revenues for the twelve months ended March 31, 2021.

In addition, adverse economic conditions may influence consumers to move from luxury, branded frames or sunglasses to less expensive alternatives. Although our products cover a wide range of price points, consumers could decide to purchase non-branded frames.

Moreover, we depend on access to capital funding and the success of the financial markets. In recent years, financial markets have been experiencing extreme disruptions including, among other things, volatility in security prices, diminished liquidity and credit availability, rating downgrades on certain investments and declining valuations of others in addition to the negative effects and uncertainties fueled by the coronavirus pandemic. The effects of the recent crisis in the global financial and credit markets and the negative impacts of the coronavirus pandemic remain a drag on non-financial sectors of the world economy. Several European economies still face the risk of a sovereign debt crisis and, having received financial assistance from the International Monetary Fund, the European Financial Stability Facility and the European Central Bank, may require further official support to finance future deficits. See "*—Our business may be adversely affected by developments in sovereign debt markets and by the exit from the Eurozone of one or more current Eurozone states.*" We may face significant challenges if conditions in the financial markets do not improve or if they worsen. In addition, our ability to access the capital markets may be restricted at a time when we would like, or need, to do so, which could have an impact on our flexibility to react to changing economic and business conditions, all of which could have a material adverse effect on our business, results of operation and financial condition.

***We are subject to exchange rate fluctuations.***

Our reporting currency is the euro and we conduct transactions in currencies other than the euro. As a result, we are vulnerable to exchange rate fluctuations because:

- we incur some of our manufacturing costs in U.S. dollars, and to a lesser extent in Hong Kong dollars and Russian rubles, among others, and generate a substantial portion of our net revenues in other

currencies, particularly U.S. dollars, British pounds sterling, Canadian dollars and Brazilian real, among other currencies; therefore, a strengthening of the euro relative to such other currencies in which we generate sales could negatively impact our operating margins, which could adversely affect our business; and

- although we benefit from natural hedges due to similar amounts of cost and revenues in certain currencies, such as the U.S. dollars, a portion of our assets, liabilities, net revenues and costs are denominated in various currencies other than the euro; as a result, our operating results, which are reported in euro, are affected by exchange rate fluctuation.

For the year ended December 31, 2020, approximately 41% of our net revenues was denominated in euro, approximately 37% in U.S. dollars and approximately 22% in other currencies. Consequently, portions of our costs, profit margins and asset values are affected by fluctuations in the exchange rates among the above-mentioned currencies. Furthermore, weakening of the euro against other currencies in which we incur costs relative to our euro-denominated sales could have a material adverse effect on our business, results of operations and financial condition.

In the past, we entered into foreign exchange forward contracts to mitigate the foreign exchange risk on U.S. dollars primarily resulting from purchases of finished and semi-finished products from China. Now, however, as we believe we have a natural hedge against transaction foreign currency risk, we do not have any open foreign currency derivatives contracts as of the date of this Offering Memorandum. To the extent balances change in the future or foreign currency exchange rates fluctuate significantly, our cash flows, financial condition and results of operations could be materially and adversely affected. Some of the currencies may not be convertible or exchangeable or may be subject to exchange controls. In addition, where possible, our subsidiaries may enter into local funding and/or leasing arrangements denominated in their functional currency.

Exchange rate gains or losses have arisen and will continue to arise when the assets and liabilities in foreign currencies are translated or exchanged into euro for financial reporting or repatriation purposes. If the foreign currencies depreciate against the euro, this may materially and adversely affect our reported consolidated financial results.

***Our results of operations could be adversely affected by a disruption of operations at our manufacturing facilities or our distribution centers or by problems with third-party manufacturers or suppliers.***

We own and operate one manufacturing and one logistics facility in Italy and we operate a leased logistics center in each of the United States and Hong Kong. Certain of our products are manufactured pursuant to our specifications by third-party manufacturers in China or are otherwise sourced as input parts from third-party manufacturers in China. In addition, we distribute our finished goods internationally and domestically through our distribution centers in Italy, Asia and the United States and through in-country joint ventures and subsidiaries worldwide. We rely on our manufacturing and distribution centers to design, manufacture and/or assemble our products and efficiently distribute our goods to the relevant point of sale. All of these facilities are subject to operational risks, including, but not limited to:

- equipment failure or interruptions in power supplies;
- failure to comply with applicable regulations and standards;
- failure to maintain necessary permits and approvals;
- material supply disruptions;
- delays and disruptions caused by continued waves of the coronavirus pandemic or other global viral pandemics;
- import quotas;
- labor force shortages or work stoppages;
- events impeding or increasing the cost of transporting our products, including enhanced security measures at foreign and U.S. ports;
- natural disasters; and
- terrorist attacks or political unrest.

Additionally, our delivery expenses may also increase due to increasing oil and gasoline prices or rising toll fees or wage levels for employees of our distribution service providers, all of which are beyond our control. Any significant disruption in operations to our manufacturing facilities or our distribution centers resulting from these or other events may, to the extent not covered by our business interruption insurance or if such insurance claims are not paid promptly, have a material adverse effect on our business, results of operations and financial condition. While we believe that the creation of our three hubs has increased distribution efficiency, reduced costs and shortened the distance to our end customers, it has also broadened the impact that localized delays in any of these three hubs may have on our overall business, results of operations and financial condition.

In addition to our own manufacturing, we also utilize third-party manufacturers and suppliers, mainly located in Asia, to produce certain products. Certain of our diffusion and proprietary brand products are manufactured solely in China and certain components of our luxury brands are sourced from third-party Chinese manufacturers before their completion in Italy or the United States. While we believe that having our own manufacturing facilities has decreased our reliance on third party suppliers, a significant portion of our net revenues from our diffusion brands for the year ended December 31, 2020 were generated from the sale of products manufactured by, or using components sourced from, third-party manufacturers in China.

The use of third-party manufacturers entails several additional risks, including the risk of termination, inadequate labor practices and less control over the quality of manufactured products. We do not maintain long-term or guaranteed supply contracts with third-party manufacturers. While we believe that such annually- renewing supply agreements afford us leverage to renegotiate supply contracts at reduced prices in an increasingly competitive supply market, there is a risk that any new suppliers we engage will not provide adequate quantities with sufficient quality on a timely basis. Furthermore, while we do not believe that any one third-party manufacturer is material to our business, there can be no assurance that adequate alternative sources can be procured at reasonable terms, or at all, if problems arise with existing suppliers. If we are unable to obtain necessary items on a timely basis, at acceptable prices, and of sufficient quality, we could lose current or future business and our reputation in the marketplace could suffer as a result. Any delays, disruptions or defects in the products furnished by third-party manufacturers, or the disruption or termination of our present arrangements with third-party manufacturers without suitable alternative arrangements in place, could have a material adverse effect on our business, results of operations and financial condition. See "*—If we or our manufacturers are unable to procure raw materials and semi-finished products at terms acceptable to us, our business may suffer*."

We utilize a number of principal third-party manufacturers in China for finished and semi-finished products. While we do not believe that any one of our manufacturers is material to our business, as we do not have long-term agreements with any of our manufacturers, we cannot be certain that we will not experience difficulties with them, such as reductions in the availability of production capacity, errors in complying with product specifications, insufficient quality control, failures to meet production deadlines and/or increases in manufacturing costs and failures to comply with our requirements for the proper utilization of our intellectual property. In addition, our international manufacturers are subject to economic, regulatory, labor and market conditions in China. If our relationship with any of our manufacturers is interrupted or terminated for any reason, including the failure of any manufacturer to perform its obligations to us, we would need to locate alternative manufacturing sources. The establishment of new manufacturing relationships involves numerous uncertainties, and we may not be able to obtain alternative manufacturing sources in a manner that would enable us to meet our customer orders on a timely basis or on satisfactory commercial terms, if at all. For example, during the first quarter of 2020, deliveries from Chinese factories were affected due to lockdowns related to the coronavirus pandemic. If we are required to change any of our major manufacturers, we may experience increased costs, disruptions and delays in the manufacture and shipment of our products. Furthermore, in 2016 we established MTS, a subsidiary with a permanent team in China, to monitor all third-party manufacturing activities contracted in Asia by the Group. While we believe that MTS has strengthened our relationships with third-party manufacturers, shortened lead teams, and decreased errors and delays through centralized quality control procedures in close proximity to production, any localized delays, errors or work stoppages by MTS could significantly impact the Group's operations globally, which could have a material adverse impact on our business, results of operations and financial condition.

***If vision correction alternatives to prescription eyeglasses become more widely available or decline in cost, or consumer preferences for such alternatives increase, our profitability could suffer through a reduction of sales of prescription frames.***

Our business could be negatively impacted by the increased availability, acceptance and potential decline in cost of vision correction alternatives to prescription eyeglasses, such as contact lenses and refractive optical surgery.

According to Statista, contact lenses and contact lenses care represent 12% of the global eyewear market for the year ended December 31, 2020 (as compared to 42% for spectacle lenses, 28% for eyewear frames and 17% for sunglasses). In addition, the use of refractive optical surgery and other similar techniques has grown substantially since the first phototherapeutic keratectomy procedure was approved by the U.S. Food and Drug Administration in 1995. Increased use of vision correction alternatives could result in decreased use of our prescription eyewear products, including a reduction in sales of prescription frames, which could have a material adverse impact on our business, results of operations and financial condition.

***If we or our manufacturers are unable to procure raw materials and semi-finished products at terms acceptable to us, our business may suffer.***

Our ability to develop and sell our eyewear products is dependent on the availability of raw materials and semi-finished goods used in our fabrication of sunglasses and prescription frames. Generally, the raw materials and components used in our products are available in sufficient supply from a number of suppliers. However, certain products with innovative fashion content, such as lenses with innovative coatings or coloring, or unusual materials, such as special types of plastics produced only for us, are not generally available from a number of alternative sources. Until now, we and our third-party manufacturers have been able to identify and purchase quality raw materials, semi-finished goods and finished goods to support our production volumes and sales requirements while preserving our high quality standards. If we and our third-party manufacturers experience shortages, limited access or increased costs (through inflationary pressures or otherwise) of certain raw materials and other semi-finished or finished goods, we may experience production delays and/or delays in deliveries of our products to our customers. As a result, we could experience cancellation of orders, refusal to accept late deliveries or a reduction in purchase prices, any of which could harm our business, results of operations and financial condition.

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

Doing business on a worldwide basis requires us to comply with the laws and regulations of various jurisdictions. We are also required to comply with anti-corruption and anti-bribery laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, and the UK Bribery Act and similar worldwide anti-bribery laws which generally prohibit companies and their intermediaries from making improper payments to public officials for the purpose of obtaining or retaining business, as well as other regulations and economic sanction programs in the countries where we conduct our international operations (collectively, "**Sanctions**"). Economic sanctions programs may restrict our business dealings with certain sanctioned countries. As a result of doing business in foreign countries, we are exposed to a risk of violating anti-corruption laws and Sanctions regulations applicable in those countries where we, our partners or agents operate. Our continued expansion and worldwide operations, including the employment by us of local agents in the countries in which we operate, increase the risk of violations of anti-corruption laws, anti-bribery laws or similar laws. Violations of anti-corruption laws, anti-bribery laws and Sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. We cannot provide assurance that reckless and criminal acts will not be committed by our employees and agents. In addition, any major violations could have a significant material adverse impact on our reputation and consequently on our ability to win future business and on our business, financial condition or results of operations.

Although we believe that we have adequate systems of control, including the internal control model pursuant to Italian Legislative Decree No. 231 of June 8, 2001 (the "**231 Decree**"), aimed at, among other things, preventing direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, fraud, deception, tax evasion and any other illegal or otherwise unethical conducts, we seek to continuously improve our systems of internal controls and to remedy any weaknesses we identify through appropriate corrective action depending on the circumstances. There can be no assurance, however, that our policies and procedures will be followed at all times or effectively detect and prevent violations of the applicable laws by one or more of our employees, consultants, agents or partners and, if we fail to prevent any such violations (including a failure on our part to adequately implement and update the necessary monitoring systems), we could be subject to civil, administrative and/or criminal penalties, including pursuant to the provisions of the 231 Decree and materially adverse consequences on our overall business, results of operations, reputation and/or financial condition.

In particular, pursuant to the 231 Decree, we may be held responsible for certain crimes committed in our interest or for our benefit by individuals having a functional relationship with us, including third party agents or

intermediaries, unless we are able to prove that such individuals fraudulently violated our internal control model and it would have been impossible for us to avoid such violation. In such circumstances, we may be subject to fines, confiscations of profits or legal sanction (applied in certain cases as interim measures during the relevant investigations), including the termination of financing agreements and the suspension of our operations. The duration of these disqualifications can range from a minimum of three months to a maximum of two years, although in particularly serious cases some of these disqualifications can be applied permanently.

***If we are found to be in non-compliance with the GDPR, we could become subject to substantial costs and/or other penalties and our business reputation could also suffer.***

The EU's General Data Protection Regulation ("**GDPR**") became effective on May 25, 2018. The GDPR implements more stringent operational requirements for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities. Although we have taken such actions as required in order to be materially compliant with the data protection legislation, we operate in an industry in which we process a considerable amount of personal data, including in connection with the collection of overdue receivables, and therefore are inevitably more exposed to the risk of being penalized for failing to continuously comply with the regulations imposed. If we fail to maintain compliance with applicable data collection and privacy laws or other applicable data security standards, we could be exposed to administrative sanctions, including reprimands and fines, penalties, restrictions, litigation or other expenses. Any inability to adequately address data protection and/or privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to us, damage our reputation, and adversely affect our business.

***Our business could be harmed if we fail to maintain proper inventory levels.***

The product purchase lead times required by our manufacturing process (both internal and external, to the extent it is outsourced or dependent on third parties) is generally longer than our customer order fulfillment requirements due to the nature of our industry. We therefore maintain an inventory of selected products that we anticipate will be in high demand. For a number of reasons discussed under "—*If we are unable to successfully introduce new products, develop our brands and adapt to changing consumer preferences, our business may suffer*," we may be unable to sell the products we have produced or ordered in advance from manufacturers or that we have in our inventory. Inventory levels in excess of customer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could impair our reputation and/or that of our brands and have a material adverse impact on our business, results of operations and financial condition.

Conversely, if we underestimate consumer demand for our products or if we and/or third-party suppliers or manufacturers fail to supply the quality products that we require at the time our customers need them, we may experience inventory shortages. Inventory shortages could delay shipments to customers, negatively impact sales, customer relationships and brand loyalty, and have a material adverse impact on our business, results of operations and financial condition.

***Our business is affected by seasonality.***

Our business is affected by economic factors and seasonal consumer buying patterns. While sales of prescription frames do not experience any significant seasonal variation, sales of sunglasses are generally higher in February, March and April as retailers purchase new collections in anticipation of the increased consumer demand in the spring and summer months. Accordingly, our net revenues recorded in the first half of any given year are generally higher than in the second half. Such seasonality may cause working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volumes and timing of sales of sunglasses, and correspondingly, the payment of royalties to licensors. In particular, due to the asymmetry of distribution costs due and the collection on accounts receivable at the beginning of each calendar year, our working capital is typically higher during the first financial quarter. These factors, among other things, make forecasting more difficult and a failure to properly manage the seasonal aspects of our business may have a material adverse effect on our business, financial condition and results of operations. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Financial Condition and Results of Operations—Seasonality*."

***Our net revenues could be affected by new distribution channels and business models in the eyewear industry.***

The emergence of multiple young companies may disrupt the traditional approach to the eyewear industry using technology, a new approach to retailing and the exclusive sale of "white label" eyewear. In addition, large players may develop technological innovations more rapidly than us. For example, in 2020 Facebook and EssilorLuxottica announced their partnership to develop smart glasses in 2021. In this period of technological innovation, any such new distribution models and retail approaches may successfully compete with us which could damage our market share, significantly disrupt the market in which we operate and subject us to increased competition, which could have a material adverse effect on our business, financial condition and results of operations.

***We face international business, political, operational, financial and economic risks because of the international scope of our operations.***

We currently have fourteen direct subsidiaries, over 150 partner distributors and two controlled joint ventures, and our products are sold in approximately 125 countries. We are therefore subject to risks inherent in international business, many of which are beyond our control, including, among others:

- difficulties in obtaining domestic and foreign export, import and other governmental approvals, permits and licenses and compliance with foreign laws, including employment laws in foreign countries in which we have employees and consultants;
- transportation delays and difficulties of managing international distribution channels and suppliers;
- longer payment cycles and greater difficulty collecting customer accounts receivable;
- ability to finance our foreign operations;
- fluctuations in currency exchange and currency controls;
- economic downturns in foreign countries or geographic regions in which our manufacturers are located, such as China and Italy, which among other things, may expose the operations of our manufacturers to risk and increase our manufacturing costs;
- trade restrictions, the ongoing China-United States trade war, higher tariffs and changes to existing, or the imposition of additional, regulations relating to import or export of our products, including those that may occur as a result of the UK's withdrawal from the EU and following the potential exit of any other EU member states from the EU or single euro currency;
- local content laws requiring that certain products contain a specified minimum percentage of domestically produced components;
- unexpected changes in regulatory requirements, royalties and withholding taxes that restrict the repatriation of earnings and affect our effective income tax rate due to profits generated or lost in foreign countries;
- the protracted impact of the coronavirus pandemic or other future pandemics on global and local economies;
- political and economic instability, including wars, terrorism, political unrest, exit of countries from the EU or single euro currency, boycotts, curtailment of trade and other business restrictions; and
- difficulties in obtaining the protections of the intellectual property laws of other countries.

The likelihood of such occurrences and their potential effect on us vary from country to country and are unpredictable; however, the effects of any of these occurrences, or combination thereof, could have a material adverse impact on our business, results of operations and financial condition.

***Our third-party distributors could take actions that could harm our business.***

Our third-party distributors are contractually obligated to operate their businesses in accordance with the standards set forth in our agreements with them. Third-party distributors are independent third parties that we do not control, and third-party distributors own, operate and oversee the daily operations of their respective businesses; they may not commit the necessary resources to market, sell our products to the level of our expectations, or use labor practices acceptable to us. As a result, if third-party distributors do not successfully operate their businesses in a manner consistent with required laws, standards and regulations, or they take actions

which damage our reputation or the brand image of our products and/or licensed brands, we could be subject to legal claims and/or our reputation may be materially and adversely affected. Certain foreign laws are protective of the rights of third-party distributors and may make it costly to terminate our relationship(s) with them. In addition, our relationship with our licensors could become strained, may be terminated or may not renewed by our licensors if actions or omissions by third-party distributors are imputed to us. Any such occurrence may also materially and adversely affect our reputation, business, results of operations and financial condition.

***We may fail to realize anticipated benefits from joint ventures.***

We have made, and may continue to make, investments in joint ventures and to enter into new joint ventures. For example, we control two joint ventures with local eyewear operators in Mexico (with Moendi) and the Middle-East (with Rivoli Group), in addition to Thélios. See "—*We do not control Thélios and we cannot assure you that the investments we have made will generate the expected returns.*" As of December 31, 2020, the total assets of such joint ventures, which are fully consolidated, was €12.7 million, and the net revenues of such joint ventures represented 3.9% of our total net revenues for the year ended December 31, 2020.

The success of joint ventures or arrangements with third parties is not always predictable, and we may not realize our anticipated objectives or benefits. Such arrangements may require significant initial expenditures as well as ongoing expenditures for modernization and expansion.

The day-to-day operation of the relevant joint venture's operations is the responsibility of the management team of the joint venture. Therefore, our ability to influence these operations on a day-to-day basis is limited and we may be unable to prevent actions that we believe are not in the best interests of our joint ventures or in our best interest. Conflicts with joint venture partners may lead to deadlock and may result in our inability to pursue our desired strategy on advantageous terms or exit the joint venture. In addition, our joint ventures have certain restrictions governing their ability to pay dividends and we cannot unilaterally determine whether and when any such dividend payments will occur. We may invest substantial amounts in these joint ventures and cannot be assured that they will produce expected returns. Any inability to receive dividend payments from our joint ventures or conditions on the payment of dividends or our influence over the operations of such joint ventures could materially and adversely affect our business, results of operations and financial condition.

***New or changing laws, regulations and government policies regarding improved fuel economy, reduced greenhouse gas and other emissions, and car safety may have a significant effect on our cost of operations and how we do business.***

Our products and manufacturing are subject to changing laws, regulations and policies throughout the world. Please see "*Business—Regulation*" for an overview of some of these laws, regulations and policies. We expect the number and extent of legal and regulatory requirements and the related costs of changes to our product portfolio to increase in the future. To comply with current and future environmental regulations, we may have to incur additional capital expenditure and research and development expenditure to upgrade products and plants, which would have an impact on our cost of production and our results of operations and may be difficult to pass through to our customers. If we are unable to develop commercially viable technologies within the time frames set by the new standards, we could face significant civil penalties or be forced to restrict product offerings drastically to remain in compliance. We anticipate that the number and extent of these regulations, and their effect on our cost structure and product portfolio, to increase in the future.

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

We are subject to taxes in Italy, the United States and numerous other foreign jurisdictions. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Any of these changes could have a material adverse effect on our profitability. We also are regularly subject to the examination of our income tax returns by the U.S. Internal Revenue Service, the Italian tax authority as well as the governing tax authorities in other countries where we operate. We routinely assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance that the outcomes of the current ongoing examinations and possible future examinations will not materially and/or adversely affect our business, results of operations, financial condition and prospects.

***We may incur liability and costs in connection with asbestos-containing materials present at certain of our facilities.***

Asbestos-containing materials ("**ACM**") were formerly commonly used as building materials such as insulation or tiling in industrial buildings. The use of ACM was standard practice throughout the world until the late 1970s when it began to be phased out. Given the varying ages of our facilities, ACM could be present at certain of our facilities which could subject the Group to certain risks and costs. As a result, we could incur substantial ongoing capital and operating expenditures in connection with compliance with current and future safety and health regulations requirements. Moreover, any violations of these requirements may result in substantial fines or penalties, the imposition of other civil or criminal sanctions, cleanup costs and claims for personal injury or property damages that certain of our employees or third parties may allege to have suffered. Should we face any such claims or should we be responsible for substantial fines or penalties or other civil or criminal sanctions, this may have a material adverse effect on our business, results of operations, and financial condition.

***We may make acquisitions or business combinations that prove unsuccessful or strain or divert our resources.***

We may pursue strategic acquisitions in the future to further support our growth and profitability. Our most significant and transformative acquisition remains the acquisition of Viva Optique, Inc. in 2013, which expanded our Group's footprint in the United States and our portfolio's exposure to diffusion brands. Successful growth through future acquisitions or business combinations is dependent on our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favorable terms, obtain required licenses and authorizations, and ultimately complete such transactions and integrate them into the Group. If we make acquisitions or business combinations, we may not be able to generate expected margins or cash flows, or realize the anticipated benefits of such transactions, including growth or expected cost savings and revenue synergies. Our assessments of and assumptions regarding acquisition or business combination targets may prove to be incorrect, and actual developments may differ significantly from our expectations. We may not be able to integrate acquisitions or business combinations successfully and such integration may require more investment than we expected, and we could incur or assume unknown or unanticipated liabilities or contingencies with respect to licensors, customers, employees, suppliers, government authorities or other parties. The process of integrating acquisitions or business combinations may also be disruptive to our operations, as a result of, among other things, unforeseen legal, regulatory, contractual and other issues, difficulties in realizing operating synergies or a failure to maintain the quality of products that we have historically produced which could cause our results of operations to decline. Moreover, any acquisition or business combination may divert management's attention from our day-to-day business and may result in the incurrence of additional debt. The occurrence of any of the above in connection with any recently completed or future acquisition or business combination, could have a material adverse effect on our business, results of operations and financial condition.

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

We rely on trade secret, unfair competition, trade dress, patent, trademark and copyright laws to protect our rights to certain aspects of our products, including product designs, proprietary manufacturing processes and technologies, product research, concepts and recognized trademarks. However, pending trademark applications may not in all instances result in the issuance of a registered trademark, particularly if such applications are opposed by third parties and registered trademarks may not be effective in thwarting competition or be held valid if subsequently challenged. In addition, the trademark registration procedure and the relevant registration requirements vary from country to country and, therefore, we cannot guarantee that all of our trademark applications will be accepted in each country in which we may seek to register trademarks. Furthermore, the actions we take to protect our proprietary rights or the proprietary rights of our licensors may be inadequate to prevent counterfeiting of our products. Moreover, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States or of the member states of the European Union. See "*Business—Intellectual Property*." We may not prevail in any litigation or other legal process to defend our intellectual property rights or we may compromise or settle such claims for a variety of reasons and any such legal processes may have a material cost to us. An adverse determination in any dispute involving our proprietary rights could, among other things, (i) require us to grant licenses to, or obtain licenses from, third parties, (ii) prevent us from manufacturing, selling or importing our products, (iii) require us to discontinue the use of a particular trademark, copyright or trade secret or (iv) subject us to substantial liability.

Given the popularity of our products, we believe there is a likelihood that counterfeit products or other products infringing on our trademarks or licensed brands will continue to emerge. In order to combat counterfeit goods,

we have and may continue to be required to spend significant resources to monitor and protect our intellectual property rights. Although we have taken steps to prevent further counterfeiting, we may not be able to detect or prevent all instances of infringement and may lose our competitive position in the market before we are able to do so. If the quality of counterfeit products is not representative of the quality of our genuine products, further damage could be done to the reputation of our licensed brands. Any of these possibilities could have a material adverse effect on our business, results of operations, reputation and financial condition.

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

A key element of our marketing strategy is to undertake advertising and promotional activities in support of our licensed brands and proprietary brands. For the year ended December 31, 2020, we spent €18.2 million, or 5.4% of net revenues, on advertising and public relations expenses. In addition, we make regular payments to certain of our licensors in the form of advertising fees. However, with respect to such monies, we generally exercise little control over the nature and priorities of the related spending. See "*Business—Intellectual Property—License Agreements*." Therefore, there can be no assurance that such advertising and promotional activities by us or our licensors for our proprietary brands and licensed brands, respectively, will be successful, will target customers and consumers in our core markets, or will be relevant to the sunglasses and prescription frames markets. In addition, we undertake direct advertising and promotional activities, namely the creation of POS display materials, catalogues and display materials for trade fairs and exhibitions. We also obtain endorsements from celebrities, such as music artists, actors and athletes, to sell our products, preserve the relevance and authenticity of our brands and to support our new products. With the rise of the social media ecosystem, our marketing and communication strategy aims at strengthening our brand awareness and image by maintaining a larger presence on social media platforms such as Instagram and Facebook, by collaborating with influencers and by targeted advertising to certain audiences on those platforms. We can provide no assurance that our advertising and promotional activities will be successful in promoting and maintaining brand awareness.

***Our business requires capital expenditures which may divert cash flow from other investments or uses, including debt servicing.***

Our activities require capital expenditures. We have consolidated our distribution into three main geographic distribution hubs (Longarone, Italy, Somerville, New Jersey and Hong Kong) and we also manage distribution from our on-site warehouses in Brazil, Russia, China and Australia. For each season, we must work closely with our licensors to produce and present a range of prototypes for the upcoming collections of eyewear and we must undertake a range of promotional activities in connection with supporting the appeal of our brands among consumers and our distribution network. For the years ended December 31, 2018, 2019 and 2020, capital expenditures were €18.4 million, €20.2 million and €12.8 million, respectively, related to payments to certain licensors, machinery maintenance/replacement and standard general administrative and IT costs. Historically, we have also been required to fund our proportional share of capital expenditures to permit Thélios to outfit its facility in Longarone. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures*." We can provide no assurance that our capital expenditure will not increase, and any such increases may divert significant cash flows from other investments or uses, including debt servicing, which could have a material adverse effect on our business, financial condition and results of operations.

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

As of December 31, 2020, we had approximately €71.7 million in trade receivables from customers resulting from sales of eyewear products to independent opticians that comprise the majority of our customers in Western Europe for which we typically invoice such customers at the time of dispatch. Although we review the credit risk related to our customers regularly, such risks may be exacerbated by events or circumstances that are inherently difficult to anticipate or control. While many customers pay their receivables within 60 to 120 days, we can provide no assurance that we will not experience an increase in late payments. Our provision for doubtful debts was €13.9 million as of December 31, 2020, representing approximately 16.2% of our gross trade receivables but we cannot guarantee that these provisions will be sufficient. The amount of our provision for doubtful debts is based on our assessment of historical collection trends, business and economic conditions and other collection indicators. However, we can make no assurance that bad debts associated with delinquent payments or nonpayment by our corporate customers will not increase. Furthermore, in the event that our partners and retailers are not able to timely pay the amounts due to us, we may need to implement certain specific debt

management plans which, while allowing our partners and retailers to continue their operations, may entail a reduction or a deferral of the payments due to us.

If the macroeconomic conditions in our core markets deteriorate, we cannot assure you that we will not have to increase our provisions for doubtful debts relating to trade receivables, which could have a material adverse effect on our business, results of operations and financial condition.

***Higher employment costs may have a material adverse effect on our business, financial condition and results of operations.***

Labor costs have been increasing steadily in our business over the past several years. Our labor costs may rise faster than expected in the future as a result of increased workforce activism, government decrees and changes in social and pension contribution rules meant to reduce government budget deficits or to increase welfare benefits to employees. We may not manage to offset the increase in labor costs through productivity gains. If employment costs increase further, our operating costs will increase, which could, if we cannot recover these costs from our customers through increased selling prices or offset them through productivity gains or other measures, have a material adverse effect on our business, financial condition and results of operations.

***A failure of our key information technology and/or inventory management, including the loss of capacity or the interruption of information technology hardware or infrastructure on which our systems rely, could have a material adverse effect on our ability to conduct our business.***

We rely extensively on information technology, inventory management and maintenance systems to conduct our activities. These systems and processes include, but are not limited to, ordering and managing stock from suppliers, distributing products to various locations, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal or tax requirements, and other processes necessary to manage the business. If such systems are damaged, cease to function properly or if we were to experience problems with transitioning to upgraded or replacement systems, our business may suffer. In addition, we rely on external providers for information technology hardware and infrastructure which may be interrupted. These interruptions could be caused by any number of events, ranging from catastrophic events to incidents such as power outages, human error, cyber-attacks and other security breaches, and if we or our external providers do not effectively remedy such incidents on a timely basis, or if our employees knowledgeable about such systems are unavailable or cease to work for us, our operations could be disrupted and/or proprietary information or privileged communications could be accessed resulting in a loss of competitive advantages or reputational or legal harm. Failures in our systems could therefore reduce our revenue, materially and adversely affect our reputation among our customers, compromise our competitive position or otherwise have a material adverse effect on our business, financial condition and results of operations.

***The United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.***

We distribute eyewear into a number of markets in the European Union through various subsidiaries, including the United Kingdom. For the year ended December 31, 2020, sales in the United Kingdom accounted for 2.8% of the Group's net revenues. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum which was followed by a decision in January 2017 to commence withdrawal negotiations and procedures. The United Kingdom formally withdrew from the European Union on December 31, 2020 and ratified a trade and cooperation agreement governing its future relationship with the European Union. The agreement, which applies provisionally from January 1, 2021 until it is ratified by the European Parliament and the Council of the European Union, addresses trade, economic arrangements, law enforcement, judicial cooperation and a governance framework including, among other things, procedures for dispute resolution. Given that the agreement merely sets out a framework in many respects and given that it will require complex additional bilateral negotiations and agreements between the United Kingdom and the EU, there are still considerable uncertainties in the political and economic spheres in relation to what precisely will be the terms of the relationship between the UK and the EU. These and any other future developments, and/or the perception that any related developments could occur, have had and may continue to have a material adverse effect on global economic conditions and financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets.

Furthermore, the United Kingdom's withdrawal from the European Union Single Market subjects us to additional export expenses and increased trade barriers, which may impact our results of operations. These increased costs may be difficult to pass through to our customers.

***Our insurance is limited and subject to exclusions and depends on the ongoing viability of our insurers; we may also incur liabilities or losses that are not covered by insurance.***

We currently have in place a number of different insurance policies that cover property damage, general, employment practices, cyber, directors & officers and marine liabilities and losses due to the interruption of our business in accordance with market practice in the industry and subject to customary conditions. Our other fixed assets, such as machines used in our manufacturing process and our office equipment used for Group administration, are protected by a bundled industrial insurance policy (damages from fire, catastrophes, theft, flood and severe weather) that includes business interruption coverage when such business interruption is caused by an insured property damage.

We believe that our insurance coverage is adequate to cover the risk of loss resulting from any damage to our property. However, the insurance policies are subject to limits and exclusions. Furthermore, we do not have insurance coverage for all interruptions as a result of operational risks because such risks cannot be insured or can only be insured on unreasonable terms. There can be no assurance that our insurance program would be sufficient to cover all potential losses, that we will be able to obtain sufficient levels of property insurance coverage in the future or that such coverage will be available on terms acceptable to us.

Moreover, certain types of losses, such as those resulting from earthquakes, floods, hurricanes, environmental hazards or terrorist acts, may be uninsurable or not economically insurable. In addition, there is no protection against the risk that customers will fail to pay in full or on time. We will use our discretion in determining amounts, coverage limits, deductibility provisions and the appropriateness of self-insuring with a view to maintaining appropriate insurance coverage at a reasonable cost and on suitable terms. If we suffer an uninsured or underinsured loss, we could lose all or a portion of the capital we have invested in a business or property as well as the anticipated future revenue from such business or property. Such uninsured or underinsured losses could harm our business, results of operations and financial condition.

***Our business may be adversely affected by developments in sovereign debt markets and by the exit from the Eurozone of one or more current Eurozone states.***

In recent years, sovereign debt crises in Greece, Ireland, Portugal, Spain and Cyprus have led to concerns about the ability of some EU states, including Italy, to service their sovereign debt obligations. These concerns impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations, indicating a reassessment of the associated risks. Despite measures undertaken by the European Central Bank, concern remained among investors that some countries in the Eurozone might default on their obligations, which resulted in a general reduction in financing, greater volatility in the overall markets and acute difficulties in obtaining liquidity internationally. On more than one occasion, fears arose that the European Monetary Union might be dissolved, or that individual member states might leave the single euro currency. These fears were rekindled in June 2015, when Greece defaulted on a debt to the International Monetary Fund. National debt levels continue to be impacted by the coronavirus pandemic across Europe, as countries fund stimulus and government aid programs to alleviate the domestic economic effects of the pandemic.

Market and economic disruptions stemming from the crisis in Europe have affected, and may continue to affect, the inflow of capital, consumer confidence levels and spending, bankruptcy rates, levels of incurrence of and default on consumer debt, and home prices, among other factors. There can be no assurance that market disruptions in Europe, including the increased cost of funding for certain government institutions, will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilize the affected countries and markets in Europe or elsewhere. The possible exit from the Eurozone of one or more European states and/or the replacement of the euro by one or more successor currencies could cause significant market dislocations and lead to adverse economic and operational impacts that are inherently difficult to predict or evaluate. See "*—Unfavorable economic conditions and political uncertainty, particularly in Italy, could adversely affect demand for our products and/or our ability to finance our business*" and "*—The United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business*." Moreover, disruptions in Europe may restrict our access to capital and impair our ability to refinance our debt, all of which could have a material adverse effect on our business, results of operations and financial condition.

***Our operations could be adversely affected if we are unable to retain key employees and/or key members of our management.***

We depend on certain key executives and personnel for our success. Our performance and our ability to implement our strategy depend on the efforts and abilities of our executive officers and key employees. In

addition, our operations could be adversely affected if, for any reason, a number of our officers or key employees were to terminate their relationships with us. In the event that such key personnel choose not to remain with us, there is a risk that they may join a competing business. Furthermore, there may be a limited number of persons with the requisite skills to serve in these positions and we may be unable to replace key employees with qualified personnel on acceptable terms, if at all. The inability in the future to attract or retain adequate technical and managerial personnel could limit or delay our development efforts and/or negatively affect our operations, which could in turn have a material adverse effect on our business, financial condition, prospects or results of operations.

***We are susceptible to claims of anti-competitive practices.***

Part of our overall strategy is to be a market leader in our core markets. We may be accused of abuse of our position or the use of anti-competitive practices as a result of such leadership; in particular, our contracts with retailers and distributors may raise competition issues if they include hard core restrictions or practices (*i.e.*, antitrust vertical restraints). This risk may increase in the event we acquire companies that have strong market leading position in the United States or Western Europe, where we enjoy strong positions. Any such claims could adversely affect our reputation, potentially result in legal proceedings that could have a materially adverse impact on our business, results of operations and financial condition and require us to divest assets in markets where we have a leading position. Such claims could also impair our ability to conduct acquisitions accretive to our business. Before certain future acquisitions may be consummated, we may need to seek approvals and consents from regulatory agencies or there may be applicable waiting periods that will need to expire. We may be unable to obtain such regulatory approvals or consents, or in order to obtain them, we may be required to dispose of assets or take other actions that could have the effect of reducing our revenue. Even if regulatory authorities do not require disposals or other actions, the regulatory approval process triggered by our market position or claims of anti-competitive practices may have the effect of delaying acquisitions.

***We are subject to risks related to litigation and other legal proceedings in the normal course of our business and otherwise.***

We are subject to the risk of legal claims and proceedings and regulatory enforcement actions in the ordinary course of our business and otherwise. From time to time, we have been party as defendant or plaintiff in various claims and lawsuits incidental to the ordinary course of our business, such as those related to labor issues, trademark infringement, unpaid receivables and vicarious liability for our employees' actions, including a pending proceeding against a previous licensor for early termination for cause. As of March 31, 2021, we have provisioned €0.2 million for potential liabilities in connection with legal proceedings. While we believe none of the legal proceedings to which we are party expose us to material liabilities, the results of pending or future legal proceedings are inherently difficult to predict. We can provide no assurance that we will not incur losses in connection with current or future legal or regulatory proceedings (including tax audits) or losses that exceed any provision we may set aside in respect of such proceedings or losses that exceed any insurance coverage available, which may have a material adverse effect on our business, results of operations and financial condition. See "*Business—Legal Proceedings*."

***We may face labor disruptions that could interfere with our operations and have a material adverse effect on our business, results of operations and financial condition.***

As of March 31, 2021, we employ approximately 1,747 employees worldwide under a variety of arrangements consistent with local laws and employment practices. Applicable law regulates our relations with our employees and our ability to manage, and in certain cases, discontinue our employment relationships.

In certain instances, we consult and seek the input of our employee works councils with respect to a broad range of matters. Consultations with works councils, strikes, similar industrial actions or other disturbances by our workforce, could disrupt our operations, result in a loss of reputation, increased wages and benefits or otherwise have a material adverse effect on our business, results of operations and financial condition.

Although management believes that its relationship with employees is generally positive, there can be no assurance that there will not be labor disputes and/or adverse employee relations in the future. Disruptions of business operations due to strikes or similar measures by our employees or the employees of any of our significant suppliers could have a material adverse effect on our business, results of operations and financial condition. See "*Business—Employees*."

***We rely on certifications by industry standards-setting bodies and applicable law, including the Made in Italy designation.***

We are required by the applicable Italian regulatory framework to obtain certain mandatory certifications and comply with professional licensing requirements. In addition, we estimate that for the twelve months ended March 31, 2021, approximately 53% of our products manufactured in-house carried the *Made in Italy* designation. The use of the *Made in Italy* designation is regulated by Italian and EU law and requires that the relevant product be entirely produced in Italy or undergo their last "substantial transformation" in Italy, which has been interpreted to include assembly from semi-finished products manufactured elsewhere. We believe that the *Made in Italy* designation represents a mark of quality and a differentiator of high value-added products, therefore serving as a competitive advantage for our products carrying the *Made in Italy* designation *vis-à-vis* those products of our competitors and across our other collections. If the laws regarding the use of the *Made in Italy* designation were to become more restrictive in a way that is adverse to our interests, this could have a material adverse effect on our business, results of operations and financial condition.

**Risks Related to Our Capital Structure**

***The Issuer is in part dependent on payments from its subsidiaries in order to make payments on the Notes.***

The Issuer conducts a portion of its operations through operating subsidiaries. As a result, the Issuer will be dependent in part 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 it to meet its payment obligations. In addition, the Issuer's subsidiaries may be restricted from providing funds to the Issuer under some circumstances. These circumstances could include, among others, existing and future contractual restrictions, including restrictions in any indebtedness at the subsidiary level, that 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.

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

PAI, and certain other co-investors, including the Marcolin family indirectly own 90% of the Issuer's shares. As a result, PAI and its affiliates 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 operation. In addition, for compliance with certain restrictive covenants, we will depend upon the cooperation of our principal shareholders which have the power to effect compliance with such covenants. The interests of PAI and its affiliates could conflict with your interests, particularly if we encounter financial difficulties or are unable to pay our debts when due. Affiliates of PAI also have an interest in pursuing divestitures, financings or other transactions that in their judgment could enhance their equity investments, although such transactions might involve risks to you as a holder of Notes. In addition, PAI or its affiliates may, in the future, own businesses that directly compete with ours or do business with us. See "*Principal Shareholders*." Furthermore, certain of our co-investors have rights that may affect the timing and method of exit by PAI and thus the timing of any changes to the capital structure. LVMH also has call option rights on the shares of Thélios, which may affect the valuation of Marcolin and thus the timing and method of any exit by PAI and/or an initial public offering.

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

We have recorded a significant amount of goodwill. As of March 31, 2021, our total goodwill, which represents the excess of the cost of acquisitions over our interest in the net fair value of the assets acquired and liabilities and contingent liabilities assumed, amounted to €284.5 million, representing 39.8% of our 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 have not been required to record an impairment to goodwill for any of the periods reported herein. Any future impairment of goodwill may result in material reductions of our income and equity under IFRS.

***We may be subject to a deferral or to a limitation of the deduction of interest expense, including interest expense in respect of the Notes in Italy.***

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

Italian Legislative Decree n. 142 of November 29, 2018, enacting the EU anti-tax avoidance package was published in the Italian official gazette on December 28, 2018. The Italian ATAD Decree transposes EU Directive 2016/1164 (ATAD 1)—as amended by EU Directive 2017/952 (ATAD 2)—into the Italian legal system, providing rules against the erosion of taxable bases in the internal market and the shifting of profits out of the Italian market. Such rules are aimed at tackling double deduction or "deduction without inclusion" (deduction of a negative income component in one country without any taxation in the other country) due to a different characterization of financial instruments, payments, entities, and permanent establishments in various countries. The rules apply to mismatches occurring between taxpayers considered to be associated enterprises or arising in the context of a structured arrangement between two non-associated taxpayers.

The Italian tax authorities have in certain instances totally or partially limited the deductibility of the interest expenses arising in connection with certain acquisition financing, refinancing of previous acquisitions' indebtedness, dividend recapitalizations or other transactions with shareholders (such as transfer of shares intragroup). This position has been taken by arguing that the actual beneficiary of the transaction which generated the interest expense was not the acquiring entity, but its shareholders. Moreover, in circumstances where the Italian company deducting the interest expenses accrued on the aforementioned transactions was controlled by a non-Italian-resident entity (as in the case of the Issuer), the Italian tax authorities argued that such interest expense should have been re-charged at arm's length to the non-Italian-resident shareholders. To date, tax courts have not ruled in a consistent way with respect to these cases, although there is jurisprudence in favor of the taxpayer's position. The Italian tax authorities have recently ruled that the deduction of interest expenses arising from indebtedness, incurred with third parties in the context of the acquisition transactions, should not be denied when such acquisitions are genuinely held.

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

Moreover, (i) any future changes in Italian tax laws or in their interpretation or application (including any future limitation on the use of the ROL of the Issuer and its Subsidiaries), or (ii) the tax treatment of interest expenses arising from any indebtedness, including the Notes, the failure to satisfy the applicable legal requirements relating to the deductibility of interest expenses or (iii) a change in the interpretation and application by Italian tax authorities of Italian tax laws may result in our inability to fully deduct our interest expenses, which may have an adverse effect on our financial condition.

Furthermore, if the Italian tax authorities were to successfully challenge the use of proceeds from the Offering to make a refinancing under the "inherence" principle, we may be unable to fully deduct our interest expenses or be

subject to significant penalties and interest for late payment of taxes or other consequences that could have a material adverse effect on our financial conditions and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. For more information, see "*Risk Factors—Risks Related to Our Business—Changes in our tax rates or exposure to additional tax liabilities could affect our future results*."

**Risks Related to Our Indebtedness**

***Our leverage may make it difficult for us to service our debt, including the Notes, and operate our business.***

Upon consummation of the Refinancing, we will have a substantial amount of outstanding indebtedness with significant debt service requirements. As of March 31, 2021, after giving effect to the Refinancing, our total financial debt would have been €394.9 million. See "*Capitalization*." As of the same date, giving effect to the Refinancing, we also would have had approximately €46.3 million available for borrowing under the New Revolving Credit Facility. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*."

Our leverage could have important consequences for a holder of the Notes, including, but not limited to:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or economic or industry conditions;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- restricting us from investing in customer acquisitions, growing our business, pursuing strategic acquisitions and exploiting certain business opportunities; and
- limiting, among other things, our and our subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

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

Restrictive covenants under the New 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 and adversely affect our financial condition and results of operations.

The New Revolving Credit Facility Agreement and the Indenture contain negative covenants restricting, among other things, our ability to:

- make certain loans or investments;
- incur indebtedness or issue guarantees;
- create security;
- sell, lease, transfer or dispose of assets;
- merge or consolidate with other companies;
- transfer all or substantially all of our assets;
- make a substantial change to the general nature of our business;

- 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;
- engage in sales of assets and subsidiary stock; and
- enter into transactions with affiliates.

The New Revolving Credit Facility will require the Issuer to, for an interim period, comply with a "minimum liquidity covenant" and, thereafter, with a "*financial covenant*", which will be based on the ratio of the total net indebtedness to consolidated EBITDA, and whereby non-compliance will result in an event of default. See "*Description of Certain Financing Arrangements—New Revolving Credit Facility—Financial Covenant.*"

The restrictions contained in the New 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 adversely affect our ability to finance our operations, make key money payments to acquire new licenses, form joint ventures, 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 New 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 New 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. The impact of coronavirus pandemic has reduced our cash flow as a result of the closures of our businesses, and may continue to do so even after the restrictions are lifted. The ability to refinance our debt may depend on stable loan or debt capital markets. 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 New 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 New 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 New Revolving Credit Facility, may as a result also be accelerated and become due and payable. If the debt under the New 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. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*."

***Despite our high level of indebtedness, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.***

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the New Revolving Credit Facility contains and the Indenture will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, neither of the New Revolving Credit Facility nor the Indenture will prevent us from incurring obligations that do not constitute indebtedness under those agreements.

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

***The Notes will be secured only to the extent of the value of the assets that have been granted as security for the Notes.***

No appraisal of the value of the Collateral has been prepared by us or on our behalf in connection with the Offering. The value of the Collateral and the amount to be received upon a sale of such Collateral will depend on many factors, including the ability to sell the Collateral in an orderly sale, prevailing market and other economic conditions and the availability of suitable buyers at the time of any such sale. By its nature, the Collateral may be illiquid and have no ascertainable market value. Similarly, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in the liquidation of the Collateral. The book value of the Collateral should not be relied on as a measure of the realizable value for such assets. The fair market value of the Collateral as at the date of this offering memorandum may not exceed the principal amount of the debt secured thereby. The value of the Collateral, and in particular, the pledged capital stock, could be impaired in the future as a result of changing economic conditions, failure to implement our business strategy, competition and other future trends and may be without any value if that entity is subject to an insolvency or bankruptcy proceeding.

If the proceeds of Collateral were not sufficient to repay amounts outstanding under the Notes, then Noteholders (to the extent not repaid from the proceeds of the sale of the Collateral) would only have an unsecured claim against our remaining assets.

***Creditors under the New Revolving Credit Facility, certain hedging obligations and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes.***

Under the terms of the Intercreditor Agreement, proceeds from enforcement of the Collateral securing the Notes must first be applied in satisfaction in full of obligations under the New Revolving Credit Facility, and only thereafter to repay the obligations of the Issuer and the Guarantors under the Notes. The New Revolving Credit Facility will also be secured by a special lien (*privilegio speciale*) granted by the Issuer over its present and future movable assets and such assets will not secure the Notes since under Italian law a special lien may only be granted to secure bank loans. The special lien will be limited in amount to the obligations under the New Revolving Credit Facility from time to time. As any proceeds realized from the enforcement of the special lien (*privilegio speciale*) may be insufficient to repay amounts under the New Revolving Credit Facility, in the event of a foreclosure of the Collateral, you may not be able to recover on such Collateral if the then outstanding claims under the New Revolving Credit Facility and such amount in respect of such future hedging obligations and certain costs and expenses of the Trustee and other creditors representatives are also paid out in priority to our obligations under the Notes and any other "super-priority debt" are greater than the proceeds realized. The Indenture and the Intercreditor Agreement will permit, under certain conditions, additional "super priority debt" to be incurred. As such, in the event of enforcement of the Collateral securing the Notes, you may not be able to recover on the Collateral if the then-outstanding liabilities under such "super priority" debt, including the New Revolving Credit Facility and certain hedging obligations, if any, are greater than the proceeds realized in the event of enforcement of the Collateral securing the Notes. See "*Description of Certain Financing Arrangement—Intercreditor Agreement*" and "*Description of the Notes*."

***You may not have a security interest in any of the Collateral on the Issue Date.***

You may not have a security interest in any of the Collateral in place on the Issue Date. The Indenture will require that, within 15 business days from the Issue Date, the Notes be secured on a first-ranking basis by the Collateral. See "*Description of Notes—Security*." See also "*Limitations on Validity and Enforceability of the*

*Guarantees and Security Interests and Certain Insolvency Law Considerations.*" There can, however, be no assurance that we will be successful in procuring such liens within the time period specified, the failure of which would result in an "event of default" under the Indenture.

***The claims of the holders of the Notes will be effectively subordinated to the rights of our future secured creditors to the extent of the value of the assets securing such indebtedness which does not constitute Collateral.***

Within 15 business days following the Issue Date, the Notes will be secured by first-priority security interests over the Collateral. The Indenture will also provide for a negative pledge but will allow us and our restricted subsidiaries, subject to specified limitations, to incur secured indebtedness that will be effectively senior to the Notes to the extent of the value of the assets that secure that indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization, or other insolvency or bankruptcy proceeding, the proceeds from the sale of assets securing any secured indebtedness will be available to pay obligations on the Notes only after all such secured indebtedness (including claims preferred by operation of law) has been paid in full. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness. The Notes will be structurally subordinated to the liabilities of the Issuer's subsidiaries that do not guarantee the Notes.

For the twelve months ended March 31, 2021, the Non-Guarantor Subsidiaries generated 20.3% of the Group's net revenues and 22.2% of the Group's Adjusted EBITDA. As of March 31, 2021, the Non-Guarantor Subsidiaries held approximately 9.8% of the Group's total assets. As of March 31, 2021, after giving effect to the Refinancing, such Non-Guarantor Subsidiaries (including two joint ventures that we control and that are consolidated in our financial statements) would have had €5.7 million in outstanding financial debt, none of which was secured.

The agreements governing the Notes and the New Revolving Credit Facility will, subject to specified limitations, permit our Non-Guarantor Subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that they may incur. In addition, under certain circumstances, the guarantees of a Guarantor may be released automatically (see "*Description of the Notes—Guarantees—Releases of Guarantees*"), including, without limitation:

- 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 of our restricted subsidiaries) otherwise permitted by the Indenture;
- upon the designation by the Issuer of a restricted subsidiary that is a Guarantor to be an unrestricted subsidiary in accordance with the Indenture;
- in accordance with the "*Amendments and Waivers*" provisions of the Indenture;
- in connection with an enforcement action under the Intercreditor Agreement; or
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture.

Our Non-Guarantor subsidiaries do not guarantee the Notes and will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, such Non-Guarantor Subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such Non-Guarantor Subsidiaries before these assets are made available for distribution to the Issuer, as a direct or indirect shareholder and the creditors of the Issuer (including the holders of the Notes) will have no right to proceed against the assets of such non-Guarantor Subsidiary. As such, the Notes will be structurally subordinated to the creditors (including trade creditors) and any holders of preferred stock of our Non-Guarantor Subsidiaries.

In addition, with respect to the Guarantee to be granted by Marcolin Germany, as a general principle under German law, a secured party is obligated to release security if the value of the security is materially higher than the value of the obligations secured by such security. Pursuant to such German law principle, the security grantor may request the Security Agent to release all or part of the security granted insofar as (i) the estimated aggregate value (*Schätzwert*) of the security exceeds, on a permanent basis, the secured obligations by more than 50% plus value added tax or (ii) if ascertainable, the realizable aggregate value (*realisierbarer Wert*) of such security exceeds, on a permanent basis, the secured obligations by more than 10% plus value added tax.

***It may be difficult to realize the value of the Collateral, and an enforcement action may result in the termination of licenses which may be material to the operation of our business.***

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

The Collateral may be subject to practical problems generally associated with the realization of security interests in collateral. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. The Security Agent may not be able to obtain any such consents. 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 Collateral may significantly decrease.

In addition, our business depends on a variety of licenses. The continued operation of the Issuer and the Guarantors, whose shares are pledged as part of the Collateral, depend on the maintenance of such licenses. Under some of our licenses, licensors 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 licensors. 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 Group for other reasons, the licensors 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 licensors may not consent to the transfer of any of such licenses. If such approvals required for the transfer of the relevant licenses 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 Collateral may be significantly decreased.

***The value of certain assets included in the Collateral may decrease because of obsolescence, impairment or certain casualty events.***

The value of certain assets included in the Collateral owned by the Issuer and certain Guarantors may be adversely affected by depreciation and normal wear and tear or because of certain events that may cause damage to such assets. Although the Security Documents will contain certain covenants in relation to the maintenance and preservation of assets, the Issuer and Guarantors are not required to improve the Collateral. The Issuer and Guarantors will be obligated under the Security Documents to maintain insurance policies to insure against losses, however, there are certain losses that may be either uninsurable or not economically insurable, in whole or in part. As a result, it is possible that the insurance proceeds will not compensate us fully for our losses in the event of a catastrophic loss. We cannot assure you that any insurance proceeds received by us upon the total or partial loss of any Collateral will be sufficient to satisfy all of our secured obligations, including the Notes.

***The limited share pledge and the recovery from the enforcement of the share pledges forming part of the Collateral may result in a taxable capital gain and involve long recovery times and a low recovery rate.***

In connection with the enforcement of share pledges over shares of entities with outstanding debt obligations, any sale of such entities is likely to involve a release of some or all of the debt of such entity, which could result in a taxable capital gain to such entities. As the Notes will be issued by the Issuer, an enforcement over the shares of the Issuer would involve the enforcement over the share pledge of an entity with outstanding debt claims. In addition, the Indenture does not prohibit the Issuer from incurring additional debt claims in the future. Consequently, the enforcement of the share pledge over the Issuer’s shares may result in the release of the debt obligations of the Issuer. Such release is permitted by the Intercreditor Agreement and could result in a taxable capital gain. This taxable capital gain is likely to reduce the proceeds of any recovery from the enforcement of such share pledge. Therefore, the value of the pledge over the shares of the Issuer is limited. Moreover, the pledge over the issued capital stock of the Issuer will cover only the shares owned by 3Cime, which will constitute: (i) 90% of the share capital of the Issuer at the Issue Date or (ii) in the event of the subsequent exercise by LVMH of its rights to acquire additional shares of the Issuer pursuant to the PAI/LVMH Shareholders’ Agreement, no less than 82.5%. As a result, an enforcement over the shares of the Issuer will not

provide full control over the Issuer and remain subject to any minority protection rights in the organizational documents of the Issuer and under law, and the minority holder or holders of the Issuer's shares may have interests or rights which conflict with those of the holders of the Notes. This could result in longer recovery time and a lower recovery rate.

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

The obligations of the Guarantors and the enforcement of each of their Guarantees and the obligations of the grantors of security and enforcement of the Collateral will be limited to the maximum amount that can be guaranteed by such entities under applicable law, including a limitation to the extent that the grant of such pledge of security or guarantee is not in the entity's corporate interests, or otherwise would result in violations of laws related to corporate benefit, capitalization, capital preservation, financial assistance or transactions under value.

Accordingly, enforcement of a Guarantee or enforcement in respect of the Collateral against the relevant pledgor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the pledge of security designed to ensure compliance with statutory requirements applicable to the relevant pledgors or, in some cases, to limitations contained in the terms of the Guarantees designed to ensure compliance with statutory requirements applicable to the relevant Guarantors. 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 and defenses affecting the rights of creditors generally. As a result, a Guarantor's liability under its Guarantee or the liability of a pledgor of security of could be materially reduced or eliminated, depending on the law applicable to it.

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

Additionally, the grant of Collateral to secure the Notes may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may otherwise be set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and insolvency proceedings in respect of the grantor are 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.

*Germany.* In the case of Marcolin Germany which is organized in the form of a German company with limited liability (*Gesellschaft mit beschränkter Haftung—GmbH*), the enforcement of its Guarantee is limited under German corporate law if and to the extent that payments under such Guarantee would cause Marcolin Germany's net assets to fall below, or increase or would increase an existing shortfall of, the amount of its registered share capital (*Begründung oder Vertiefung einer Unterbilanz*). Accordingly, the terms of its Guarantee under the Indenture limit the enforcement of that Guarantee or security document if and to the extent payment under such Guarantee or security document would cause its net assets to fall below, or increase or would increase an existing shortfall of, the amount of its registered share capital (*Stammkapital*).

*Italy.* 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 claim.

*France.* French law requires that, when a French company grants a guarantee of third-party obligations, the guarantee must be in the corporate purpose and corporate interest of the guarantor company. The existence of a real and adequate benefit to the guarantor is a matter of fact as to which French case law provides no clear guidance. The liabilities of a French company under a guarantee must also not be in breach of French financial assistance rules. The liabilities and obligations of Marcolin France under the Guarantee are therefore subject to

(i) certain exceptions, including the exclusion of any obligations which, if incurred, would constitute the provision of financial assistance within the meaning of Article L.225-216 of the French *Code de Commerce*, which prohibits a company from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of the acquisition or the subscription of its own shares and/or a misuse of corporate assets or of credit within the meaning of Articles L.241-3, L. 242-6 or L. 244-1 of the French *Code de Commerce*; and (ii) a financial limitation corresponding to an amount equal to the proceeds from the issue of the Notes which the Issuer has applied for the direct or indirect benefit of the French Guarantor and/or to the controlled subsidiaries of that French Guarantor (within the meaning of article L.233-3 of the French *Code de Commerce*) through intercompany loans and cash pooling arrangements (if any) that are outstanding and owed by such French Guarantor (or any of its controlled subsidiaries) on the date a payment is requested to be made by the French Guarantor. By virtue of this limitation, Marcolin France's obligations under the Guarantee could be significantly less than amounts payable with respect to the Notes. To the extent that no proceeds of the Notes are downstreamed to Marcolin France or its subsidiaries at the relevant time, Marcolin France will have effectively no obligation under its Guarantee. Additionally, to the extent that the relevant intercompany loans are subsequently repaid or cancelled, including pursuant to the Intercreditor Agreement upon an enforcement, such French guarantee will be reduced or fall away.

For a more detailed description of various limitations on the security under Italian, French, English and German law and certain Italian, French, English and German insolvency law considerations, see "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

***Holders of the Notes will not receive proceeds from enforcement of the Collateral until after certain super senior creditors are repaid and may not control certain decisions regarding the Collateral.***

To the extent permitted under applicable law, and subject to the Agreed Security Principles, the Notes will be secured on a first-ranking basis by substantially the same rights, property and assets securing the obligations under the New Revolving Credit Facility (in each case, other than the special lien (*privilegio speciale*)). In addition, under the terms of the Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral.

Pursuant to the Intercreditor Agreement, a common security agent will serve as the Security Agent for the secured parties under the New Revolving Credit Facility, the Notes, certain future indebtedness (if any) and the hedging arrangements (if any), respectively, with regard to the shared Collateral (as applicable). The Intercreditor Agreement will provide that the Security Agent will, subject to certain limited exceptions, act to enforce the security interests in the Collateral and take instructions from the relevant secured creditors in respect of the Collateral only at the direction of an "instructing group."

Generally, if there are conflicting enforcement instructions received by the Security Agent from the different classes of creditors which are secured by the Collateral and who can constitute either "majority super senior creditors" (generally, creditors representing 66$^{2/3}$% of the aggregate of all unpaid and undrawn commitments under the New Revolving Credit Facility (or any replacement thereof), and the termination value or assumed termination value of certain future "super priority" hedging obligations, if any) or "majority senior secured creditors" (generally, creditors representing the majority of the outstanding principal amount under the Notes, any *pari passu* secured indebtedness and the termination value or assumed termination value of certain future hedging obligations which are not given "super priority" status, if any), as the case may be, the representatives of the creditors sharing in the Collateral are required to first consult in good faith with each other (in each case, including the Trustee on behalf of the holders of the Notes and the agent on behalf of the lenders under the New Revolving Credit Facility (or any replacement thereof), the cash facility managers and the Security Agent, for a period of 15 days (or such shorter period as may be agreed) with a view to coordinating the instructions to be given by an instructing group and agreeing an enforcement strategy (a "**joint enforcement strategy**"). Upon conclusion of this "consultation period", if the relevant creditor representatives are unable to agree on a joint enforcement strategy or if conflicting enforcement instructions are received by the Security Agent from the different classes of creditors which are secured by the Collateral and who can constitute an instructing group, and provided that the "security enforcement principles" set out in the Intercreditor Agreement have been complied with, then the majority senior secured creditors shall constitute an instructing group and shall have the right to instruct the Security Agent as to the enforcement of the Collateral. Notwithstanding the foregoing, no consultation period shall be required if either (i) any of the Collateral becomes enforceable because of an insolvency event in respect of 3Cime, the Issuer or certain members of the Group, (ii) the majority super senior creditors or the majority senior secured creditors determine in good faith that entering into consultation could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce any of the Collateral or to reduce the amount likely to be realized upon enforcement of the Collateral to a level such that the

obligations to the super senior creditors would not be discharged in full, or (iii) the relevant creditor representatives agree that no consultation period is required, in which case, the Security Agent shall act in accordance with the instructions provided by the majority senior secured creditors (provided that such instructions are consistent with the security enforcement principles set forth in the Intercreditor Agreement). If the Security Agent is obliged to follow the enforcement instructions of the majority senior secured creditors as discussed above and either (i) the lenders under the New Revolving Credit Facility (or any replacement thereof) (together with any "super priority" hedging obligations) have not been repaid or prepaid in full within six months of the end of the consultation period, (ii) the Security Agent has not commenced any enforcement action in respect of the relevant Collateral within three months of the end of the consultation period or (iii) an insolvency event has occurred in respect of 3Cime, the Issuer or certain members of the Group and the Security Agent has not commenced enforcement of the relevant Collateral or taken any other enforcement action at that time, then the Security Agent shall, provided that the security enforcement principles set out in the Intercreditor Agreement have been complied with, instead follow the instructions that are given by the majority super senior creditors (and the terms of the relevant previous enforcement instructions of the majority senior secured creditors which conflict with the instructions of the majority super senior creditors shall be deemed revoked).

The foregoing security enforcement arrangements could be disadvantageous to the holders of the Notes in a number of respects.

Disputes may occur between the holders of the Notes and creditors under our New Revolving Credit Facility, counterparties to certain hedging arrangements, if any, cash facility managers, if any, and/or holders of any permitted *pari passu* secured indebtedness as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Collateral securing such obligations. In such an event, the holders of the Notes will be bound by any decisions of the relevant instructing group, which may result in enforcement action in respect of the relevant Collateral, whether or not such action is approved by the holders of the Notes or may be adverse to such holders of Notes. The creditors under the New Revolving Credit Facility, counterparties to certain hedging arrangements, if any, cash facility managers, if any, or the holders of any permitted *pari passu* secured indebtedness may have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the relevant Security Documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so.

Other creditors not party to the Intercreditor Agreement could commence enforcement action against the Issuer or one or more of its subsidiaries during the consultation period, the Issuer or one or more of its subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Collateral could otherwise be impaired or reduced in value. In addition, if we incur substantial additional indebtedness which may be secured on the Collateral, the holders of the Notes may not comprise the requisite majority senior secured creditors for the purposes of instructing the Security Agent. Further, if the super senior creditors have not been repaid in full within six months of the end of the consultation period or in the event of the occurrence of certain other circumstances described above, then control of the enforcement proceedings will shift to the majority super senior creditors.

The holders of the Notes will also have no separate right to enforce the Collateral securing the Notes. In addition, the holders of the Notes will not be able to instruct the Security Agent, force a sale of Collateral or otherwise independently pursue the remedies of a secured creditor under the relevant Security Documents, unless they comprise an instructing group which is entitled to give such instructions, which, in turn, will depend on certain conditions and circumstances including those described above.

In addition, if the Security Agent sells any of the Collateral as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Guarantees and over any other assets securing the Notes may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens*."

***It is possible that some of the Collateral may not be enforceable.***

In certain jurisdictions, the creation of security interests to secure the obligations of a third party may be limited under applicable law. As a result, enforcement of the security in certain jurisdictions may be subject to certain statutory limitations or defenses or to limitations contained in the terms of the security documents designed to ensure compliance with applicable statutory requirements. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" for a more detailed description of the various limitations on the security in each relevant jurisdiction. Additionally, under German law, the

creation of certain security interests requires that the grantee of the security interest is the same party as the creditor of the secured claim. To accommodate this requirement, the Intercreditor Agreement provides for the creation of a so-called "parallel debt." Pursuant to the parallel obligation, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Indenture governing the Notes.

*Italy*. Parallel debt structure in financing transactions, including credit facilities and bond issuances, has not been tested in Italian courts. In addition, the validity and enforceability of certain rights of a Security Agent benefiting from a parallel debt structure is untested in Italian courts.

*Germany.* The parallel debt structure has not been tested before a German court, and we cannot assure you that it will be recognized by German courts or that German courts will not render security interest granted to secure such parallel debt obligations invalid or unenforceable. In case the validity or enforceability of the relevant security in favor of the Notes is challenged successfully, you may not be able to recover any amounts under the relevant security.

*France.* We cannot assure you that the parallel debt procedure will eliminate or mitigate the risk of unenforceability of the security posed by French law. In case the validity or enforceability of the relevant security in favor of the Notes is challenged successfully, you may not be able to recover any amounts under the relevant security. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

***Enforcement of the Notes, the Guarantees and the Collateral securing the Notes across multiple jurisdictions may be difficult.***

The Issuer is organized under the laws of Italy; the Guarantors are incorporated or organized (as applicable) under the laws of France, Germany, England and New Jersey and the assets and movable property securing the Notes are located in multiple jurisdictions. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions and in the jurisdiction of incorporation or organization of a future Guarantee. Your rights under the Notes, the Guarantees, and the Collateral will thus be subject to the laws of a number of jurisdictions, and it may be difficult to effectively enforce such rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multijurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights.

The bankruptcy, insolvency, administration and other laws of the Issuer's jurisdiction of organization and the jurisdiction of organization or incorporation of each of the Guarantors may be materially different from, or conflict with, each other and with the laws of the United States, including in the areas of creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce the Collateral securing the Notes and to realize any recovery under the Notes and the Note Guarantees. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

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

***The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.***

The Indenture and the Intercreditor Agreement will provide that to the extent permitted by the applicable laws, only the Security Agent has the right to enforce the Security Documents on behalf of the Trustee 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, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral and in accordance with the Intercreditor Agreement. See "*Description of the Notes—Security*."

*Italy*. The Collateral will not be granted directly to the holders of the Notes but will be created and perfected in favor of the Security Agent, acting also in its capacity as representative (*rappresentante*) pursuant to Article

2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of an agent (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and 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 Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes will not be granted directly to the holders of the Notes but will be created and perfected in favor of the Security Agent, acting also in its capacity as representative (*rappresentante*) pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code, 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 and Guarantee Arrangements—Intercreditor Agreement.*"

Further, 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"). In this regard, a longer period might apply to any Collateral governed by Italian law which may be granted after the Offering.

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect of the claims of other creditors.

*France.* Security interests governed by French law may only secure payment obligations, may only be enforced following a payment default or an acceleration resulting in a payment default and may only secure up to the secured amount that is due and remaining unpaid. Under French law, a pledge over securities (whether in the form of a pledge over securities account or in the form of a pledge over shareholding interests (*parts sociales*)) may be enforced at the option of the secured creditors either (i) by way of a sale of the pledged securities in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by way of judicial foreclosure (*attribution judicaire*) or to the extent provided for in the relevant security document contractual foreclosure (*attribution conventionnelle* (*pacte commissoire*)) of the pledged securities in favor of the secured creditors, following which the secured creditors become the legal owner of the pledged securities.

If the secured creditors choose to enforce by way of foreclosure as described above, the secured liabilities would be deemed extinguished up to the value of the foreclosed securities. Such value is determined either by the court in the context of a judicial foreclosure (*attribution judicaire*) or by a pre-contractually agreed expert in the context of a contractual foreclosure (*attribution conventionnelle* (*pacte commissoire*)). In proceedings regarding an *attribution judicaire* or an *attribution conventionnelle* (*pacte commissoire*), an expert is appointed to value the collateral (in this case, the pledged securities) (such valuation being made by reference to the date of enforcement) and, if the value of the collateral exceeds the amount of secured debt, the secured creditors may be required to pay the pledgor a cash amount (*soulte*) equal to the difference between the value of the securities as so determined and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditors from a subsequent sale of the collateral. If the value of the collateral is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such collateral, and the remaining amount owed to such creditors will be unsecured in that respect.

As a result, if the Security Agent enforces the collateral pursuant to option (i) as described above, the proceeds of the sale of the collateral may not be sufficient to satisfy the claims of all secured creditors. If enforcement is implemented through a public auction procedure, it is possible that the sale price received in any such auction might not reflect the value of the securities, since the latter will not be sold pursuant to a competitive bid process and/or a private sale organized by an investment bank and controlled by the vendor on the basis of a value

determined pursuant to the methods usually used for the purpose of the acquisition of companies or groups of companies. If the Security Agent enforces the collateral pursuant to option (ii), there is a risk that the secured creditors may not be able to sell the collateral for its full value as determined by the expert, yet may still be required to pay the pledgor, upon the Security Agent having become the owner of the collateral, the difference between the value of the collateral and the amount of the secured debt if the collateral is determined by the expert to have a greater value than the amount of secured debt.

The concept of "trust" has been recognized by the French Tax Code and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (Cass. com. September 13, 2011 n°10-25533 Belvedere) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings opened in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of "trust" has not been generally recognized under French law.

*Germany.* The share pledge over the shares of Marcolin Germany may only be enforced following an acceleration event and if certain secured amounts are due and unpaid and such enforcement will be limited by prerequisites of the formalized statutory enforcement proceedings of mandatory German law which, in principle, provide for a sale of the pledge shares in a public auction rather than in a private sale.

Under German law, certain security interests such as pledges over shares are of strict accessory nature (*akzessorische Sicherungsrechte*) and are therefore dependent on the secured claims and require the security holder and the creditor of the secured claim to be identical. In this respect, the Intercreditor Agreement will provide for the creation of a so-called "parallel debt" obligation in favor of the Security Agent (the "**Parallel Debt**"), which will be secured by pledges rather than the holders' claims under the Notes directly. The Parallel Debt is in the same amount and payable at the same time as the obligations of the Issuer and the Guarantors under the Notes and the Guarantee (the "**Principal Obligations**"), and any payment in respect of the Principal Obligations will discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt will discharge the corresponding Principal Obligations. As certain of the security documents will directly secure the parallel debt and may not directly secure the obligations of the holder of the Notes under the Indenture and the Notes, the holders of the Notes may 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. In addition, holders of the Notes will bear the risk associated with an insolvency, bankruptcy moratorium or reorganization (including any pre-insolvency scheme) of the Security Agent or a breach of its obligations as Security Agent vis-à-vis the secured creditors. However, German courts have not yet ruled in respect of such a parallel debt structure. As a result, we cannot assure that such parallel debt structure will be recognized by German courts and that German courts will not render security interest such as the pledge over Marcolin Germany's shares invalid or unenforceable. If any challenge to the validity of the pledge or the parallel debt structure were successful, holders of the Notes may not be able to recover any amounts under the pledge over the shares in Marcolin Germany.

See also "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

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

Under various circumstances, the Guarantees and the Collateral (other than the security interest in respect of the shares of the Issuer pledged by 3Cime, which will be released in certain enumerated circumstances) will be released automatically and unconditionally including, without limitation:

- in connection with any sale or other disposition of Collateral, directly or indirectly, to a person that is not (either before or after giving effect to such transaction) the Issuer or any restricted subsidiary (but excluding any transaction subject to the covenant described under "*Description of the Notes—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the provisions of the Indenture;
- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and capital stock, of such Guarantor;
- 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 of such restricted subsidiary;

- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions "*Description of the Notes—Defeasance*" and "*Description of the Notes—Satisfaction and Discharge*";
- (i) in connection with an initial public offering of the Issuer, the release, at the option of the Issuer, of all or part of the pledge over the capital stock of the Issuer within a reasonable time prior thereto to facilitate such Initial Public Offering and (ii) following an Initial Public Offering of the Issuer, the release of any security interests over all or part of the pledge over the capital stock of the Issuer that is subject to security interests in connection with issuances and/or sales of such capital stock within a reasonable time prior thereto to facilitate such issuance or sale; provided that, in each case, such security interests so released will, as soon as reasonably practicable, be granted in favor of the Notes in the event that the initial public offering or other sale or issuance, as the case may be, does not complete for any reason;
- in the case of the security assignment over the receivables in respect of the Intercompany Loans, upon partial repayment thereof, the security interests created over the receivables will be automatically reduced in proportion to such partial repayment and, upon full repayment thereof, the security assignment shall be automatically and fully released; or
- as otherwise permitted in accordance with the Indenture or the Intercreditor Agreement.

In addition, Liens on property or assets constituting Collateral may also be released to the extent necessary to enable the Issuer or one of our restricted subsidiaries to consummate the sale, transfer or other disposition of such property or assets, including (but not limited to) in connection with certain factoring transactions; provided that such sale, transfer or other disposition does not violate the covenant described in "*Description of the Notes—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

The Indenture will also provide that the Collateral securing the Notes may be released and retaken in several circumstances, including 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 such Collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity and enforceability of the grant of such Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of such Collateral and thus reduce your recovery under the Notes. See "*Description of the Notes—Security—Release of Liens*."

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

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected and 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 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 (and, for the avoidance of doubt, the Security Agent shall have no obligation to take any steps or action to perfect the security interests in the Collateral). Such failure may result in the invalidity of the relevant security interest in the 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 Collateral.

The Trustee and Security Agent will not monitor (nor be responsible for monitoring), 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 on our part may result in the invalidity of the relevant security interest in the Collateral or adversely affect the priority of such security interest in favor of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral.

***The granting of the security interests in the Collateral may create hardening periods for such security interests in accordance with the law applicable in certain jurisdictions.***

The granting of new security interests in connection with the issuance of the Notes and the New Revolving Credit Facility may create hardening periods for such security interests in certain jurisdictions. The applicable hardening period for these new security interests will run as from the moment each new security interest has been granted, perfected or recreated. At each time, if the security interest granted, perfected or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it 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 in certain jurisdictions. The applicable hardening period may run from the moment such new security is amended, transferred, assigned, granted or perfected. If the security interest granted were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See also "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

***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 the Issuer to make an offer to purchase the Notes at a purchase price equal to 101% of the principal amount, plus accrued but unpaid interest and Additional Amounts, if any, to the purchase date. See "*Description of the Notes—Change of Control*." The Issuer may not have sufficient funds or may be unable to arrange for additional financing to pay these amounts when they become due.

The Issuer's failure to repay holders tendering Notes upon the occurrence of a change of control event would result in an event of default under the Notes. If a change of control event were to occur, we cannot assure you that we would have sufficient funds to repay our outstanding indebtedness which we would be required to prepay or offer to purchase or that became immediately due and payable as a result. We may require additional financing from third parties to fund any such purchases and we cannot assure you that we would be able to obtain financing on satisfactory terms or at all. Restrictions in the New Revolving Credit Facility Agreement or our other then-existing contractual obligations, may also restrict us from making such required repurchases. See "*Description of Certain Financing Arrangements—New Revolving Credit* Facility*—Mandatory Prepayment Requirements upon a Change of Control*." A change of control is a mandatory prepayment event under our New Revolving Credit Facility Agreement and a change of control may result in an event of default under, or acceleration of, our other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership.

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.

***We may be unable to raise the funds necessary to refinance indebtedness maturing prior to the stated maturity of the Notes or to repay the Notes at maturity.***

The Notes offered hereby will mature in 2026. The New Revolving Credit Facility will mature on the date falling six months prior to the maturity date of the Notes. In addition, all of our other indebtedness that will remain outstanding following the Refinancing may be terminated or repayable prior to the maturity of the Notes. As a result, we may not have sufficient cash to repay all amounts owing on the Notes at maturity, since the prior maturity of such other indebtedness may make it difficult to refinance the Notes offered hereby. In addition, if our access to capital markets or our ability to enter new financing arrangements is reduced for any reason, we may not be able to refinance our New Revolving Credit Facility on satisfactory terms or at all, which could have a material adverse effect on our business, financial position and results of operations.

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

The Indenture will contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. As set forth in "*Description of the Notes—Meeting of Holders of Notes*," the majority required to pass an extraordinary resolution at any meeting of holders of 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%) to bind all holders of the Notes, including holders of Notes who did not attend and vote at the relevant meeting, and holders of Notes who voted in a manner contrary to the relevant majority. In particular, under the Indenture, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the Notes and/or to change the quorum requirements relating to meetings and/or to change the majority required to pass a resolution, and change the amendment provisions. These and other changes may adversely impact rights of holders of Notes and may have a material adverse effect on the market value of the Notes. Under Italian law, the approval of an extraordinary resolution typically requires the consent of more than one half of the aggregate principal amount of the outstanding Notes. Our decision to increase the majority requirement is untested under Italian law, may be challenged by holders of the Notes, the Issuer and others, and if challenged, may not be upheld by an Italian court, with the consequence that the majority voting threshold may be reduced from 75% to 50%.

***Local insolvency laws may not be as favorable to you as U.S. bankruptcy laws.***

The Issuer is organized under the laws of Italy and the Guarantors (other than the Guarantors organized under the laws of the states of New Jersey) are organized under the laws of France, England and Germany. The bankruptcy, insolvency, administrative and other laws of Italy, France, England and Germany may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you are 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 Collateral in Italy and limit any amounts that you may receive. In addition, in the event that any non-U.S. guarantor becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, the assets of such Guarantors may be subject to local insolvency laws which may be materially different from, or in conflict with, U.S. bankruptcy laws. For an overview of certain insolvency laws and enforceability issues as they relate to the Issuer and the Guarantors, see "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

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

Although laws differ among various jurisdictions, in general, under fraudulent conveyance laws, a court could void or subordinate the claims under the Guarantees or the Collateral to other claims against any Guarantor if it was determined that any Guarantor:

- granted the Guarantees or the Collateral with actual intent to hinder, delay or defraud creditors or shareholders;
- received less than reasonably equivalent value or fair consideration for granting the Guarantees or the Collateral, and, at the time thereof was insolvent or rendered insolvent by reason of granting the Guarantees or the Collateral;
- was engaged or about to engage in a business or a transaction for which remaining assets available to carry on business constituted unreasonably small capital;
- intended to incur, or believed that the issuer would incur, debts beyond the ability to pay the debts as they mature; or

- was a defendant in an action for money damages, or had a judgment for money damages rendered against it if, in either case, after final judgment, the judgment is unsatisfied.

The measures of insolvency for the purposes of fraudulent transfer laws vary depending upon the law applied in any proceedings to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if, at the time it incurred the debt:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it cannot pay its debts as they become due.

We cannot be sure as to what standard a court would apply in making a solvency determination or that a court would conclude that any Guarantor was solvent after the granting of Guarantees or the Collateral. Regardless of the standard that the court uses, we cannot be sure that the granting of the Guarantees or the Collateral would not be voided or subordinated to our other debt. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" for further information.

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

The Issuer is incorporated under the laws of Italy and certain Guarantors are incorporated under the laws of France, England and Germany. Most of the members of the Issuer's and non-U.S. Guarantor's management are non-residents of the United States and substantially all their assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the non-U.S. Guarantors or the members of their management, or to enforce against the Issuer, the non-U.S. Guarantors or their officers and directors judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. See "*Service of Process and Enforcement of Judgments*."

***The transferability of the Notes may be limited under applicable securities laws.***

The Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or any other jurisdiction. See "*Offering and Transfer Restrictions*." Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and resales of the Notes within the United States and other countries comply with applicable securities laws. It is the obligation of holders of the Notes to ensure that their purchase and any subsequent transfer of the Notes within the United States and other countries comply with applicable securities laws.

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

The Issuer is organized under the laws of Italy and is Italian resident for tax purposes and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. All payments made by or on behalf of the Issuer in respect of the Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, subject to a number of exceptions, the Issuer will pay such additional amounts as will result in the holders of the Notes receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer is not liable to pay any additional amounts to holders of the Notes under certain circumstances, including if any withholding or deduction is required pursuant to Decree 239 and any related implementing regulations or pursuant to Decree 461 and any related implementing regulations, except, the case of Decree 239 or Decree 461, where the procedures required under Decree 239 or Decree 461 in order to benefit from an exemption have not been complied with due solely to the actions or omissions of the Issuer or its agents. In such circumstances, where no additional amounts are due, investors subject to Italian withholding tax will only receive the net proceeds of their investment in the Notes. See "*Description of the Notes—Additional Amounts*" and "*Tax Considerations—Certain Italian Tax Considerations.*"

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree 239 or Decree 461 where the Notes are listed on a regulated market or multilateral trading facility upon issuance and a holder of Notes is resident for tax purposes in a country or territory which allows for a satisfactory exchange of information with the Italian tax authorities as contained in the Italian Ministerial Decree of the Minister of Economy and Finance of September 4, 1996, as amended and, supplemented from time to time and replaced, (the "**White List**"), and such holder complies with certain certification requirements there is no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree 239 or Decree 461 after the date hereof, including any change in the White List.

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

No assurance can be given that the listing of the Notes on the Official List of the Luxembourg Stock Exchange will satisfy the listing requirement of Decree 239 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to the exemption from the requirement to apply withholding tax. The Italian tax authorities issued an interpretive circular relating to, among others, the listing requirement of the aforementioned legislation that may be interpreted to require that the Notes be listed upon their issuance to benefit from the aforementioned provisions, including the exemption from the requirement to apply substitute tax. In the event that the Notes are not listed on the Issue Date or that such listing requirement of Decree 239 is not otherwise properly satisfied, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax, final or on account (*ritenuta a titolo di imposta o acconto),* currently at a rate of 26%, and, subject to certain exceptions, see "*Description of the Notes—Additional Amounts,*" we would be required to pay additional amounts with respect to such withholding taxes such that holders receive a net amount that is not less than the amount that they would have received in the absence of such withholding. The Issuer cannot assure you that the Italian tax authorities will not interpret the applicable legislation as requiring that the listing be effective at closing (upon issuance of the Notes) and we cannot assure you that the listing can be achieved by the Issue Date. The imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay, subject to certain exemptions, additional amounts to holders of the Notes could have a material adverse effect on our financial condition and results of operations.

***No assurance can be given that the procedural requirements to apply the Italian tax regime provided by Decree 239 in respect of the Notes will be met by the relevant foreign intermediaries.***

The regime provided by Decree 239 and in particular the exemption from withholding tax, which is in principle granted to non-Italian resident holders of the Notes who are the beneficial owners of the proceeds from the Notes (or if the holders are institutional investors not subject to tax , even if they are not the beneficial owners of the Notes) and who are resident in a country or territory which allows for a satisfactory exchange of information with the Italian tax authorities as contained as at the date of this Offering Memorandum in the White List, applies if certain procedural requirements and conditions set forth by Decree 239 (as amended or supplemented) and by the relevant application rules are met. It is not possible to assure that all non-Italian resident investors can claim the application of the withholding tax exemption where the relevant foreign intermediary fails to comply with the procedural rules set for the application of the exemption regime or fails to provide sufficient information to the relevant Italian tax authorities under the procedures set for applying the exemption regime. See "*Tax Considerations—Certain Italian Tax Considerations.*"

***An active trading market may not develop for the Notes.***

The Notes are new securities for which there is currently no existing market. Although we will apply to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market within a reasonable period after the Issue Date, 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, 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.

***We are exposed to interest rate risks. Shifts in such rates may adversely affect our debt service obligations.***

The New Revolving Credit Facility bears interest at floating rates of interest equal to the applicable EURIBOR or LIBOR in relation to all other cash advances (other than cash advances where a "risk free rate" applies (calculated based on SOFR or SONIA, as applicable)) for the relevant interest period plus a margin adjusted at regular intervals. These interest rates could rise significantly in the future reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes. Moreover, in connection with the New Revolving Credit Facility, a floor of 0% applies to the calculation of EURIBOR, LIBOR, SOFR or SONIA. Accordingly, should the relevant EURIBOR decrease below 0%, we would not be able to benefit from such decrease.

The Indenture will not contain a covenant requiring us to hedge all or any portion of our floating rate debt. We may, however, elect to enter into certain hedging arrangements designed to fix a portion of these rates, although there can be no assurance that we will enter into hedging or that hedging will be available on commercially reasonable terms. In addition, hedging carries certain risks, including that we may need to pay significant amounts (including costs) to terminate any hedging arrangements. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

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

The Notes offered hereby are denominated and payable in euro. If you measure your investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange risks related to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return on your 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 you measure the return on your investments could cause a decrease in the effective yield of the Notes below the stated coupon rate and could result in a loss to you when the return on the offered Notes is translated into the currency by reference to which you measure the return on your investments. There may be tax consequences for you as a result of any foreign exchange gains or losses resulting from an investment in the Notes.

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

One or more independent credit rating agencies 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 adversely affect the value and trading of the Notes.

***Certain covenants may be suspended upon the occurrence of a change in our ratings.***

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive a rating of "Baa3" or better from Moody's Investors Service, Inc. ("**Moody's**") or "BBB-" or better from Standard & Poor's Financial Services LLC ("**S&P**") and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time that the Notes receive a rating of below "Baa3" from Moody's or "BBB-" from S&P, certain covenants will cease to be applicable to the Notes. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status.*" If these covenants were to cease to be applicable, we would be able to incur additional indebtedness or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

***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 nominee of the common depositary 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 Banking, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See "*Book-Entry, Delivery and Form*."

Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon 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.

## USE OF PROCEEDS

We expect the gross proceeds from the Offering will be €350.0 million. We intend to use the proceeds from the Offering to redeem all of the outstanding Existing 2023 Notes (plus accrued interest), repay all amounts outstanding under the Existing Revolving Credit Facility, repay and cancel the SACE Facility, fund cash on balance sheet for general corporate purposes and pay certain fees and expenses in connection with the Refinancing.

The estimated sources and uses of the proceeds of the Offering 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, differences from our estimates of the costs of redeeming the Existing 2023 Notes and the ultimate timing thereof.

| Sources of funds | (€ in millions) | Uses of funds | (€ in millions) |
|---|---|---|---|
| Notes offered hereby[(1)] | 350.0 | Refinancing of the Existing 2023 Notes[(2)] | 250.0 |
| | | Repayment and cancellation of the Existing Revolving Credit Facility[(3)] | 40.0 |
| | | Repayment and cancellation of the SACE Facility[(4)] | 50.0 |
| | | General corporate purposes[(5)] | 2.7 |
| | | Transaction fees and expenses[(6)] | 7.3 |
| **Total sources** | **350.0** | **Total uses** | **350.0** |

(1) Represents the gross proceeds of the Notes.

(2) On or about the Issue Date, we intend to use the proceeds from the Offering to redeem the Existing 2023 Notes. The Existing 2023 Notes will be redeemed on or about the Issue Date at par following the delivery of a notice of redemption in respect of the Existing 2023 Notes and the deposit with the Paying Agent of funds in an amount sufficient to pay the redemption price. The amount indicated in the table above refers to the outstanding aggregate principal amount of the Existing 2023 Notes as of March 31, 2021 (€250.0 million) and excludes accrued interest in respect of the Existing 2023 Notes to be redeemed on about the Issue Date at a price of par plus accrued interest of €0.3 million from May 17, 2021 (the most recent scheduled interest payment date) to May 27, 2021 (the assumed redemption date). Following the Refinancing, the Existing 2023 Notes will have been redeemed and liens and guarantees securing them will have been released as of the Issue Date. See "*Capitalization*."

(3) Represents the outstanding principal amount of the Existing Revolving Credit Facility as of March 31, 2021 which will be repaid and cancelled in connection with the Refinancing. No additional amounts have been drawn under the Existing Revolving Credit Facility after March 31, 2021. The amount indicated in the table above does not include accrued interest or break costs.

(4) Represents the outstanding principal amount of the SACE Facility as of March 31, 2021 which was entered into by the Issuer in connection with ongoing coronavirus pandemic to provide further liquidity to the Group and which will be repaid and cancelled in connection with the Refinancing. No additional amounts have been drawn under the SACE Facility after March 31, 2021. The amount indicated in the table above does not include accrued interest or break costs.

(5) Represents funding of cash on balance sheet that will be used for general corporate purposes.

(6) Represents the estimated fees and expenses associated with the Offering including underwriting fees and commissions, financial advisory fees and other transaction costs and professional fees.

On or about the date of this Offering Memorandum, we expect to enter into the New Revolving Credit Facility Agreement with and the agent and lenders named therein in the amount of €46.3 million, pursuant to which the Issuer is the borrower. The New Revolving Credit Facility will be secured by first-ranking security interests granted on an equal and ratable first-priority basis over the Collateral as well as by a special lien (*privilegio speciale*) to be granted by the Issuer over its movable assets. In the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the New Revolving Credit Facility and counterparties to certain hedging obligations, if any, have been repaid in full. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

## CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and financial assets and capitalization on a historical basis and as adjusted to give effect to the Refinancing as if such events had occurred on March 31, 2021. The historical financial data presented in the following table has been derived from the unaudited interim consolidated financial statements of the Issuer as of and for the three months ended March 31, 2021, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum.

You should read this table in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Principal Shareholders*," "*Description of Certain Financing Arrangements*" and the financial statements and the accompanying notes appearing elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since March 31, 2021.

| | As of March 31, 2021 | | |
|---|---|---|---|
| | **Actual** | **Adjustments** | **As Adjusted** |
| | | *(€ in thousands)* | |
| Cash and cash equivalents | 54,743 | 2,700 | 57,443 |
| Financial assets (current and non-current) | 14,469 | — | 14,469 |
| **Total cash and cash equivalents and financial assets** | **69,212** | **2,700** | **71,912** |
| Notes offered hereby[1] | — | 350,000 | 350,000 |
| Existing 2023 Notes[2] | 250,000 | (250,000) | — |
| Existing Revolving Credit Facility[3] | 40,000 | (40,000) | — |
| New Revolving Credit Facility[4] | — | — | — |
| SACE Facility[5] | 50,000 | (50,000) | — |
| IFRS 16 Lease Obligations | 15,447 | — | 15,447 |
| Other[6] | 29,498 | — | 29,498 |
| **Total financial debt** | **384,945** | **10,000** | **394,945** |
| **Total equity[7]** | **124,969** | **(3,007)** | **121,962** |
| **Total capitalization[8]** | **509,914** | **6,993** | **516,907** |

(1) Represents the aggregate principal amount of the Notes offered hereby. This figure does not reflect estimated unamortized costs of the Refinancing of €7.3 million.

(2) Represents the aggregate principal amount of the Existing 2023 Notes as the redemption will be made at par. This figure does not reflect accrued interest of €0.3 million from May 17, 2021 (the most recent scheduled interest payment date) to May 27, 2021 (the assumed redemption date).

(3) Represents the outstanding principal amount of the Existing Revolving Credit Facility as of March 31, 2021. No additional amounts have been drawn under the Existing Revolving Credit Facility after March 31, 2021.

(4) The New Revolving Credit Facility provides for a revolving credit facility of up to €46.3 million and is expected to be undrawn as of the Issue Date.

(5) Represents the outstanding principal amount of the SACE Facility as of March 31, 2021.

(6) Represents (i) €22.4 million of Local Facilities, (ii) €2.4 million of Capital Leases and €4.7 million of other unsecured debt. See "*Description of Certain Financing Arrangements*."

(7) This figure reflects the net effect on shareholders' equity of (i) €1.3 million (net of tax effects) related to the recognition of the unamortized transaction costs of the Existing 2023 Notes and €1.7 million (net of tax effects) related to the recognition of the unamortized transaction costs of the SACE Facility, each as of March 31, 2021.

(8) Total capitalization is defined as the sum of total financial debt and total equity.

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER INFORMATION

*The following tables set forth the selected historical consolidated financial and other information for the Group for the periods ended and as of the dates indicated below. The historical financial data presented in the following tables do not reflect changes as a result of the Refinancing. For a detailed discussion of the presentation of financial data, see "Presentation of Financial Information and Other Data."*

### Basis of Preparation

The Issuer's selected consolidated financial information presented below has been extracted or derived from: (i) the Unaudited Interim Condensed Consolidated Financial Statements; and (ii) the Audited Consolidated Financial Statements.

The Unaudited Interim Condensed Consolidated Financial Statements and the Audited Consolidated Financial Statements contained in the F-Pages to this Offering Memorandum have been prepared in accordance with IFRS and 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 other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the effect that future additions to, or amendments of, IFRS principles may have on the Issuer's results of operations and/or financial condition, as well as on the comparability of the prior periods.

Historical audited and unaudited consolidated financial information is not necessarily indicative of future expected results. The financial information for the three months ended March 31, 2021 is not necessarily indicative of the results that may be expected for the year ended December 31, 2021, and should not be used as the basis for or prediction of an annualized calculation.

### Selected Consolidated Income Statement Information

| | For the year ended December 31, | | | For the three months ended March 31, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| | | | *(€ in thousands)* | | |
| Net revenues | 482,219 | 486,670 | 339,978 | 93,534 | 108,663 |
| Cost of sales | (207,227) | (207,464) | (155,543) | (38,795) | (46,764) |
| **Gross profit** | **274,992** | **279,206** | **184,435** | **54,739** | **61,899** |
| Distribution and marketing expenses | (221,524) | (228,349) | (167,085) | (43,206) | (48,463) |
| General and administrative expenses | (39,803) | (44,009) | (38,813) | (9,217) | (8,679) |
| Other operating income and expenses | 15,217 | 12,679 | (5,808) | 1,029 | 227 |
| **Operating income—EBIT** | **28,882** | **19,527** | **(27,271)** | **3,345** | **4,984** |
| Profit/(loss) from associates | (9,011) | (13,177) | (18,029) | (4,177) | (341) |
| Financial income and costs | (24,074) | (21,500) | (22,836) | (11,056) | (2,907) |
| **(Loss)/Profit before taxes** | **(4,203)** | **(15,150)** | **(68,136)** | **(11,888)** | **1,735** |
| Income tax expense | 3,372 | 324 | 11,125 | 1,805 | (1,001) |
| **Net (loss)/profit for the period** | **(831)** | **(14,826)** | **(57,011)** | **(10,083)** | **734** |

**Selected Consolidated Statement of Financial Position Information**

| | As of December 31, | | | As of March 31, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | | | | (Unaudited) |
| | | (€ in thousands) | | |
| Property, plant and equipment | 29,941 | 48,547 | 43,047 | 42,722 |
| Intangible assets | 51,377 | 50,873 | 43,263 | 42,224 |
| Goodwill | 286,506 | 288,449 | 280,277 | 284,480 |
| Investments in subsidiaries and associates | 1,377 | 451 | — | — |
| Deferred tax assets | 41,916 | 43,163 | 48,539 | 50,445 |
| Other non-current assets | 469 | 315 | 271 | 277 |
| Non-current financial assets | 2,514 | 1,813 | 1,025 | 240 |
| **Total non-current assets** | **414,100** | **433,611** | **416,422** | **420,389** |
| Inventories | 126,061 | 122,777 | 105,863 | 110,295 |
| Trade receivables | 91,992 | 90,674 | 71,652 | 87,034 |
| Other current assets | 31,162 | 27,396 | 26,040 | 28,387 |
| Current financial assets | 21,294 | 16,336 | 18,906 | 14,229 |
| Cash and cash equivalents | 34,184 | 45,872 | 52,363 | 54,743 |
| **Total current assets** | **304,693** | **303,055** | **274,824** | **294,689** |
| **Total assets** | **718,793** | **736,666** | **691,246** | **715,077** |
| Share capital | 35,902 | 35,902 | 35,902 | 35,902 |
| Additional paid-in capital | 170,304 | 170,304 | 170,304 | 170,304 |
| Legal reserve | 4,263 | 5,483 | 6,437 | 6,437 |
| Other reserves | 45,131 | 53,511 | 37,698 | 42,570 |
| Retained earning (losses) | (51,041) | (58,135) | (75,322) | (132,146) |
| Profit (loss) for the period | (2,246) | (16,233) | (56,824) | 433 |
| **Group equity** | **202,313** | **190,832** | **118,195** | **123,500** |
| Non-controlling interests | 4,864 | 5,910 | 1,100 | 1,470 |
| **Total equity** | **207,176** | **196,742** | **119,295** | **124,969** |
| Non-current financial liabilities | 252,226 | 269,622 | 340,859 | 341,310 |
| Non-current funds | 6,382 | 6,877 | 6,763 | 6,820 |
| Deferred tax liabilities | 7,889 | 6,808 | 4,836 | 5,161 |
| Other non-current liabilities | 3,344 | 1,764 | 167 | 167 |
| **Total non-current liabilities** | **269,841** | **285,071** | **352,625** | **353,457** |
| Current financial liabilities | 40,214 | 60,735 | 70,491 | 67,168 |
| Trade payables | 150,134 | 143,869 | 94,624 | 113,586 |
| Current funds | 15,162 | 16,278 | 31,618 | 25,611 |
| Tax liabilities | 5,419 | 5,331 | 3,491 | 6,728 |
| Other current liabilities | 30,847 | 28,640 | 19,102 | 23,557 |
| **Total current liabilities** | **241,776** | **254,853** | **219,326** | **236,651** |
| **Total liabilities** | **511,617** | **539,924** | **571.951** | **590,108** |
| **Total liabilities and equity** | **718,793** | **736,666** | **691,246** | **715,077** |

**Selected Consolidated Statement of Cash Flows Information**

| | For the year ended December 31, | | | For the three months ended March 31, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| | | | (€ in thousands) | | |
| Net cash from/(used in) operating activities[1] | 51,010 | 39,642 | (32,138) | (23,738) | 15,987 |
| Net cash from/(used in) investing activities | (28,227) | (20,231) | (12,838) | (3,524) | (3,133) |
| Net cash from/(used in) financing activities[1] | (30,078) | (8,183) | 53,515 | 6,018 | (10,631) |
| Effect of foreign currency exchange rates | 674 | 460 | (2,048) | (50) | 159 |
| **Net (decrease)/increase of cash and cash equivalents** | **(6,621)** | **11,688** | **6,491** | **(21,294)** | **2,382** |

(1) Interest paid has been reclassified from operating activities to financing activities.

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

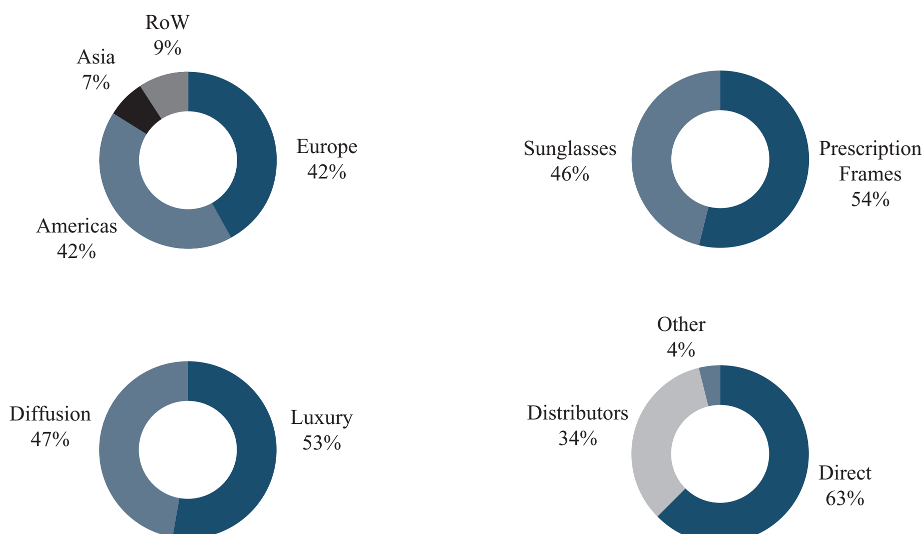
*The following is a discussion and analysis of our financial condition and results of operation in the periods set forth below. This discussion should be read together with, and is qualified in its entirety by reference to our consolidated financial statements and the related notes thereto included elsewhere in this Offering Memorandum. The following discussion should also be read in conjunction with "Presentation of Financial Information and Other Data" and "Summary Historical Consolidated Financial Information and Other Data." The discussion in this section may contain forward-looking statements that reflect our plans, estimates and beliefs and involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly under "Risk Factors" and "Forward-Looking Statements." Unless the context indicates otherwise, in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," references to "we," "us," "our," or the "Group" refer to the Group. The financial information for the twelve months ended March 31, 2021 is calculated by taking the Group's consolidated results of operations for the three months ended March 31, 2021 and adding it to the difference between the Group's results of operations for the full year ended December 31, 2020 and the three months ended March 31, 2020. See "Presentation of Financial Information and Other Data."*

### Overview

We are a leading global designer, manufacturer and distributor of branded sunglasses and prescription frames, with a broad portfolio of 28 licensed brands that appeal to key demographics worldwide. We are primarily a licensed brand business, and we design, manufacture (or contract to manufacture) and distribute eyewear primarily bearing brand names we have licensed pursuant to long-term, exclusive agreements. We focus on high performing, internationally recognized brands with eyewear accessory lines that generate profitable growth over the license duration.

Our portfolio includes some of the most prestigious fashion brands such as Tom Ford, Max Mara, Moncler, Ermenegildo Zegna, Barton Perreira, Omega, Longines, Bally, Tod's and Sportmax as well as more affordable brands such as Guess, Adidas, Swarovski, Timberland, Harley Davidson, Gant, Max&Co, Kenneth Cole, Skechers, BMW and GCDS. Our proprietary brand portfolio includes Web, particularly well-known in Italy, as well as Marcolin and Viva, which are currently marketed exclusively in the United States. We believe the long tenure of our licenses provide us with strong revenue visibility, as 71.7% of our net revenues for the twelve months ended March 31, 2021 was generated by sales of products under licenses expiring after 2026. The weighted average remaining term of our licenses was seven years as of March 31, 2021. For the year ended December 31, 2019 we sold approximately 14 million units.

For the year ended December 31, 2019, we had total net revenues of €486.7 million and Adjusted EBITDA of €56.0 million. The graphics below present certain information about our net revenues for the year ended December 31, 2019.



Our product portfolio encompasses 28 licensed brands as well as three proprietary brands. We produce prescription frames, sunglasses, sports eyewear and ski goggles for women and men, targeting consumers at different price points. We generate most of our net revenues from sales of prescription frames which we believe are less-discretionary purchases and exhibit lower seasonal variation, particularly for higher-priced models. We divide our portfolio of licensed brands into luxury and diffusion categories. The luxury category comprises high-end, handcrafted pieces produced for prestigious fashion houses, which we create using our decades of experience with our licensors' vision for their brands and our in-house product design and high-quality craftsmanship. Through our close creative partnerships with each of our licensors we design and create innovative products that reflect the character of each brand. Most of our luxury brand products are handcrafted or hand-finished at our facilities in Longarone and Fortogna, which are constantly being optimized and modernized and are located in northeastern Italy, long considered the birthplace of the modern eyewear industry. As a result of our sophisticated and quality-driven design and production processes, the eyewear in our luxury category generally retails for prices of between €180 and €950. The diffusion category comprises stylish but more affordable licensed-brand alternatives. Within this category we use our expertise in industrializing eyewear production and integrating style and value. Diffusion brand products are mainly produced in Asia by third parties or assembled in Italy by Marcolin from components and semi-finished products made in China. These more economical design and manufacturing techniques allow us to sell our diffusion eyewear products at retail prices of generally between €30 and €265. In addition, through our license with Adidas, signed in 2018 and for which a collection will be launched in 2021, we have started penetrating the sport segment.

In 2013, we acquired the Viva Group, a then-leading eyewear wholesale designer and distributor of distinctive eyewear, and the second largest U.S.-based eyewear wholesale player. The Viva Group represented a strategically important acquisition for us, adding a portfolio of leading diffusion brands to Marcolin's existing portfolio, balancing a leading position in both sunglasses and prescription frames as well as a significantly expanded distribution network in our core North American market.

Since October 2017, we gained the support of LVMH, one of the largest and most well-known luxury brand conglomerates in the world through its investment in our share capital. In addition, following the creation of Thélios, our joint venture with LVMH, we have enhanced our competitive position in the global luxury eyewear market. Thélios has been formed with the intention of becoming the eyewear designer, manufacturer and distributor of choice for the family of LVMH luxury brands. We own 49% of Thélios' shares, while LVMH (through its vehicle Vicuna) owns the remaining 51%. In 2018, Thélios opened the Manifattura Thélios, its flagship production site and center for excellence, in Longarone where it designs and manufactures eyewear for certain luxury LVMH brands, including Dior, Céline, Kenzo, Stella McCartney, Fred, Louis Vuitton, Loewe, Rimowa and Berluti as of the date of this Offering Memorandum. See "*Business—Our Business—Thélios.*"

We believe the risk of changing consumer fashion tastes is mitigated by our and by Thélios' ample portfolio of licensed brands and by the fact that the eyewear collections of our highest revenue-generating brands are characterized by timeless, classic looks and colors, meaning that year by year, several high-selling models continue to be produced with only slight variations.

We believe we have created a stable, diversified business model for both our luxury and diffusion brands. Across both our luxury and diffusion categories, we produce sunglasses and prescription eyewear under brands that primarily target men such as Timberland, Ermenegildo Zegna, Barton Perreira and Harley-Davidson and that primarily target women such as Swarovski, Sportmax and Max&Co, and that primarily target younger consumers such as Adidas, Kenneth Cole and GCDS.

We are a wholesaler with a presence in approximately 125 countries and an extensive distribution network through 14 direct subsidiaries, over 150 partner distributers and two controlled joint ventures worldwide that reaches 77,534 individual POS (of which 27,910 POS are in the US alone). Each of our licensed brands receives careful attention and a tailored distribution strategy appropriate for each brand's prestige and exclusivity. We also design, manufacture, or contract to manufacture, and distribute proprietary brands which currently target entry-level price points for sales to managed care networks in the United States. Our sales force (present through 14 commercial subsidiaries) markets our products through selective channels tailored to match and enhance brand equity of our licensors and appropriate to the brand's price points, including through our strong customer relationships with independent opticians, optical chains, department stores, managed care networks, and the flagship shops of our licensed brands.

Our wholesale business model is based on the integration of our product design, manufacturing and sales and distribution operations. Our success is a result of an attuned understanding of trends and customer preference

gained by developing close partnerships with our licensors and integrating their strategic vision into our product designs. This model allows us to express the essence of the identity of our licensed brands. Our business model also enables our design team to create eyewear with a view to industrialize its production. For in-house production of our luxury brand units, our manufacturing plants have been streamlined through the constant optimization and modernization of our processes and equipment and include on-site raw materials and semi-finished components storage and logistics. Certain machine intensive phases used in our luxury products are outsourced, such as galvanization of metals and acetate. For our outsourced production of diffusion brand models, our manufacturing and supply strategy is based on established relationships with best-in-class suppliers in China, granting us not only good pricing, but more importantly, constant high standards of product quality in-line with our customer needs. We operate through a sales force and extensive international distribution network that, together, form a careful distribution strategy that utilizes a variety of channels to preserve exclusivity. We also provide POS display and marketing materials that showcase the distinctiveness of our licensed brands.

### *Key Factors Affecting Our Financial Condition and Results of Operations*

*Impact of COVID-19*

At the end of 2019, a novel strain of coronavirus was reported in China. It was named SARS-Cov-2 and it is the cause of the COVID-19 disease. In early 2020, as a number of suspected cases were detected in the country, the Republic of Italy declared a state of emergency on January 31, 2020, the first European Union member state to do so. On February 21, 2020, the Italian government instituted a quarantine zone in the province of Lodi in Lombardy and the province of Padua in Veneto, which was expanded to most of Northern Italy on March 8, 2020, including Longarone, where we are based. The measures restricted travel, temporarily closed businesses, schools and other public gathering spaces and ordered residents to stay in their homes. The virus spread around the world and on March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic amidst a rising number of confirmed cases and thousands of deaths worldwide. Many countries around the world also reacted to the pandemic by instituting quarantines, mandating business and school closures as well as restricting travel.

*The Impact of COVID-19 on Our Business*

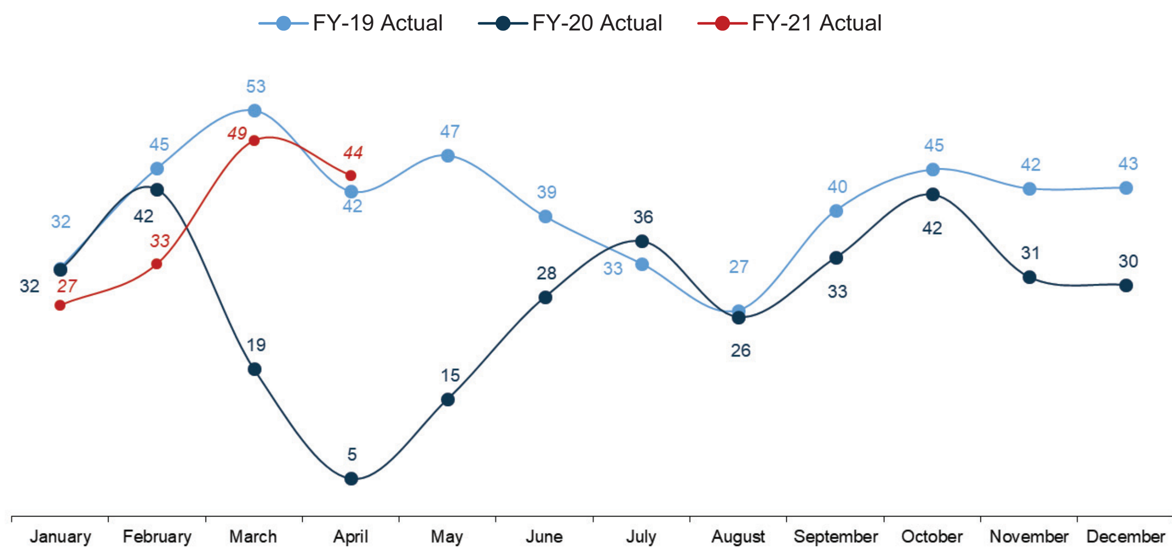
The impact of the COVID-19 pandemic on our industry was significant as data from Statista recorded a 21% decrease in revenue from sunglasses and a 20% decrease in spectacle frames segments. Our business was similarly affected, as we recorded a decrease in net revenues of €146.7 million, or 30.1% (€137.8 million decrease, or 28.3%, on a constant currency basis), from €486.7 million for the year ended December 31, 2019 to €340.0 million for the year ended December 31, 2020, primarily due to volumes reduction following the lockdown of the markets resulting from the COVID-19 pandemic. See "*Results of Operations—Comparison of the Years Ended December 30, 2019 and 2020*" for more information.

The effect of the pandemic recorded in 2020 was asymmetrical and affected different areas and geographies of our business throughout the year depending on local conditions, government actions and economic impact. The following briefly describes the impact of the COVID-19 pandemic on our business.

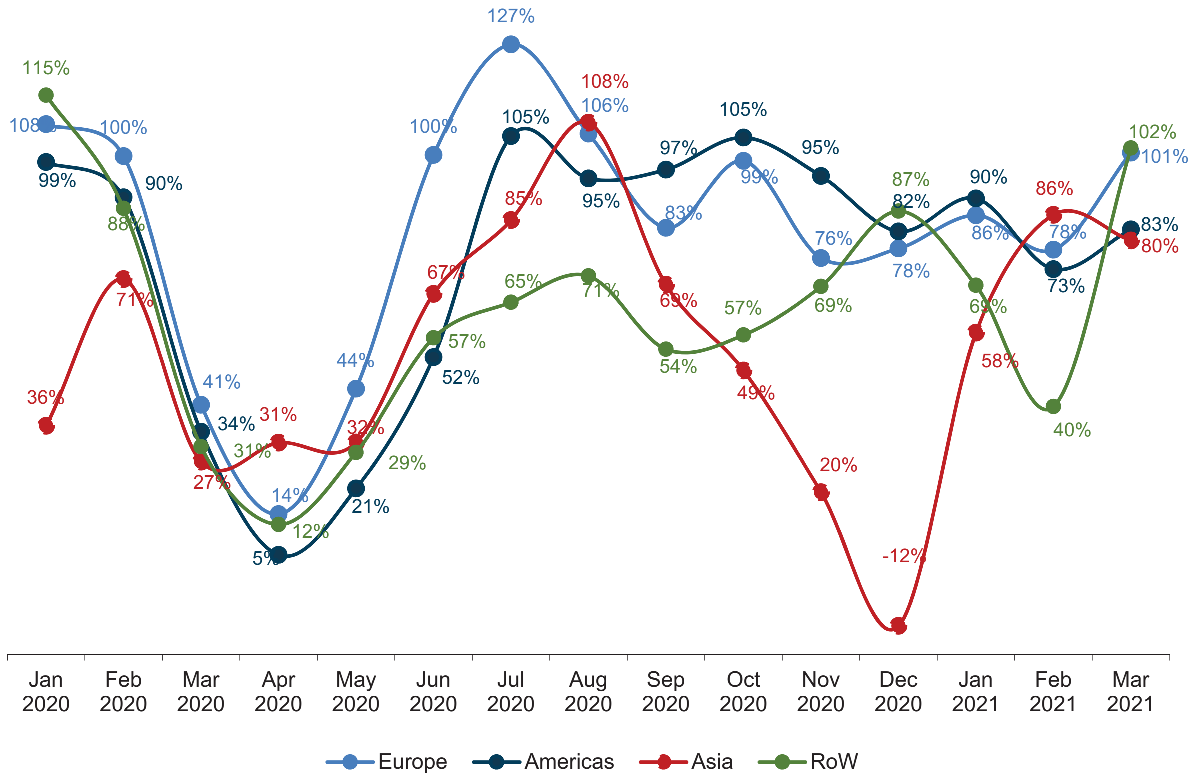
- The first disruptions that we navigated were both supply and production-related disturbances due to the lockdowns and stay-at-home directives in the first quarter of 2020 imposed by authorities in China, which reduced our manufacturing capacity and increased the level of our backorders. This had a disproportionate impact on our business because we typically ramp up production in preparation for the important spring collection sales (which were additionally affected by the various lockdowns).
- The impact on our net revenues was initially experienced in Asia where net revenues contracted significantly by 64% in January, 29% in February, 73% in March, 69% in April, and 68% in May, in each case as compared to the same months of 2019. However, the main adverse effect of the pandemic on our net revenues was recorded starting from March onwards when lockdowns were instituted in Europe and the Americas, our most important markets, which respectively accounted for 42.0% and 41.5% of our net revenues in the year ended December 31, 2019. We recorded decreases of net revenues in Europe of 59% in March, 86% in April and 56% in May and in the Americas of 66% in March, 95% in April and 79% in May, in each case as compared to the same months of 2019. This had a particularly deleterious effect on our revenue generation as these months are typically peaks of monthly net revenues.

- Following the first wave of the COVID-19 pandemic, there was a brief period when net revenues recovered quickly and even exceeded net revenues generated during the same periods in 2019. In Europe, net revenues in June, July and August were 100%, 127% and 106% of 2019 figures, respectively. In the Americas, where the initial easing of lockdowns occurred later, net revenues in July, August, September and October were 105%, 95%, 97% and 105% of 2019 figures, respectively.
- The second wave of the pandemic which progressively struck Europe and the Americas beginning in the third quarter of 2020 reverting to renewed market lockdowns in the fourth quarter was also particularly damaging to our revenue generation as the fourth quarter represents another peak of the revenue generation given the seasonality of our business.
- While in the first quarter of 2020 the pandemic mainly affected our net revenues generated in Asia, in the first quarter of 2021 the pandemic affected our revenues globally. However, in early 2021 we began to see green shoots of a recovery, when net revenues for January, February and March 2021 were 85.1%, 72.6% and 92.3%, respectively, as compared to the same month of 2019, despite the impact of the second wave with lockdowns reinstated in many European countries having eroded the emerging trend of recovery. Net revenues in March 2021 were nevertheless approximately 154% of March 2020.

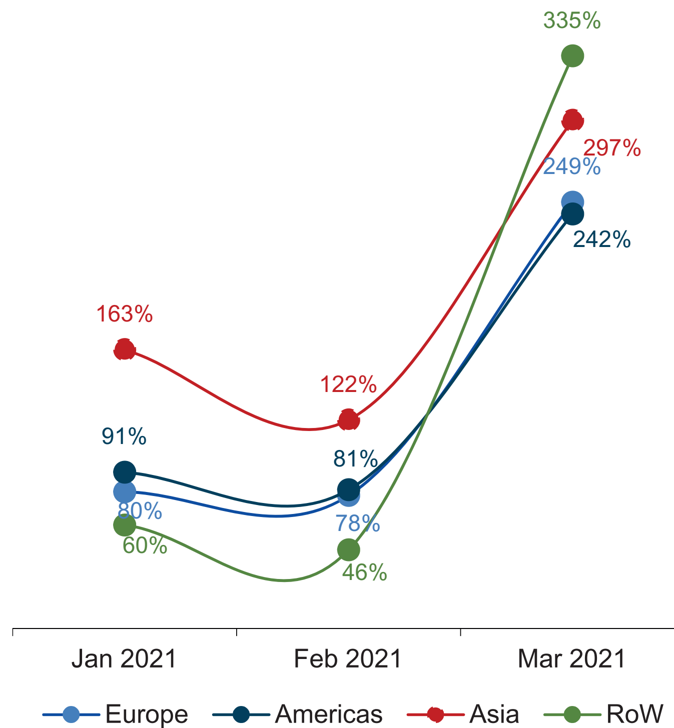
The below graphic shows our net revenues by month for the periods indicated, showing the significant contraction in our revenues during the first lockdown in 2020, the beginnings of a recovery and convergence with 2019, particularly in the third quarter, and the recovery recorded in the first quarter of 2021.



The regional impact of the COVID-19 pandemic was uneven and each geographic region proceeded on its own trajectory as a result of prevailing health conditions and government measures. The below graphic shows our net revenues by region for each month of the year ended December 31, 2020 and the three months ended March 31, 2021 compared to our net revenues by region for each month of the year ended December 31, 2019.




The below graphic shows our net revenues by region for each month of the three months ended March 31, 2021 compared to our net revenues by region for each month of the three months ended March 31, 2020.




Statista reports that global eyewear revenues are expected to recover relatively quickly with a return to 2019 levels by 2022. This v-shaped recovery is expected across all segments of the market.

The results we have recorded in the first three months of 2021 reflect green shoots of the recovery. Net revenues generated in the three months ended March 31, 2021 compared to net revenues generated in the three months ended March 31, 2020, increased by €21.3 million, or 22.8%, on a constant currency basis and by €15.1 million, or 16.2%, on a current basis, and exceeded our budgeted expectations by approximately 3%. Net revenues generated in March 2021 were up approximately 154% versus March 2020, demonstrating our ability to catch up and recover sales that we missed during the lockdowns and related COVID-19 uncertainty. In terms of Adjusted EBITDA, we recorded €14.3 million for the three months ended March 31, 2021, an increase of 23.2% as compared to the three months ended March 31, 2020, and exceeded our budgeted expectations by approximately 41%. While historically, our cash generation has been negative in the first quarter (our cash on balance sheet was €31.5 million and €24.6 million as of March 31, 2019 and 2020, respectively), as of March 31, 2021, our cash on balance sheet was €54.7 million, up from €52.4 million as of December 31, 2020. This was higher than the pre-pandemic level and it was not only driven by the €25.0 million capital injection linked to the 3Cime Shareholder Loan but also by our disciplined and optimized working capital management. Our strong first quarter 2021 results were recorded notwithstanding the seasonality of our business that typically leads us to record negative cash flow for the first quarter of a given year. Based on industry information and our experience in the period following the initial lockdown months of 2020, we expect the eyewear market to stabilize, return to pre-pandemic levels and thereafter continue to display secular growth trends driven by demographics and technological factors.

We expect the ultimate significance of the impact of the pandemic on our financial condition, results of operations, or cash flows will be dictated by the length of time that such circumstances continue, which will depend on the speed of reopening of the broader economy and back-to-normal initiatives, any further outbreaks of COVID-19 and government measures to contain it and any supply chain interruptions that may be caused by the same. For certain preliminary unaudited information on sales performance since March 31, 2021, see "*Summary—Recent Developments—Current trading*."

*Our Actions During the COVID-19 Pandemic*

The following briefly describes our management's actions amid the COVID-19 pandemic.

- *Employee safety.* Our first concern upon the emergence of the COVID-19 pandemic was the safety and wellbeing of our employees and their families. We adhered to regulations, orders and guidance issued by relevant health and governmental authorities in the regions where we operate, carefully monitoring the latest pronouncements and recommendations and adapting our protocols accordingly. For the first wave of the pandemic in March and April 2020, we closed our manufacturing plant in compliance with the lockdown instituted by the Italian authorities. In preparation for a reopening when it was safe to do so, we implemented various preventive measures and hygiene protocols at our plant in Longarone, our administrative headquarters and our logistics hubs worldwide, such as providing, installing, and making available appropriate protective equipment (e.g., masks, gloves and disinfectant supplies), installing instructional signage for our employees (i.e., managing flow of people within the plant, warehouses and offices) and instituting reinforced and more frequent cleaning measures. During the lockdowns, we instituted work-from-home policies for our headquarters and subsidiaries' employees in order to encourage and maintain social distancing while preserving business continuity.
- *Supply chain.* Our Chinese suppliers were closed during most of the first quarter of 2020, which created shipping delays and disrupted our ability to manufacture certain of our products. Management therefore devoted considerable time to supply chain optimization and working with our procurement teams and suppliers to mitigate disruptions caused by the pandemic. For much of 2020, we focused on maintaining our supply chain and adapting our logistics process to accommodate longer lead times and rightsizing our manufacturing orders based on expected demand reductions.
- *Cost control initiatives.* Given the high degree of uncertainty caused by the global pandemic, beginning in the first quarter of 2020, our management immediately froze discretionary spending and took measures to reduce fixed and variable costs, including, in partnership with our licensors, reducing or, in some cases, waiving minimum guaranteed royalties and advertising amounts, top management waiving part of their salaries, utilizing government mobility plans and furlough as well as reducing agent commissions and freight costs as a result of lower sales volumes. These and other cost control initiatives yielded approximately €61 million in savings across our cost structure, all of which were achieved in 2020.
- *Licensed brand portfolio management.* Portfolio management is an important element in maintaining the resilience and diversity of our licensed brand portfolio. Management sharpened its focus on maximizing profitability and cash flow generation and by successfully announcing the extension of one

of our top brands and pruning the portfolio of certain licensed brands that had a more limited appeal and had not reached, and we thought they would not have reached in the future, critical mass in terms of volumes in order to reach satisfactory levels of profitability.

- *Liquidity management*. As part of prudent liquidity management, we obtained a covenant holiday with the lenders under our Existing Revolving Credit Facility and made certain other amendments. Additionally, in June 2020, we obtained and drew on a €50 million club term loan in June 2020 benefitting from a 90% guarantee by SACE, an Italian government instrumentality. Finally, we received a €25 million capital injection consisting of a shareholder loan from 3Cime (*i.e.*, PAI and other Marcolin co-investors). Demonstrating this conservative approach, we had a cash balance of €52.4 million as of December 31, 2020 (higher than pre-pandemic year-end levels), which we believe provided us with a good foundation to weather the third wave. This cash balance increased to €54.7 million as of March 31, 2021.
- *Management of payables and receivables*. To manage our payables and receivables, we renegotiated supplier payment terms to increase flexibility and focused on cash collections. Our DSO reached a pre-COVID-19 level at the end of 2020 (72 days in December 2020 compared to 113 days in May 2020, due to the exceptional working capital movements, with clients delaying payments).

During the COVID-19 pandemic, management also undertook a series of initiatives to reorientate our business so that we can benefit fully from the anticipated growth in sales that is expected when economies return to normalcy following the relaxation of restrictive pandemic containment measures, including in light of the ongoing vaccinations campaigns. This included rethinking our organization structure to place digital innovation and retooling of our sales process at the forefront of our enterprise, exploiting industrial and distribution synergies and harnessing economies of scale and driving cash generation through cost cutting and development of our direct sales channel.

*General Economic Conditions, Consumer Discretionary Spending and International Tourism*

During the periods under review, our results of operations have been affected by general economic conditions, consumer discretionary spending and international tourism. Purchases of prescription frames tend to be non-discretionary and therefore sales in this product category typically exhibit less volatility during times of economic stress, whereas purchases of sunglasses are generally considered to be discretionary, although that is countered by increasing awareness of health considerations like eye protection from ultraviolet light for example, and sales in this product category are influenced by, among other factors, general economic conditions, consumer confidence and disposable income as well as levels of international travel. Prescription frames sales, which can benefit from reimbursement from national and private insurance programs, are generally more stable regardless of economic conditions. When economic growth is robust, consumers tend to have more disposable income and travel more frequently, which can increase demand for our products, particularly for sunglasses. Conversely, however, when economic growth is stagnant or negative, consumers may delay their renewal of prescription frames or delay or avoid purchasing sunglasses which can reduce demand for our products.

The following sets forth a summary of the main macroeconomic conditions prevailing in our markets during the periods under view.

*Three months ended March 31, 2021 as compared to the three months ended March 31, 2020*

- During the first three months ended March 31, 2021, general economic conditions began to improve in our key geographic markets as a result of proactive measures to control contagion in the context of the COVID-19 and the rollout of vaccines. In Italy, manufacturing and construction began to show signs of recovery. The World Bank estimates that progressive deployment of vaccines could lead to a significant increase in consumer confidence and unleash pent-up demand for many goods and services. The recovery, however, remains uneven and dependent on the health conditions prevailing in a particular geography, though the trends are generally positive, particularly in Asia, the United States and United Kingdom. Analysts generally expect a "catch-up" of sales in prescription frames as individuals who would have ordinarily taken routine eye exams and renewed their prescriptions will return to opticians once restrictions ease. As evidence of the resilience of prescription glasses, we recorded a 21.5% increase in revenues generated from prescription frames in the three months ended March 31, 2021 as compared to the prior period in 2020, whereas revenues generated from sunglasses increased by 9.1% as compared to the prior period in 2020.
- According to the United Nations World Tourism Organization ("**UNWTO**"), international tourist arrivals (overnight visitors) decreased by 87% in January 2021 as compared to January 2020 due to a

surge in new COVID-19 cases which led governments to re-impose travel restrictions. However, the UNWTO forecasts a reopening of international tourism in 2021, estimating in an upside scenario that a rebound will commence in July 2021 resulting in a 66% increase in international arrivals as compared to 2020, as well as a downside scenario that a rebound will in September 2021 resulting in a 22% increase in arrivals compared to the previous year.

*Year ended December 30, 2020 as compared to the year ended December 31, 2019*

- During the year ended December 31, 2020, the COVID-19 pandemic had a deleterious effect on general economic conditions in most of our key geographic markets. Our financial performance in the first few months of 2020 was impacted by the closure of our Chinese suppliers, who were affected first by the pandemic. In March and April 2020, we closed our manufacturing plant in Italy in compliance with the lockdown instituted by the Italian authorities. In addition, our business was affected by the restrictions imposed by the governments of many of the countries in which we operate. In particular, many of the optical chains, department stores, boutiques, shopping centers and malls out of which our customers operate have suffered in 2020 either full closures or restricted opening and closing times as well as restrictions on the number of customers allowed inside the respective venues. Furthermore, such disruption in the global economy reduced consumer confidence significantly and resulted in an increase in the unemployment rate. Such indicators tend to be correlated with reduced consumer discretionary spending, which in turn typically reduces demand for our products. According to the Italian Association of Optical Goods Manufacturers (*Associazione Nazionale Fabbricanti Articoli Ottici* or "**ANFAO**"), purchases of prescription frames and sunglasses were expected to decrease during 2020, with Italian eyewear exports decreasing by approximately 25%, the value of domestic Italian eyewear sales decreasing by approximately 10% and turnover of Italian eyewear producers decreasing by approximately 15%, in each case based on preliminary data as of June 2020.
- The economies where we generate the majority of our net revenues recorded decreases in GDP in 2020 as compared to 2019 as a result of the lockdowns and other disruptions in economic relations caused by COVID-19 and related lockdown measures, including -8.9% in Italy, -4.9% in Germany, -8.1% in France, -9.9% in the United Kingdom and -3.5% in the United States.
- According to the UNWTO, international tourist arrivals (overnight visitors) decreased by 74% in 2020 as compared to 2019 due to COVID-19 related travel restrictions and general uncertainty regarding international travel.

See also "*Risk Factors—Risks Related to Our Business—The negative impact of COVID-19 on our business is significant and its effects may continue to materially and negatively impact our business, financial condition and results of operations due to many factors, some of which are beyond our control.*"

*Year ended December 30, 2019 as compared to the year ended December 31, 2018*

- According to the ANFAO, while domestic Italian eyewear sales were negative in 2019, exports performed well, ultimately leading to an increase in turnover for Italian eyewear producers of 3.3%. In Italy, largely due to difficult economic conditions, sales of sunglasses and prescription frames decreased by 2.4% and 2.6%, respectively. Additionally, luxury and private label (lower priced) sunglasses and prescription frames gained market share at the expense of the midmarket price range. Exports of frames from Italy increased by 6.0% whereas exports of sunglasses increased by 2.8%. On an industry wide basis, Europe and the Americas remained the largest markets, recording total export growth of 2.2% and 6.7%, respectively. Exports of Italian-made sunglasses to Europe increased by 3.2%, whereas exports of prescription frames were steady at 0.4%. Conversely, in the Americas, exports of prescription frames increased by 12.3% and sunglasses by 4.6%. Exports of eyewear from Italy to the United States increased by 6.7% and by 8.0% to Germany, though France and the United Kingdom recorded decreases of 3.0% and 7.9%, respectively.
- The economies where we generate the majority of our net revenues recorded flat gross domestic product in Italy (0.3%) and Germany (0.6%) and increases in gross domestic product elsewhere in 2019 as compared to 2018, including 1.5% in France, 1.4% in the United Kingdom and 2.3% in the United States.
- According to the UNWTO, international tourist arrivals (overnight visitors) increased by 4% in 2019 as compared to 2018, with growth recorded in all regions, though particularly in the Middle East, Asia and the Pacific while Europe and Africa grew at the world average.

*License Agreements*

*Royalties*

Net revenues in our core business are generated through licenses, which we enter into to design, manufacture and distribute sunglasses and prescription eyeglass frames with various leading designers and fashion houses. Licensors are remunerated through royalties, which may either be based on a percentage of net revenues (variable royalty amounts, or "**VRA**"), or VRA subject to a minimum amount, whereby if the minimum sales are not achieved, a minimum annual guaranteed amount is payable ("**MAG**"). Moreover, the license agreements generally also provide for amounts payable for advertising and promotional purposes. See "*Business—Intellectual Property—License Agreements*." The percentages on net revenues on which VRA royalties are calculated, and the minimum thresholds for calculation of MAG, vary license by license and may vary period on period, in accordance with the individual agreements and the evolution of our sales and product mix.

The following tables set forth an analysis of royalties incurred for the periods indicated.

| | For the year ended December 31, | | | | | | | | | For the twelve months ended March 31, | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | % of total | % of net revenues | 2019 | % of total | % of net revenues | 2020 | % of total | % of net revenues | 2021 | % of total | % of net revenues |
| | | | | | | | | | | Unaudited | | |
| | (€ in thousands, except percentages) | | | | | | | | | | | |
| VRA royalties | 49,383 | 83.1% | 10.2% | 50,151 | 82.7% | 10.3% | 33,870 | 90.8% | 10.0% | 35,659 | 86.9% | 10.0% |
| MAG royalties | 10,011 | 16.9% | 2.1% | 10,462 | 17.3% | 2.1% | 3,430 | 9.2% | 1.0% | 5,390 | 13.1% | 1.6% |
| **Total** | **59,394** | **100.0%** | **12.3%** | **60,613** | **100.0%** | **12.5%** | **37,300** | **100.0%** | **11.0%** | **41,049** | **100.0%** | **11.6%** |

Royalties increased from €59.4 million in 2018 to €60.6 million in 2019, decreased to €37.3 million in 2020 and to €41.0 million in the twelve months ended March 31, 2021. As a percentage of net revenues, royalties increased from 12.3% in 2018 to 12.5% in 2019, decreased to 11.0% in 2020 and increased to 11.6% in the twelve months ended March 31, 2021. Between 2018 and 2019, total royalties have been substantially unchanged as a percentage of net revenues, with small variations in the composition between VRA and MAG royalties. The changes between 2019 and the twelve months ended March 31, 2021 were primarily attributable to management actions put in place in 2020 in order to waive guaranteed minimum on royalties for the year ended December 31, 2020 given the extraordinary situation.

*Payments Related to Licenses*

In obtaining new licenses, renegotiating or renewing existing licenses, we may incur expenses and cash outflows. The cash outflows associated with such licenses may occur in periods that are different from the periods when the related capital expenditure and expense are recognized in our consolidated financial statements.

In the first three months ended March 31, 2021, we renewed our Guess license (an exclusive worldwide licensing agreement through December 31, 2030).

In 2020, we obtained a license for Max Mara (an exclusive worldwide licensing agreement through December 31, 2023) and agreed new contractual terms for Gant (an exclusive worldwide licensing agreement).

In 2019, we obtained or renewed licenses for the following brands: Barton Perreira (distribution license with selected retailers and eyewear stores), Sportmax (an exclusive worldwide licensing agreement through December 31, 2023), Harley-Davidson (an exclusive worldwide licensing agreement through December 31, 2021), Emilio Pucci (an exclusive worldwide licensing agreement through December 31, 2024), MAX & Co. (an exclusive worldwide licensing agreement through December 31, 2024), Longines (a collection licensing agreement), Omega (a collection licensing agreement), BMW (an exclusive worldwide licensing agreement through December 31, 2024), GCDS (an exclusive worldwide licensing agreement through December 31, 2024) and Moncler (an exclusive worldwide licensing agreement through December 31, 2025) and Zegna (an exclusive worldwide licensing agreement through December 31, 2026).

In 2018, we obtained or renewed licenses for the following brands: Bally (an exclusive worldwide licensing agreement through December 31, 2023), TOD'S (an exclusive worldwide licensing agreement through December 31, 2023), Victoria's Secret and Victoria Secret Pink (partnership agreement through December 31, 2023) and Timberland (an exclusive worldwide licensing agreement through December 31, 2023).

In 2018, we also entered into a licensing agreement lasting through December 31, 2024 with Adidas for the production of sunglasses and optical frames, including technical sunglasses and goggles for use in sports. The first collection under this licensing agreement is expected to be launched in 2021, rather than in 2020 as originally intended.

During the periods under review, we made cash payments for licenses that were obtained, renewed or renegotiated in previous periods for a total of €7.6 million. We also renewed 7 licenses without incurring any renewal fees.

*License Life Cycle*

Typically, when we enter into an agreement with a new licensor, there is a time lag between the date of the agreement and the date the agreement begins to generate sales. For example, the Max Mara license was entered into in July 2020, while it began generating sales in March 2021. The time lag is due to (i) informal agreements with previous producers of such licenses to close out their product collections prior to launching new product collections with a new producer, and (ii) the time required for our designers and the licensor to agree on products to launch to the market. When launching a new brand, sales generally peak in the first year of the launch as we fill our customers' inventory for the first time, and usually stabilize thereafter.

Our portfolio of licenses is adjusted in accordance with our strategy and those of our brand partners. Occasionally, licenses are not renewed upon expiration of an agreement for a variety of commercial and strategic reasons. For example, recently we have not renewed four selected license agreements terminating at natural expiry, without any impact on profitability, as sales relating to such license agreements are expected to be more than offset by new licenses.

*Production Activities*

Our production activities are centralized in Italy and have significantly benefitted from past investments made in connection with the opening of our Fortogna plant, which commenced activities in May 2015. The Fortogna plant allowed us to double our Italian manufacturing operations with a new 3,500 square meter factory close to our historic headquarters in Longarone, Italy.

Our Fortogna plant manages our acetate frame production activities and serves the needs of new brands added to our portfolio, as well as the structural growth of certain markets where we operate. Our Longarone plant manages metallic frame production activities and houses our product development and prototype division.

The consolidation and development of our production capacity in Italy have allowed us to execute our business plan and promote the organic growth of our operations, primarily through the following advantages:

- reduced dependence on external suppliers;
- increased productivity and a one week reduction in lead time, allowing us to rapidly seize important market opportunities;
- made in/made out realignment according to the eyewear industry standards (and those of our main competitors) and expansion of the capacity to produce more *Made in Italy* products, which command higher prices among Italian and international customers;
- production insourcing allows greater control of production factors and production savings, as well as help to mitigate the inflation risk in the Chinese sourcing market.

*Brand Portfolio*

We design, produce and distribute sunglasses and prescription frames bearing a variety of brands that cater to different demographics. We divide our licensed brands into the following categories:

- *Luxury brands*—high-end products distinguished by their exclusivity and distinctiveness (or consumer perceptions thereof) and often characterized by higher retail prices.
- *Diffusion brands*—products that respond to market trends and are positioned in the mid and upper-mid price segments targeting a wider customer base than luxury brands.

In addition, since 2018, through the Adidas license, we have been penetrating the sport category. Luxury brand items generally offer more attractive gross margins than diffusion products, as the higher retail price of luxury

brand items is not always completely offset by the higher cost of sales resulting from more expensive raw materials and packaging used to manufacture such products. Additionally, given that diffusion brand products target a wider customer base, they are generally sold in greater volumes compared to luxury brand products and as a result, generally have greater discounts applied to them. Our portfolio includes some of the most glamorous fashion brands such as Tom Ford, Max Mara, Moncler, Ermenegildo Zegna, Barton Perreira, Omega, Longines, Bally, Tod's and Sportmax as well as more affordable brands such as Guess, Adidas, Swarovski, Timberland, Harley Davidson, Gant, Max&Co, Kenneth Cole, Skechers, BMW and GCDS. Having a balanced portfolio of brands allows us to benefit from cross-selling opportunities by offering our clients a range of products from both luxury and diffusion brand categories at different price points.

We also have indirect access to certain other brands through Thélios, jointly established by us and LVMH, in which we hold a 49% interest. Thélios has exclusive license agreements for the design, production and distribution of eyewear under the following brand names: Dior, Céline, Kenzo, Stella McCartney, Fred, Louis Vuitton, Loewe, Rimowa and Berluti.

The brand mix has a direct effect on our net revenues, as consumers in different markets have differing tastes, and some brands that perform particularly strongly in one market may not perform as well in others. We believe the diversity of our brands reduces revenue volatility and de-risks our portfolio from fashion risk. Additionally, maintaining an equilibrium of our brand portfolio between luxury and diffusion brands, as well as among men's and women's products, allows us to cater to a wide range of customers with varying preferences and target both emerging and established end-markets around the world.

*Product Type*

As prescription frames are typically non-discretionary purchases, they are generally more resilient to economic downturns and seasonality compared to sunglasses, the sales of which are more affected by worldwide economic conditions and consumer discretionary spending. Sales of sunglasses have historically exhibited higher growth rates than prescription frames in periods of economic growth.

The following tables set forth an analysis of net revenues by product type for the periods indicated.

| | For the year ended December 31, | | | | | | For the twelve months ended March 31, | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | % of total | 2019 | % of total | 2020 | % of total | 2021 | % of total |
| | | | | | | | *Unaudited* | |
| | *(€ in thousands, except percentages)* | | | | | | | |
| Sunglasses | 223,136 | 46.3% | 226,200 | 46.5% | 135,393 | 39.8% | 139,053 | 39.2% |
| Prescription frames | 259,083 | 53.7% | 260,470 | 53.5% | 204,585 | 60.2% | 216,054 | 60.8% |
| **Total** | **482,219** | **100%** | **486,670** | **100%** | **339,978** | **100%** | **355,107** | **100%** |

From the year ended December 31, 2018 to the year ended December 21, 2019 net revenues from sunglasses and prescription frames increased marginally from €223.1 million and €259.1 million to 226.2 million and €260.5 million, respectively. From the year ended December 31, 2019 to the year ended December 31, 2020, net revenues from sunglasses and prescription frames decreased from €226.2 million and €260.5 million to €135.4 million and €204.6 million respectively, primarily due to volumes reduction following the lockdown of the markets resulting from the COVID-19 pandemic. From the year ended December 31, 2020 to the twelve months ended March 31, 2021, net revenues increased by €15.1 million, from €340.0 million to €355.1 million.

*Sales Channels*

We sell and distribute our products directly through our subsidiaries in our core markets, employing a network of sales people that assist us in marketing our products to customers.

The following is a summary of our sales channels.

- *Direct.* Our direct distribution model consists of sales managed directly through our subsidiaries and global channels. Our direct distribution consists of:
  - *Traditional channels* include independent opticians, optometrists and ophthalmologists, buying groups and alliances and strategic accounts (*i.e.*, small optical chains). We retain the majority of the gross margin on sales through our traditional channels because there are no intermediaries, but such sales entail higher payments to the sales force and higher distribution and commercial costs since the customer base of such stores is large and fragmented.

- *Modern channels* include key accounts (*i.e.*, large accounts, such as large optical chains and retail chains), e-wholesalers, department stores, sunglasses retailers, boutiques operated by our licensors, travel retail (*i.e.*, airport duty-free shops and sport retailers). Our value proposition to these customers consists of complementing their offering, which consists of a mix of low-end and non-branded eyewear products, with fashionable luxury and diffusion brand products. Compared to traditional channels, modern channels typically generate lower gross margins due to the higher negotiating power of these types of customers, which order larger volumes on average (such lower margins are offset by reduced distribution costs and higher sales density per account).

- *Distributors.* Our distributor model consists of sales to over 150 third-party international distributors. Our value proposition to our distributors consists of complementing their offering with our fashionable luxury and diffusion brand products. Our gross margin with distributors is lower than the gross margin generated by our direct distribution due to the intermediary role of the distributors, which is partially offset by limited go-to-market costs. For large markets we often work with more than one third-party distributor. In such cases, we sign agreements with each distributor on an exclusive basis for different licensed brands or for different geographical areas.

- *Joint-Ventures.* In the Middle East (with Rivoli Group) and Mexico (with Moendi) we distribute our products through controlled joint-ventures with local eyewear operators. Our value proposition to such local operators consists of complementing their offering with our fashionable luxury and diffusion brand products.

- *Other.* Our other distribution channel consists of sales of non-current collections sold at discount prices, with efforts to ensure that such discounted non-current collections do not overlap or otherwise impair the sales of our current collections. Our value proposition to customers of our non-current collections is recognized brands for affordable prices. We generally maintain lower gross margins due to the prevailing discount prices in this distribution channel.

The following tables set forth an analysis of net revenues by distribution channel for the periods indicated.

| | For the year ended December 31, | | | | | | For the twelve months ended March 31, | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | % of total | 2019 | % of total | 2020 | % of total | 2021 | % of total |
| | | | | | | | Unaudited | |
| | (€ in thousands, except percentages) | | | | | | | |
| Direct | 300,203 | 62.3% | 305,410 | 62.8% | 232,648 | 68.4% | 242,612 | 68.3% |
| Distributors and key accounts | 159,044 | 33.0% | 163,370 | 33.6% | 95,555 | 28.1% | 100,015 | 28.2% |
| Other | 22,972 | 4.8% | 17,891 | 3.7% | 11,774 | 3.5% | 12,480 | 3.5% |
| **Total** | **482,219** | **100%** | **486,670** | **100%** | **339,978** | **100%** | **355,107** | **100%** |

The proportion of net revenues generated from direct sales increased from 62.3% in 2018 to 68.4% in 2020, then decreased to 68.3% for the twelve months ended March 31, 2021, while net revenues generated by distributors and key accounts decreased from 33.0% in 2018 to 28.1% in 2020, then increased to 28.2% for the twelve months ended March 31, 2021. As a percentage of net revenues, the increase from direct sales is consistent with the Group's strategy to focus commercial efforts on the direct sales channel as it generally offers higher margins than the other sales channels.

*Seasonality*

Our business is affected by economic factors and seasonal consumer buying patterns. While sales of prescription frames do not experience any significant seasonal variation, sales of sunglasses are generally higher in February, March and April as retailers purchase new collections in anticipation of increased consumer demand in the spring and summer months. Such seasonality results in greater net revenues recorded in the first half of the year than the second half, while our operating expenses are generally not subject to such seasonality. In addition, such seasonality may cause our working capital requirements to vary from quarter to quarter, depending on the variability in the volumes and timing of sales of sunglasses, and correspondingly, the payment of royalties to licensors.

*Trade Receivables*

Payment agreements with our customers vary according to local laws and market practice. However, generally speaking, for large key accounts and for distributors, contracts require payments within specific periods, which

can be between zero days (pre-payment) and 90 days, or in certain instances, depending on the jurisdiction, up to 120 days. For all other customers (independent opticians and small optical chains), payment terms are set by local laws and by our standard terms policy, which normally range from 30 to 120 days. Longer payment terms may be granted according to the local market practice and economic conditions. Typically, collection takes longer in Southern Europe and Brazil where small optical businesses comprise a large portion of our trade receivables, compared to other markets, such as Germany, France and the United States, where our key accounts are largely located. During the periods presented, we have introduced several initiatives with the aim of reducing the number of DSO, as a result of which our DSO reached a pre-COVID-19 level at the end of 2020 (72 days in December 2020 compared to 113 days in May 2020, due to the exceptional working capital movements, with clients delaying payments).

*Effects of Fluctuations in Foreign Currency Exchange Rates*

We conduct our business and sell our products on a global basis in markets throughout the world. As a result, we are exposed to, and our results of operations may be significantly affected by, foreign currency exchange rate fluctuations. For example, our net revenues amounted to €108.7 million for the three months ended March 31, 2021, an increase of €15.1 million, or 16.2%, compared to €93.5 million for the three months ended March 31, 2020. On a constant currency basis, our net revenues would have been 114.8 million for the three months ended March 31, 2021, representing an increase of €21.3 million, or 22.8%. Additionally, our net revenues amounted to €340.0 million for the year ended December 31, 2020, a decrease of €146.7 million, or 30.1% compared to €486.7 million for the year ended December 31, 2019. On a constant currency basis, our net revenues for 2020 would have been €348.9 million, representing a decrease of €137.7 million, or 28.3%.

Our principal exposure is to fluctuations of the U.S. dollar, and we are also exposed to fluctuations of other currencies, including but not limited to the Brazilian real, the British pound sterling and the Hong Kong dollar.

*Transaction risk*: Our transaction foreign currency exchange risk relates to net revenues and costs generated in foreign currencies by our various operating companies, and in particular, primarily relates to U.S. dollar sales to customers, U.S. dollars purchases of materials, semi-finished and finished products from suppliers in Asia, and financial liabilities in foreign currencies. Although changes in foreign currency exchange rates could affect the amount of revenues or costs that we recognize, we believe that we have a natural hedge against transaction foreign currency risk (whereby the effects of revenues and costs in foreign currencies substantially offset each other). In the past, we entered into forward contracts for U.S. dollars for the purpose of partially hedging our exposure to foreign currency exchange rate risk from U.S. purchases, now however, as we believe that we have a natural hedge against transaction foreign currency risk, we did not have any open foreign currency derivative contracts as of March 31, 2021, and we currently do not expect to enter into foreign currency derivatives contracts in the future.

*Translation risk*: Our translation foreign currency exchange risk is primarily related to the recognition of net revenues and costs generated by subsidiaries with a functional currency different from the euro during our period-end consolidation and reporting. To prepare the consolidated financial statements of the Group, we translate assets and liabilities into euro at the exchange rates in force at the reporting date, and revenues, costs, income and expenses into euro at the average exchange rates for the reporting period. See "*Exchange Rate Information*." The Group's main subsidiaries with a functional currency different from the euro and are therefore translated into euro for financial reporting purposes are Marcolin USA, Marcolin UK and Marcolin do Brasil.

*Constant Currency Information*

The discussion in the results of operations section below includes net revenues information on a constant currency basis (although the figures provided in the tables are actual results and the discussion also includes actual figures). We use constant currency information to assess how the underlying business has performed independently of fluctuations in foreign currency exchange rates. We calculate constant currency by applying the prior-period average foreign currency exchange rates to the current-period financial data expressed in the original currency, in order to eliminate the impact of foreign currency exchange rate fluctuations (see "*Exchange Rate Information*" for information on the foreign currency exchange rates applied). Although we do not believe that these measures are a substitute for GAAP measures, we do believe that such results excluding the impact of foreign currency fluctuations provide additional useful information to investors regarding the operating performance on a local currency basis. For example, if a U.S. entity with U.S. dollar functional currency recorded net revenues of $100 million for 2020 and 2019, we would have reported €87.6 million in net revenues for 2020 (using the 2020 average exchange rate of 1.1422), representing a €1.8 million decrease compared to

€89.3 million reported for 2019 (using the 2019 average exchange rate of 1.1195). The constant currency presentation would translate the 2020 net revenues using the 2019 foreign currency exchange rates, and therefore indicate that the underlying net revenues on a constant currency basis was unchanged year-over-year.

## Factors Affecting the Comparability of Our Results of Operations

### *Adoption of IFRS 16 (Leases)*

We adopted IFRS 16 (Leases) on January 1, 2019. The main impact of the new standard for lessors is the recognition of nearly all leases in the statement of financial position, subject to certain exemptions including in relation to short term and low value leases, effectively eliminating the different methods for accounting for operating leases and financial leases. IFRS 16 provides for recognizing a right-of-use asset (right to use the leased asset) and a lease liability referring to the future payments for which a contractual obligation exists. Short-term leases and leases of low-value assets are excluded from the new accounting method. We adopted the new standard on January 1, 2019 using the simplified approach, without restating the comparative period for the year ended December 31, 2018. Right-to-use assets were initially valued in accordance with the lease liability (adjusted for any prepaid or allocated lease costs as of December 31, 2018). The lease liability was discounted by applying a discount rate to the present value of the expected future lease payments as of January 1, 2019. The discount rate used on average was 3.2%.

The leases mainly relate to property leases for office, warehouse and factory use and for motor vehicles. As a result of the adoption of IFRS 16 we recognized right of use assets of €19.3 million and lease liabilities of €19.3 million as of January 1, 2019.

As a result of the foregoing, rent expenses were recorded for the year ended December 31, 2018 for payments made under operating leases (net of any incentives received from the lessor) and were recognized in our income statement on a straight-line basis over the term of the lease. Following the adoption of IFRS 16, each lease payment is allocated into the lease liability and the interest expense. The interest expense is recognized in our income statement on a straight-line basis over the term of the lease on the residual lease liability. The right-of-use asset is depreciated over the useful life of the underlying asset or the term of the lease, whichever is shorter. Our discussion of our results of operations for the year ended December 31, 2018 is presented in this Offering Memorandum on a pre-IFRS 16 basis and therefore may not be directly comparable with our results of operations for the years ended December 31, 2019 and 2020.

For the year ended December 31, 2020, the positive impact of IFRS 16 on EBITDA was €6.3 million (€5.3 million for the year ended December 31, 2019), whereas the impact on the depreciation of right-of-use assets was €5.8 million (€5.1 million for the year ended December 31, 2019). Interest expense associated with IFRS 16 for the year ended December 31, 2020 was €0.7 million (€0.8 million for the year ended December 31, 2019) and the negative impact on profit before tax was €0.3 million (€0.7 million for the year ended December 31, 2019).

For more information, see the paragraph entitled "Accounting Standards" in the F-Pages in this Offering Memorandum and the notes to our Audited Consolidated Financial Statements.

### *Investments in Thélios*

On January 31, 2017, we entered into the Thélios JVA to establish a joint venture, which was then created in October 2017 under the name of Thélios. Between 2018 and the first quarter of 2021, our equity contributions (also in the form of shareholder loans) for the start-up costs, capital expenditures and working capital requirements have been approximately €28.7 million (including approximately €2 million invested in the three months ended March 31, 2021). Thélios is now completely operational, without any further major investment expected going forward (approximately €3 million is still expected to be invested by us in the remainder of 2021). See "*Business—Our Business—Thélios.*"

## Description of Key Line Items and Certain Key Performance Indicators

### *Net Revenues*

Net revenues include the consideration received by the Group for the sale of sunglasses and prescription frames. Net revenues are recorded net of returns, discounts, allowances and bonuses. Net revenues are segmented by reference to the geographical area of the destination market, as described below:

- *Americas* relates to net revenues generated in North, Central and South America.

- *Europe*, which is subdivided into Italy and Rest of Europe.
  - *Italy* relates to net revenues generated in the Italian market.
  - *Rest of Europe* primarily relates to net revenues generated in Benelux (Belgium, Netherlands and Luxembourg), France, Germany, Portugal, Russia, Spain, Sweden (servicing Nordic Europe, which includes Denmark, Finland, Iceland, Norway and Sweden), Switzerland and the United Kingdom. Rest of Europe excludes Greece and Cyprus, which are reported under Rest of World.
- *Asia* or *APAC* relates to net revenues generated in Australia, China, South Korea, Singapore and the rest of the Asia Pacific region.
- *Rest of World* relates to all net revenues not generated in the above markets, and primarily includes the Mediterranean region (mainly Turkey, Greece, Israel and Cyprus), Africa, the Middle East and India.

We present our net revenues by reference to the geographical area of the destination market, based on the geographic areas identified above. For example, all sales by the Issuer or a subsidiary into Japan are attributed towards sales for the geographical area "Asia," regardless of which Group company initiated the sale.

***Cost of Sales***

Cost of sales relate to the production costs incurred and the purchase of finished products for sale, including:

- *Purchases of materials and finished products:* costs of acquiring raw materials and components necessary to manufacture the collections that are produced in-house, the purchase of finished products from our suppliers in China for resale and costs incurred in outsourcing parts and processes related to the manufacturing of our products. Purchases of materials and finished products are shown net of changes in inventories.
- *Personnel expenses:* costs for salaries and wages, social security contributions and employee severance indemnities of the workforce employed either directly or indirectly in our production activities.
- *Other costs:* primarily costs related to amortization and depreciation of assets used in production activities, as well as costs for transportation, customs and taxes on purchases.

***Distribution and Marketing Expenses***

Distribution and marketing expenses relate to costs incurred in marketing and selling our products to customers, including:

- *Royalties:* fees paid to licensors for the right to produce and distribute sunglasses and prescription frames using the licensor's brand. Royalties are either VRA or MAG.
- *Cost of personnel:* salaries and wages, social security contribution and employee severance indemnity of the workforce employed in our selling and marketing divisions. Personnel expenses also include commissions relating to fees paid to agents, who sell our products in countries in which we have a subsidiary presence. Such fees are usually calculated as a percentage of the sales transaction and can vary according to market and product line.
- *Advertising and public relations:* primarily relate to advertising materials and other costs incurred in marketing our products.
- *Other costs:* primarily relate to costs for transportation, rent, business travel and entertainment, and to a lesser extent, amortization and depreciation of assets used in our selling and marketing activities.

***General and Administrative Expenses***

General and administrative expenses include expenses incurred in conducting the general business and administrative operations of the Group. Such expenses primarily include personnel expenses such as salaries and wages, social security contributions and employee severance indemnities of personnel employed in our general and administrative divisions, as well as other costs, including director's fees, audit fees, IT expenses, and general and administrative consulting expenses. General and administrative expenses also include amortization and depreciation related to assets used in our general and administrative divisions, and the expense related to the bad debt provision.

***Operating Income and Expenses***

Operating income and expenses consist of:

- *Other operating income:* primarily includes prior period adjustments, reimbursed costs (*i.e.*, shipping, advertising, insurance) and the release of provisions previously recognized.
- *Other operating expenses:* primarily include other miscellaneous expenses.

***Profit/(Loss) from Associates***

Profit/(Loss) from associates consists of our share of the profit and loss of our investment in Thélios S.p.A. which is consolidated using the equity method.

***Financial Income and Cost***

Financial income and cost consist of:

- *Financial income:* primarily includes foreign currency exchange gains (including on intercompany loans), interest on cash deposits and fair value gains on derivative financial instruments.
- *Financial costs:* primarily include interest expenses on borrowings, foreign currency exchange losses (including on intercompany loans), and fair value losses on derivative financial instruments.

***Income Tax***

Income tax comprises current and deferred income tax expense or benefit.

**Other Ratios and Measures**

We also use certain additional key performance indicators (such as Adjusted EBITDA), which in our view provide an alternative measure with which to monitor our economic, financial and operating performance. These measures are not indicative of historical operating results, nor are they meant to be predictive of future results. These measures are used to monitor the underlying performance of the Group and its business and operations. Not all companies calculate these measures in an identical manner and therefore our presentation may not be consistent with similar measures used by other companies. See "*Presentation of Financial Information and Other Data*."

**Results of Operations**

***Comparison of the Three Months Ended March 31, 2020 and 2021***

The following is a discussion of the results of operations for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020. The discussion includes a presentation of such line items as a percentage of net revenues for the respective periods presented, to facilitate period-over-period comparisons.

The following tables set forth an analysis of our income statement for the periods indicated.

| | For the three months ended March 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2020 | % of net revenues | 2021 | % of net revenues | € | % |
| | *(€ in thousands, except percentages)* | | | | | |
| Net revenues | 93,534 | 100.0% | 108,663 | 100.0% | 15,129 | 16.2% |
| Cost of sales | (38,795) | (41.5)% | (46,764) | (43.0)% | (7,969) | 20.5% |
| **Gross profit** | **54,739** | **58.5%** | **61,899** | **57.0%** | **7,160** | **13.1%** |
| Distribution and marketing expenses | (43,206) | (46.2)% | (48,463) | (44.6)% | (5,257) | 12.2% |
| General and administrative expenses | (9,217) | (9.9)% | (8,679) | (8.0)% | 538 | (5.8)% |
| Other operating income/(expenses) | 1,029 | 1.1% | 227 | 0.2% | (802) | (77.9)% |
| **Operating income—EBIT** | **3,345** | **3.6%** | **4,984** | **4.6%** | **1,639** | **49.0%** |
| Profit/(loss) from associates | (4,177) | (4.5)% | (341) | (0.3)% | 3,836 | (91.8)% |
| Financial income | 1,652 | 1.8% | 6,764 | 6.2% | 5,112 | >100.0% |
| Financial costs | (12,708) | (13.6)% | (9,671) | (8.9)% | 3,037 | (23.9)% |
| **Profit before taxes** | **(11,888)** | **(12.7)%** | **1,735** | **1.6%** | **13,623** | **>(100.0)%** |
| Income tax | 1,805 | 1.9% | (1,001) | (0.9)% | (2,806) | >(100.0)% |
| **Net profit/(loss) for the year** | **(10,083)** | **(10.8)%** | **734** | **0.7%** | **10,817** | **>(100.0)%** |

*Net Revenues*

Net revenues amounted to €108.7 million for the three months ended March 31, 2021, an increase of €15.1 million, or 16.2% (€21.3 million increase, or 22.8%, on a constant currency basis), compared to €93.5 million for the three months ended March 31, 2020, primarily due to sales recovery following the COVID-19 pandemic, that impacted the markets in 2020. January and February 2021 were still impacted by Covid-19 lockdowns measures in most geographies where we operate, while March 2021 recorded a positive recovery in all geographies.

Sales volumes increased by 0.7 million frames, from 2.5 million frames for the three months ended March 31, 2020 to 3.2 million frames for the three months ended March 31, 2021.

The following table set forth an analysis of our net revenues by brand type for the periods indicated.

| | For the three months ended March 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2020 | % of net revenues | 2021 | % of net revenues | € | % |
| | (€ in thousands, except percentages) | | | | | |
| Luxury brands | 46,667 | 49.9% | 59,263 | 54.5% | 12,596 | 27.0% |
| Diffusion brands | 46,867 | 50.1% | 49,400 | 45.5% | 2,533 | 5.4% |
| **Total** | **93,534** | **100.0%** | **108,663** | **100.0%** | **15,129** | **16.2%** |

Net revenues from luxury brands amounted to €59.3 million, or 54.5% of net revenues, for the three months ended March 31, 2021, compared to €46.7 million, or 49.9% of net revenues, for the three months ended March 31, 2020. Net revenues from diffusion brands amounted to €49.4 million, or 45.5% of net revenues, for the three months ended March 31, 2021, compared to €46.9 million, or 50.1% of net revenues, for the three months ended March 31, 2020. This absolute increase was primarily attributable to sales recovery following the COVID-19 pandemic impact in 2020.

The following table set forth an analysis of our net revenues by product type for the periods indicated.

| | For the three months ended March 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2020 | % of net revenues | 2021 | % of net revenues | € | % |
| | (€ in thousands, except percentages) | | | | | |
| Prescription frames | 53,291 | 57.0% | 64,759 | 59.6% | 11,468 | 21.5% |
| Sunglasses | 40,243 | 43.0% | 43,904 | 40.4% | 3,661 | 9.1% |
| **Total** | **93,534** | **100.0%** | **108,663** | **100.00%** | **15,129** | **16.2%** |

Net revenues from prescription frames was €64.8 million, or 59.6% of net revenues, for the three months ended March 31, 2021, compared to €53.3 million, or 57.0% of net revenues, for the three months ended March 31, 2020. Net revenues from sunglasses increased by €3.7 million, to €43.9 million for the three months ended March 31, 2021 or 40.4% of net revenues, compared to €40.2 million, or 43.0% of net revenues, for the three months ended March 31, 2020. This increase was primarily attributable to sales recovery following the COVID-19 pandemic impact in 2020.

The following table set forth an analysis of our net revenues by geographic region for the periods indicated.

| | For the three months ended March 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2020 | % of net revenues | 2021 | % of net revenues | € | % |
| | (€ in thousands, except percentages) | | | | | |
| Italy | 5,987 | 6.4% | 7,762 | 7.1% | 1,775 | 29.7% |
| Rest of Europe | 38,304 | 41.0% | 43,506 | 40.0% | 5,202 | 13.6% |
| Americas | 39,366 | 42.1% | 45,465 | 41.8% | 6,099 | 15.5% |
| Asia | 2,408 | 2.6% | 4,502 | 4.1% | 2,094 | 87.0% |
| Rest of World | 7,469 | 8.0% | 7,428 | 6.8% | (41) | (0.5)% |
| **Total** | **93,534** | **100.0%** | **108,663** | **100.0%** | **15,129** | **16.2%** |

*Americas*

Net revenues from the Americas amounted to €45.5 million for the three months ended March 31, 2021, an increase of €6.1 million, or 15.5% (28.5% increase on a constant currency basis), compared to €39.4 million for the three months ended March 31, 2020. This increase was primarily attributable to the positive performance for the optical channel and retail department stores in the United States. Latin America shows signals of recovery with a 20% increase on net revenues compared to the three months ended March 31, 2020 at current exchange rate.

*Italy*

Net revenues from Italy amounted to €7.8 million for the three months ended March 31, 2021, an increase of €1.8 million, or 29.7%, compared to €6.0 million for the three months ended March 31, 2020. This increase was primarily due to the positive performance for luxury brands Tom Ford and Swarovski and to the launch of new Max Mara collections.

*Rest of Europe*

Net revenues from the Rest of Europe amounted to €43.5 million for the three months ended March 31, 2021, an increase of €5.2 million, or 13.6% (14.9% increase on a constant currency basis), compared to €38.3 million for the three months ended March 31, 2020. This increase was primarily due to the positive results and the strong performance for luxury brands led by Tom Ford and the new launch of Max Mara collections. Compared to the three months ended March 31, 2020 the best performer regions were France, Belgium, Netherlands, Luxembourg, Germany, Nordic countries and the United Kingdom.

*Asia*

Net revenues from Asia amounted to €4.5 million for the three months ended March 31, 2021, an increase of €2.1 million, or 87.0% (95.5% increase on a constant currency basis), compared to €2.4 million for the three months ended March 31, 2020. This increase was primarily attributable to the recovery of business activities following the COVID-19 pandemic impact in 2020 and to the effects from the replacement of our distributor in South Korea, the reorganization of our subsidiaries in China and Hong Kong and our new Australian subsidiary.

*Rest of World*

Net revenues from Rest of World amounted to €7.4 million for the three months ended March 31, 2021 compared to €7.5 million for the three months ended March 31, 2020. Net revenues were substantially in line compared to previous period because these geographical areas were not significantly impacted by the COVID-19 pandemic during the first quarter in 2020.

*Cost of Sales*

The following table sets forth an analysis of cost of sales for the periods indicated.

| | For the three months ended March 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | **2020** | **% of net revenues** | **2021** | **% of net revenues** | **€** | **%** |
| | *(€ in thousands, except percentages)* | | | | | |
| Cost of product | 34,559 | 36.9% | 41,764 | 38.4% | 7,205 | 20.8% |
| Cost of personnel | 2,710 | 2.9% | 3,456 | 3.2% | 746 | 27.5% |
| Amortization, depreciation and writedowns | 995 | 1.1% | 916 | 0.8% | (79) | (7.9)% |
| Other costs | 531 | 0.6% | 629 | 0.6% | 98 | 18.5% |
| **Cost of sales** | **38,795** | **41.5%** | **46,764** | **43.0%** | **7,969** | **20.5%** |

Cost of sales amounted to €46.8 million for the three months ended March 31, 2021, an increase of €8.0 million, or 20.5%, compared to €38.8 million for the three months ended March 31, 2020, mainly due to an increase in cost of product in line with the increase in net revenues.

The following briefly discusses the main items within our cost of sales:

- *Cost of product* amounted to €41.8 million for the three months ended March 31, 2021, an increase of €7.2 million, or 20.8%, compared to €34.6 million for the three months ended March 31, 2020 driven

by the increased overall volumes. As a percentage of net revenues, cost of product increased from 36.9% for the three months ended March 31, 2020 to 38.4% for the three months ended March 31, 2021.

- *Cost of personnel* amounted to €3.5 million for the three months ended March 31, 2021, an increase of €0.7 million, or 27.5%, compared to €2.7 million for the three months ended March 31, 2020. As a percentage of net revenues, cost of personnel increased from 2.9% in 2020 to 3.2% in 2021.
- *Other costs* amounted to €0.6 million for the three months ended March 31, 2021, an increase of €0.1 million, or 18.5%, compared to €0.5 million for the three months ended March 31, 2020. In both periods, Other costs were primarily related to transport and customs charges and, to a lesser extent, to business consulting services.

*Gross Profit*

Gross profit amounted to €61.9 million for the three months ended March 31, 2021, an increase of €7.2 million, or 13.1%, compared to €54.7 million for the three months ended March 31, 2020, as a result of the factors described above. Gross profit margin continued to benefit from product cost control strategy and stable commercial/pricing policy on sales, while as a percentage of net revenues, marginally showed a slight reduction from 58.5% in 2020 to 57.0% in 2021, primarily driven by a different mix on sales (*i.e.*, higher exposure towards Distributors).

*Distribution and Marketing Expenses*

The following table sets forth an analysis of distribution and marketing expenses for the periods indicated.

| | For the three months ended March 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2020 | % of net revenues | 2021 | % of net revenues | € | % |
| | *(€ in thousands, except percentages)* | | | | | |
| Cost of personnel | 13,715 | 14.7% | 13,263 | 12.2% | (452) | (3.3)% |
| Commissions | 6,567 | 7.0% | 6,918 | 6.4% | 351 | 5.3% |
| Amortization, depreciation and writedowns | 4,623 | 4.9% | 5,260 | 4.8% | 637 | 13.8% |
| Royalties | 9,529 | 10.2% | 13,278 | 12.2% | 3,749 | 39.3% |
| Advertising and PR | 2,856 | 3.1% | 4,115 | 3.8% | 1,259 | 44.1% |
| Other costs | 5,916 | 6.3% | 5,628 | 5.2% | (288) | (4.9)% |
| **Distribution and marketing expenses** | **43,206** | **46.2%** | **48,463** | **44.6%** | **5,257** | **12.2%** |

Distribution and marketing expenses amounted to €48.5 million for the three months ended March 31, 2021, an increase of €5.3 million, or 12.2%, compared to €43.2 million for the three months ended March 31, 2020, primarily due to the increase in net revenues. As a percentage of net revenues, distribution and marketing expenses decreased from 46.2% for the three months ended March 31, 2020 to 44.6% for three months ended March 31, 2021.

The increase in distribution and marketing expenses was mainly attributable to the combined effect of the following:

- *Royalties* amounted to €13.3 million for the three months ended March 31, 2021, an increase of €3.7 million, or 39.3%, compared to €9.5 million for the three months ended March 31, 2020. As a percentage of net revenues, royalties increased from 10.2% for three months ended March 31, 2020 to 12.2% for three months ended March 31, 2021. This change was primarily due to management actions put in place in 2020 in order to waive guaranteed minimum royalties given the extraordinary situation related to the outbreak of the COVID-19 pandemic.
- *Advertising and public relations* amounted to €4.1 million for the three months ended March 31, 2021, an increase of €1.3 million, or 44.1%, compared to €2.9 million for the three months ended March 31, 2020.
- *Other costs* refer mainly to freight expenses, business travel, rent and services and amounted to €5.6 million for the three months ended March 31, 2021, a decrease of €0.3 million, or 4.9%, compared to €5.9 million for the three months ended March 31, 2020.

*General and Administrative Expenses*

The following table sets forth an analysis of general and administrative expenses for the periods indicated.

| | For the three months ended March 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2020 | % of net revenues | 2021 | % of net revenues | € | % |
| | (€ in thousands, except percentages) | | | | | |
| Cost of personnel | 3,587 | 3.8% | 3,901 | 3.6% | 314 | 8.8% |
| Amortization and writedowns | 1,784 | 1.9% | 1,274 | 1.2% | (510) | (28.6)% |
| Other costs | 3,846 | 4.1% | 3,503 | 3.2% | (343) | (8.9)% |
| **General and administrative expenses** | **9,217** | **9.9%** | **8,679** | **8.0%** | **(538)** | **(5.8)%** |

General and administrative expenses amounted to €8.7 million for the three months ended March 31, 2021, a decrease of €0.5 million, or 5.8%, compared to €9.2 million for the three months ended March 31, 2020. As a percentage of net revenues, general and administrative expenses decreased from 9.9% for three months ended March 31, 2020 to 8.0% for three months ended March 31, 2021 as a result of management actions and increase in net revenues. General and administrative expenses were substantially in line compared to the previous period.

*Other Operating Income and Expenses*

Net other operating income amounted to €0.2 million for the three months ended March 31, 2021, a decrease of €0.8 million compared to the net other operating income amounting to €1.0 million for the three months ended March 31, 2020. The amount mainly refers to other rebilling, compensation for damages and other minor non-operating expenses.

*Profit/(Loss) from Associates*

Loss from associates amounted to €0.3 million for the three months ended March 31, 2021, a decrease of €3.8 million, or 91.8%, compared to €4.2 million for the three months ended March 31, 2020. The item included the effect of consolidation using the equity method of Thélios and its subsidiaries.

*Financial Income and Costs*

The following table sets forth an analysis of financial income and costs for the periods indicated.

| | For the three months ended March 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2020 | % of net revenues | 2021 | % of net revenues | € | % |
| | (€ in thousands, except percentages) | | | | | |
| Financial income | 1,652 | 1.8% | 6,764 | 6.2% | 5,112 | >100.0% |
| Financial costs | (12,708) | (13.6)% | (9,671) | (8.9)% | 3,037 | (23.9)% |
| **Net financial costs** | **(11,056)** | **(11.8)%** | **(2,907)** | **(2.7)%** | **8,149** | **(73.7)%** |

Net financial costs amounted to €2.9 million for the three months ended March 31, 2021, a decrease of €8.1 million, or 73.7%, compared to €11.1 million for the three months ended March 31, 2020. As a percentage of net revenues, financial income and costs were 11.8% and 2.7% for the three months ended March 31, 2020 and 2021, respectively. Previous period results were significantly negatively impacted by non-realized exchange rate losses due to the depreciation of Mexican Pesos and Brazilian Reals.

*Income Tax*

Income tax expenses amounted to €1.0 million for the three months ended March 31, 2021 compared to a benefit of €1.8 million for three months ended March 31, 2020. This increase was attributable to the increase in profit before taxes from a loss of €11.9 million for the three months ended March 31, 2020 to a profit of €1.7 million for the three months ended March 31, 2021.

***Comparison of the Years Ended December 31, 2019 and 2020***

The following is a discussion of the results of operations for the year ended December 31, 2020 as compared to the year ended December 31, 2019. The discussion includes a presentation of such line items as a percentage of net revenues for the respective periods presented, to facilitate year-over-year comparisons.

The following tables set forth an analysis of our income statement for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2019 | % of net revenues | 2020 | % of net revenues | € | % |
| | (€ in thousands, except percentages) | | | | | |
| Net revenues | 486,670 | 100.0% | 339,978 | 100.0% | (146,692) | (30.1)% |
| Cost of sales | (207,464) | (42.6)% | (155,543) | (45.8)% | 51,921 | (25.0)% |
| **Gross profit** | **279,206** | **57.4%** | **184,435** | **54.2%** | **(94,771)** | **(33.9)%** |
| Distribution and marketing expenses | (228,349) | (46.9)% | (167,085) | (49.1)% | 61,264 | (26.8)% |
| General and administrative expenses | (44,009) | (9.0)% | (38,813) | (11.4)% | 5,196 | (11.8)% |
| Other operating income/(expenses) | 12,679 | 2.6% | (5,808) | (1.7)% | (18,487) | >(100.0)% |
| **Operating income—EBIT** | **19,527** | **4.0%** | **(27,271)** | **(8.0)%** | **(46,798)** | **>(100.0)%** |
| Profit/(loss) from associates | (13,177) | (2.7)% | (18,029) | (5.3)% | (4,852) | 36.8% |
| Financial income | 14,977 | 3.1% | 11,309 | 3.3% | (3,668) | (24.5)% |
| Financial costs | (36,477) | (7.5)% | (34,145) | (10.0)% | 2,332 | (6.4)% |
| **Profit before taxes** | **(15,150)** | **(3.1)%** | **(68,136)** | **(20.0)%** | **(52,986)** | **>100.0%** |
| Income tax | 324 | 0.1% | 11,125 | 3.3% | 10,801 | >100.0% |
| **Net profit/(loss) for the year** | **(14,826)** | **(3.0)%** | **(57,011)** | **(16.8)%** | **(42,185)** | **>100.0%** |

*Net Revenues*

Net revenues amounted to €340.0 million for the year ended December 31, 2020, a decrease of €146.7 million, or 30.1% (€137.8 million decrease, or 28.3%, on a constant currency basis), compared to €486.7 million for the year ended December 31, 2019, primarily due to volumes reduction following the lockdown of the markets resulting from the COVID-19 pandemic.

All regions were impacted by the COVID-19 pandemic. In the first and second quarter of 2020, Asia was strongly impacted due to the full lockdown in the first quarter, as well as in Europe from late first quarter through the most of the second quarter, with a partial recovery from June, while the U.S. market was impacted in the second quarter of the year. Minimum levels were maintained thanks to the online channel, certain open markets and orders from key accounts. In the third quarter of 2020, we recorded a positive recovery, particularly in July and August, followed by a performance slowdown in September and October as the pandemic rates of infection climbed again and various lockdown measures were re-introduced in many regions. Despite the positive performance recorded in the previous months, and in particular in the U.S. market, November and December were negatively impacted by the renewed lockdowns implemented in Europe and Asia. Asia was further impacted by the reorganization in distribution, with the replacement of our distributor in South Korea during 2020.

Despite the COVID-19 pandemic, we continued to invest in support of our brands and in strengthening the commercial organization. In most markets, we preferred in the short term to follow the trend of demand, avoiding saturating the customers with products and focusing on credit quality.

During 2020, we agreed a new important licensing agreement with Max Mara. At the end of 2020, our main brand portfolio included: Tom Ford, Max Mara, Moncler, Ermenegildo Zegna, Barton Perreira, Omega, Longines, Bally, Tod's and Sportmax as well as more affordable brands such as Guess, Adidas, Swarovski, Timberland, Harley Davidson, Gant, Max&Co, Kenneth Cole, Skechers, BMW and GCDS.

Sales volumes decreased by 4.6 million frames, from 14.0 million frames for the year ended December 31, 2019 to 9.4 million frames for the year ended December 31, 2020.

The following table set forth an analysis of our net revenues by brand type for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2019 | % of net revenues | 2020 | % of net revenues | € | % |
| | (€ in thousands, except percentages) | | | | | |
| Luxury brands | 258,179 | 53.1% | 180,190 | 53.0% | (77,989) | (30.2)% |
| Diffusion brands | 228,491 | 46.9% | 159,788 | 47.0% | (68,703) | (30.1)% |
| **Total** | **486,670** | **100.0%** | **339,978** | **100.0%** | **(146,692)** | **(30.1)%** |

Net revenues from luxury brands amounted to €180.2 million, or 53.0% of net revenues, for the year ended December 31, 2020, compared to €258.2 million, or 53.1% of net revenues, for the year ended December 31, 2019. Net revenues from diffusion brands amounted to €159.8 million, or 47.0% of net revenues, for the year ended December 31, 2020, compared to €228.5 million, or 46.9% of net revenues, for the year ended December 31, 2019. This absolute decrease was primarily attributable to the reduction of sales volumes due to the COVID-19 pandemic. As a percentage of net revenues, both luxury and diffusion brands were substantially unchanged.

The following table set forth an analysis of our net revenues by product type for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2019 | % of net revenues | 2020 | % of net revenues | € | % |
| | *(€ in thousands, except percentages)* | | | | | |
| Prescription frames | 226,200 | 46.5% | 135,393 | 39.8% | (90,808) | (40.1)% |
| Sunglasses | 260,470 | 54.3% | 204,585 | 60.2% | (55,885) | (21.5)% |
| **Total** | **486,670** | **100.0%** | **339,978** | **100.0%** | **(146,692)** | **(30.1)%** |

Net revenues from prescription frames was €135.4 million, or 39.8% of net revenues, for the year ended December 31, 2020, compared to €226.2 million, or 46.5% of net revenues, for the year ended December 31, 2019. Net revenues from sunglasses decreased by €55.9 million, to €204.6 million for the year ended December 31, 2020 or 60.2% of net revenues, compared to €260.5 million, or 54.3% of net revenues, for the year ended December 31, 2019. This decrease was primarily attributable to the COVID-19 pandemic.

The following table set forth an analysis of our net revenues by geographic region for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2019 | % of net revenues | 2020 | % of net revenues | € | % |
| | *(€ in thousands, except percentages)* | | | | | |
| Italy | 35,033 | 7.2% | 24,568 | 7.2% | (10,465) | (29.9)% |
| Rest of Europe | 169,239 | 34.8% | 131,872 | 38.8% | (37,367) | (22.1)% |
| Americas | 202,143 | 41.5% | 143,540 | 42.2% | (58,603) | (29.0)% |
| Asia | 34,783 | 7.1% | 12,863 | 3.8% | (21,920) | (63.0)% |
| Rest of World | 45,472 | 9.3% | 27,135 | 8.0% | (18,337) | (40.3)% |
| **Total** | **486,670** | **100.0%** | **339,978** | **100.0%** | **(146,692)** | **(30.1)%** |

*Americas*

Net revenues from the Americas amounted to €143.5 million for the year ended December 31, 2020, a decrease of €58.6 million, or 29.0% (25.3% decrease on a constant currency basis), compared to €202.1 million for the year ended December 31, 2019. This decrease was primarily attributable to the effect of the COVID-19 pandemic and to the discontinuation of certain brands from the end of first quarter of 2019. Latin America recorded a significant decrease in revenues, especially during the first half of 2020 due to the COVID-19 pandemic, partially recovered starting from the last quarter of 2020.

*Italy*

Net revenues from Italy amounted to €24.6 million for the year ended December 31, 2020, a decrease of €10.5 million, or 29.9%, compared to €35.0 million for the year ended December 31, 2019. This decrease was primarily due to the COVID-19 pandemic. Starting from May 2020, revenues showed a progressive recovery, especially in the third quarter of 2020 with a significant growth compared to the same period of 2019. In the last quarter of 2020, despite the new restrictions imposed by the Italian Government, we recorded a positive result in term of revenues.

*Rest of Europe*

Net revenues from the Rest of Europe amounted to €131.9 million for the year ended December 31, 2020, a decrease of €37.4 million, or 22.1% (21.4% increase on a constant currency basis), compared to €169.2 million for the year ended December 31, 2019. Despite the negative result due to the effects of the COVID-19 pandemic,

this area contained the losses compared to the other geographical areas, thanks to the positive performance achieved in Germany, Switzerland and Nordic countries where we recorded a positive result in terms of revenues.

*Asia*

Net revenues from Asia amounted to €12.9 million for the year ended December 31, 2020, a decrease of €21.9 million, or 63.0% (62.5% decrease on a constant currency basis), compared to €34.8 million for the year ended December 31, 2019. This decrease was primarily attributable to the fact that this area was the first to be affected by the COVID-19 pandemic, starting from January 2020, with the most impacted countries being China and South Korea. The negative result was also affected by the change of Korean distributor during 2020, which determined a temporary slowdown of deliveries during the transition period from the former distributor to the new one and the restructuring activities of the Chinese affiliate, which slowed down business transactions in that area. In 2020, a new company in Australia was founded in order to improve volumes and profitability in that region through a direct agency network. At the end of 2020, we completed the acquisition of the minority shareholdings of the joint ventures in China and Russia, acquiring full control of those companies and, consequently, strengthening our direct presence in these markets. These operations assist our growth in the Asia and Asia-Pacific ("APAC") regions and to enhance the marketing synergy with the regional office operating in Hong Kong, by strengthening sales and marketing activities and offering a dedicated customer service.

*Rest of World*

Net revenues from Rest of World amounted to €27.1 million for the year ended December 31, 2020, a decrease of €18.3 million, or 40.3% (39.9% decrease on a constant currency basis), compared to €45.5 million for the year ended December 31, 2019. This decrease was primarily due to the COVID-19 pandemic while a significant recovery was achieved in the second half of the year.

*Cost of Sales*

The following table sets forth an analysis of cost of sales for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2019 | % of net revenues | 2020 | % of net revenues | € | % |
| | *(€ in thousands, except percentages)* | | | | | |
| Cost of product | 188,559 | 38.7% | 138,521 | 40.7% | (50,038) | (26.5)% |
| Cost of personnel | 12,012 | 2.5% | 9,561 | 2.8% | (2,451) | (20.4)% |
| Amortization, depreciation and writedowns | 3,715 | 0.8% | 3,899 | 1.1% | 184 | 5.0% |
| Other costs | 3,178 | 0.7% | 3,561 | 1.0% | 383 | 12.0% |
| **Cost of sales** | **207,464** | **42.6%** | **155,543** | **45.8%** | **(51,921)** | **(25.0)%** |

Cost of sales amounted to €155.5 million for the year ended December 31, 2020, a decrease of €51.9 million or 25.0% compared to €207.5 million for the year ended December 31, 2019, mainly due to a decrease in cost of product in line with the reduction in net revenues.

The following briefly discusses the main items within our cost of sales:

- *Cost of product* amounted to €138.5 million for the year ended December 31, 2020, a decrease of €50.0 million, or 26.5%, compared to €188.6 million for the year ended December 31, 2019 driven by the previously mentioned effect. As a percentage of net revenues, cost of product increased from 38.7% for the year ended December 31, 2019 to 40.7% for the year ended December 31, 2020. This change was primarily due to the decreased overall volumes resulting in a lower absorption of fixed costs. Volumes of production were reduced in order to maintain the stock level consistent with the sales trend.
- *Cost of personnel* amounted to €9.6 million for the year ended December 31, 2020, a decrease of €2.5 million, or 20.4%, compared to €12.0 million for the year ended December 31, 2019. As a percentage of net revenues, cost of personnel increased from 2.5% in 2019 to 2.8% in 2020.
- *Other costs* amounted to €3.6 million for the year ended December 31, 2020, an increase of €0.4 million, or 12.0%, compared to €3.2 million for the year ended December 31, 2019. In both periods, Other costs were primarily related to transport and customs charges, and to a lesser extent, to business consulting services.

*Gross Profit*

Gross profit amounted to €184.4 million for the year ended December 31, 2020, a decrease of €94.8 million, or 33.9%, compared to €279.2 million for the year ended December 31, 2019, as a result of the factors described above. Gross profit margin continued to benefit from product cost control strategy and stable commercial and pricing policy on sales, while, as a percentage of net revenues, marginally showed a slight reduction from 57.4% in 2019 to 54.2% in 2020, primarily due to negative incidence of fixed industrial overheads and accruals for provisions related to strong reduction in net revenues attributable to the COVID-19 pandemic.

*Distribution and Marketing Expenses*

The following table sets forth an analysis of distribution and marketing expenses for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2019 | % of net revenues | 2020 | % of net revenues | € | % |
| | *(€ in thousands, except percentages)* | | | | | |
| Cost of personnel | 59,021 | 12.1% | 47,841 | 14.1% | (11,180) | (18.9)% |
| Commissions | 29,313 | 6.0% | 23,355 | 6.9% | (5,958) | (20.3)% |
| Amortization, depreciation and writedowns | 16,549 | 3.4% | 19,500 | 5.7% | 2,951 | 17.8% |
| Royalties | 60,613 | 12.5% | 37,300 | 11.0% | (23,313) | (38.5)% |
| Advertising and PR | 33,646 | 6.9% | 18,229 | 5.4% | (15,417) | (45.8)% |
| Other costs | 29,207 | 6.0% | 20,860 | 6.1% | (8,347) | (28.6)% |
| **Distribution and marketing expenses** | **228,349** | **46.9%** | **167,085** | **49.1%** | **(61,264)** | **(26.8)%** |

Distribution and marketing expenses amounted to €167.1 million for the year ended December 31, 2020, a decrease of €61.3 million, or 26.8%, compared to €228.3 million for the year ended December 31, 2019, primarily due to the reduction in net revenues, which in turn, was attributable to the COVID-19 pandemic. As a percentage of net revenues, Distribution and marketing expenses increased from 46.9% for the year ended December 31, 2019 to 49.1% for the year ended December 31, 2020. Distribution and marketing expenses benefited from the actions taken by management in response to the pandemic, such as the optimization of marketing expenses, the reduction of salary compensation and the government measures introduced across various countries to control personnel costs (*i.e.*, employee furlough).

The decrease in distribution and marketing expenses was mainly attributable to the combined effect of the following:

- *Cost of personnel* amounted to €47.8 million for the year ended December 31, 2020, a decrease of €11.2 million, or 18.9%, compared to €59.0 million for the year ended December 31, 2019. For the year ended December 31, 2020, the Group benefited from governmental grants and other forms of governmental assistance. Personnel costs were affected by the implementation of the COVID-19 fund, in particular for the initiatives related to salary support (*i.e.*, furlough plan, salary reduction and/or any comparable measures such as the *Italian Cassa Integrazione Guadagni* and other government measures). As a percentage of net revenues, personnel expenses increased from 12.1% in 2019 to 14.1% in 2020.

- *Royalties* amounted to €37.3 million for the year ended December 31, 2020, a decrease of €23.3 million, or 38.5%, compared to €60.6 million for the year ended December 31, 2019. As a percentage of net revenues, royalties decreased from 12.5% in 2019 to 11.0% in 2020. This change was due to management actions put in place in 2020 in order to waive guaranteed minimum royalties given the extraordinary situation.

- *Advertising and public relations* amounted to €18.2 million for the year ended December 31, 2020, a decrease of €15.4 million, or 45.8%, compared to €33.6 million for the year ended December 31, 2019. The decrease is related to management actions in order to minimize discretionary expenditures and optimize marketing expenses.

- *Other costs* refer mainly to freight expenses, business travel, rent and services and amounted to €20.9 million for the year ended December 31, 2020, a decrease of €8.3 million, or 28.6%, compared to €29.2 million for the year ended December 31, 2019.

*General and Administrative Expenses*

The following table sets forth an analysis of general and administrative expenses for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2019 | % of net revenues | 2020 | % of net revenues | € | % |
| | *(€ in thousands, except percentages)* | | | | | |
| Cost of personnel | 19,311 | 4.0% | 14,242 | 4.2% | (5,069) | (26.2)% |
| Writedown of receivables | 2,928 | 0.6% | 5,154 | 1.5% | 2,226 | 76.0% |
| Amortization, depreciation and writedowns | 4,843 | 1.0% | 4,123 | 1.2% | (720) | (14.9)% |
| Other costs | 16,927 | 3.5% | 15,294 | 4.5% | (1,633) | (9.6)% |
| **General and administrative expenses** | **44,009** | **9.0%** | **38,813** | **11.4%** | **(5,196)** | **(11.8)%** |

General and administrative expenses amounted to €38.8 million for the year ended December 31, 2020, a decrease of €5.2 million, or 11.8%, compared to €44.0 million for the year ended December 31, 2019. As a percentage of net revenues, general and administrative expenses increased from 9.0% in 2019 to 11.4% in 2020. Such increase was mainly due to the mix of general and administrative expenses, which mainly include fixed costs, and to the increase in writedown of receivables from €2.9 million in 2019 to €5.2 million in 2020 in order to reflect the adjustment of trade receivables to the recoverable amount based on the evaluations made by the management.

*Operating Income and Expenses*

The following table sets forth an analysis of operating income and expenses for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2019 | % of net revenues | 2020 | % of net revenues | € | % |
| | *(€ in thousands, except percentages)* | | | | | |
| Other income | 12,898 | 2.7% | 3,643 | 1.1% | (9,255) | (71.8)% |
| Other expenses | (219) | n.a. | (9,451) | (2.8)% | (9,232) | >100.0% |
| **Other operating income (expenses)** | **12,679** | **2.6%** | **(5,808)** | **(1.7)%** | **(18,487)** | **>(100.0)%** |

Net other operating expenses amounted to €5.8 million for the year ended December 31, 2020, a decrease of €18.5 million compared to other operating income amounting to €12.7 million for the year ended December 31, 2019. In 2019 other income included commercial and distributive services recharged to third parties. During fiscal year 2020, we recorded a gain from the sale of the business units held by Marcolin (Deutschland) GmbH, Marcolin UK Ltd and Marcolin Ibérica SA to Thélios Deutschland GmbH, Thélios UK Limited and Thélios Iberian Penisula S.L. This reorganization resulted in a reduction of the recharged cost to third parties in 2020.

With reference to the fiscal year ended December 31, 2020, other expenses included costs deriving from contractual renegotiation activities with certain suppliers.

*Profit/(Loss) from Associates*

Loss from associates amounted to €18.0 million for the year ended December 31, 2020, an increase of €4.9 million, or 36.8%, compared to €13.2 million for the year ended December 31, 2019. The item included the effect of consolidation using the equity method of the associate entity Thélios and its subsidiaries. Thélios is a manufacturer, distributor and promoter of sunglasses and eyeglasses of certain brands of the LVMH Group and detains an important brand portfolio that include Celine, Kenzo, Loewe, Fred, Berluti, Rimowa, Fenty and Dior.

*Financial Income and Costs*

The following table sets forth an analysis of financial income and costs for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2019 | % of net revenues | 2020 | % of net revenues | € | % |
| | (€ in thousands, except percentages) | | | | | |
| Financial income | 14,977 | 3.1% | 11,309 | 3.3% | (3,668) | (24.5)% |
| Financial costs | (36,477) | (7.5)% | (34,145) | (10.0)% | 2,332 | (6.4)% |
| **Net financial costs** | **(21,500)** | **(4.4)%** | **(22,836)** | **(6.7)%** | **(1,336)** | **6.2%** |

Net financial costs amounted to €22.8 million for the year ended December 31, 2020, an increase of €1.3 million, or 6.2%, compared to €21.5 million for the year ended December 31, 2019. As a percentage of net revenues, financial income and costs were 4.4% and 6.7% for the years ended 2019 and 2020, respectively. Financial income and costs were primarily related to (i) interest of €10.5 million on the Existing 2023 Notes for both 2019 and 2020 and (ii) interest expense with other lenders and actualization differences. The increase in financial income and costs was mainly related to (i) an increase in net foreign currency exchange losses due to the significant depreciation of Mexican Pesos and Brazilian Reals and (ii) the higher finance expenses on new financial loans drawn in the period. Financial income and costs also included financial discounts granted to customers and other finance costs and discounts.

*Income Tax*

Income tax benefit amounted to €11.1 million for the year ended December 31, 2020 compared to a benefit of €0.3 million for year ended December 31, 2019. This increase was primarily attributable to (i) the positive effect of the recognition of deferred tax assets in 2020 of €7.9 million, compared to €3.6 million in 2019, and (ii) the recognition in 2020, by Marcolin S.p.A., of a tax benefit of €3.4 million attributable to the IRES credit from 3Cime S.p.A. under the tax consolidation agreement in place with the parent company (compared to a loss of €0.6 million for the year ended December 31, 2019).

***Comparison of the Years Ended December 31, 2018 and 2019***

The following is a discussion of the results of operations for the year ended December 31, 2019 as compared to the year ended December 31, 2018. The discussion includes a presentation of such line items as a percentage of net revenues for the respective periods presented, to facilitate year-over-year comparisons.

The following tables set forth an analysis of our income statement for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2018 | % of net revenues | 2019 | % of net revenues | € | % |
| | (€ in thousands, except percentages) | | | | | |
| Net revenues | 482,219 | 100.0% | 486,670 | 100.0% | 4,451 | 0.9% |
| Cost of sales | (207,227) | (43.0)% | (207,464) | (42.6)% | (237) | 0.1% |
| **Gross profit** | **274,992** | **57.0%** | **279,206** | **57.4%** | **4,214** | **1.5%** |
| Distribution and marketing expenses | (221,524) | (45.9)% | (228,349) | (46.9)% | (6,825) | 3.1% |
| General and administrative expenses | (39,803) | (8.3)% | (44,009) | (9.0)% | (4,206) | 10.6% |
| Other operating income/(expenses) | 15,217 | 3.2% | 12,679 | 2.6% | (2,538) | (16.7)% |
| **Operating income—EBIT** | **28,882** | **6.0%** | **19,527** | **4.0%** | **(9,355)** | **(32.4)%** |
| Profit/(loss) from associates | (9,011) | (1.9)% | (13,177) | (2.7)% | (4,166) | 46.2% |
| Financial income | 8,127 | 1.7% | 14,977 | 3.1% | 6,850 | 84.3% |
| Financial costs | (32,201) | (6.7)% | (36,477) | (7.5)% | (4,276) | 13.3% |
| **Profit before taxes** | **(4,203)** | **(0.9)%** | **(15,150)** | **(3.1)%** | **(10,947)** | **>100%** |
| Income tax | 3,372 | 0.7% | 324 | 0.1% | (3,048) | (90.4)%. |
| **Net profit/(loss) for the year** | **(831)** | **(0.2)%** | **(14,826)** | **(3.0)%** | **(13,995)** | **>100%** |

*Net Revenues*

Net revenues amounted to €486.7 million for the year ended December 31, 2019, an increase of €4.5 million, or 0.9% (€7.4 million decrease, or 1.5%, on a constant currency basis), compared to €482.2 million for the year ended December 31, 2018.

In 2019 we entered into important licensing agreements with Barton Perreira, an independent eyewear brand based on Los Angeles, Max Mara Fashion Group for the Sportmax brand, Adidas, BMW Group and GCDS. During 2019, we also renewed important existing license agreements, including those with Harley Davidson, Emilio Pucci and Kenneth Cole.

Sales volumes decreased by €0.6 million frames, from €14.7 million frames for the year ended December 31, 2018 to €14.1 million frames for the year ended December 31, 2019.

The following table set forth an analysis of our net revenues by brand type for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2018 | % of net revenues | 2019 | % of net revenues | € | % |
| | *(€ in thousands, except percentages)* | | | | | |
| Luxury brands | 256,623 | 53.2% | 258,179 | 53.1% | 1,556 | 0.6% |
| Diffusion brands | 225,596 | 46.8% | 228,491 | 46.9% | 2,895 | 1.3% |
| **Total** | **482,219** | **100.0%** | **486,670** | **100.0%** | **4,451** | **0.9%** |

Net revenues from luxury brands was €258.2 million, or 53.1% of net revenues, for the year ended December 31, 2019, compared to €256.6 million, or 53.2% of net revenues, for the year ended December 31, 2018. This increase was primarily attributable to the strong performance of Tom Ford. Net revenues from diffusion brands increased by €2.9 million, to €228.5 million, or 46.9% of net revenues, for the year ended December 31, 2019, compared to €225.6 million, or 46.8% of net revenues, for the year ended December 31, 2018. This increase was primarily attributable to the positive performance for diffusion brands.

The following table set forth an analysis of our net revenues by product type for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2018 | % of net revenues | 2019 | % of net revenues | € | % |
| | *(€ in thousands, except percentages)* | | | | | |
| Prescription frames | 223,136 | 46.3% | 226,200 | 46.5% | 3,064 | 1.4% |
| Sunglasses | 259,083 | 54.7% | 260,470 | 53.5% | 1,387 | 0.5% |
| **Total** | **482,219** | **100.0%** | **486,670** | **100.0%** | **4,451** | **0.9%** |

Net revenues from prescription frames was €226.2 million, or 46.5% of net revenues, for the year ended December 31, 2019, compared to €223.1 million, or 46.3% of net revenues, for the year ended December 31, 2018. Net revenues from sunglasses increased by €1.4 million, or 0.5% of net revenues, to €260.5 million for the year ended December 31, 2019, compared to €259.1 million, or 54.7% of net revenues, for the year ended December 31, 2018.

The following table set forth an analysis of our net revenues by geographic region for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2018 | % of net revenues | 2019 | % of net revenues | € | % |
| | *(€ in thousands, except percentages)* | | | | | |
| Italy | 34,204 | 7.1% | 35,033 | 7.2% | 829 | 2.4% |
| Rest of Europe | 161,171 | 33.4% | 169,239 | 34.8% | 8,068 | 5.0% |
| Americas | 197,466 | 40.9% | 202,143 | 41.5% | 4,677 | 2.4% |
| Asia | 36,372 | 7.5% | 34,783 | 7.1% | (1,589) | (4.4)% |
| Rest of World | 53,006 | 11.0% | 45,472 | 9.3% | (7,534) | (14.2)% |
| **Total** | **482,219** | **100.0%** | **486,670** | **100.0%** | **4,451** | **0.9%** |

*Americas*

Net revenues from the Americas amounted to €202.1 million for the year ended December 31, 2019, an increase of €4.7 million, or 2.4% (2.1% decrease on a constant currency basis), compared to €197.5 million for the year ended December 31, 2018. This increase was primarily attributable to the good performance of the U.S. market, particularly the eyewear stores and department stores sales channels, as partially offset by the slowdown of the Canadian market. Furthermore, at constant exchange rates, luxury brands showed a very positive growth, mainly led by Tom Ford and Ermenegildo Zegna; and Timberland and Swarovski showed strong performances for diffusion brands.

*Italy*

Net revenues from Italy amounted to €35.0 million for the year ended December 31, 2019, an increase of €0.8 million, or 2.4%, compared to €34.2 million for the year ended December 31, 2018. This increase was primarily due to the positive performance of Tom Ford, Swarovski and the new licenses obtained in the year ended December 31, 2021. See "*—Key Factors Affecting Our Financial Condition and Results of Operations—License Agreements—Payments Related to Licenses.*"

*Rest of Europe*

Net revenues from the Rest of Europe amounted to €169.2 million for the year ended December 31, 2019, an increase of €8.1 million, or 5.0% (4.2% increase on a constant currency basis), compared to €161.2 million for the year ended December 31, 2018. This increase was primarily due to the positive performance of both the luxury and the diffusion brands and the positive effects of the sales reorganization carried out in previous years, including in Germany, Russia, Spain.

*Asia*

Net revenues from Asia amounted to €34.8 million for the year ended December 31, 2019, a decrease of €1.6 million, or 4.4% (8.5% decrease on a constant currency basis), compared to €36.4 million for the year ended December 31, 2018. This decrease was primarily attributable to performance recorded in China and South Korea, mainly driven by market conditions. In March 2019, Marcolin Singapore Pte Ltd, wholly owned by Marcolin S.p.A., was founded in Singapore to distribute directly Marcolin products in Singapore and Malaysia.

*Rest of World*

Net revenues from Rest of World amounted to €45.5 million for the year ended December 31, 2019, a decrease of €7.5 million, or 14.2% (15.8% decrease on a constant currency basis), compared to €53.0 million for the year ended December 31, 2018. This decrease was primarily due to performance in the Mediterranean region, sub-Saharan Africa and the Middle East and the discontinuation of two luxury brands that transitioned out of our portfolio in 2019.

*Cost of Sales*

The following table sets forth an analysis of cost of sales for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2018 | % of net revenues | 2019 | % of net revenues | € | % |
| | *(€ in thousands, except percentages)* | | | | | |
| Cost of product | 190,471 | 39.5% | 188,559 | 38.7% | (1,912) | (1.0)% |
| Cost of personnel | 11,490 | 2.4% | 12,012 | 2.5% | 522 | 4.5% |
| Amortization, depreciation and writedowns | 3,482 | 0.7% | 3,715 | 0.8% | 233 | 6.7% |
| Other costs | 1,784 | 0.4% | 3,178 | 0.7% | 1,394 | 78.2% |
| **Cost of sales** | **207,227** | **43.0%** | **207,465** | **42.6%** | **237** | **0.1%** |

Cost of sales amounted to €207.5 million for the year ended December 31, 2019, essentially flat compared to €207.2 million for the year ended December 31, 2018. Cost of sales were largely controlled despite an increase in U.S. duties and in sales volumes in 2019, primarily due to cost control initiatives and other actions taken by management to improve the efficiency of inventory management by reducing considerably the number of models produced and accelerating the sales period for them. As a result, as a percentage of net revenues cost of sales was essentially flat amounting to 43.0% in 2018 and 42.6% in 2019.

The following briefly discusses the main items within our cost of sales:

- *Cost of product* amounted to €188.6 million for the year ended December 31, 2019, a decrease of €1.9 million, or 1.0%, compared to €190.5 million for the year ended December 31, 2018. This was primarily due to cost control initiatives and our product mix. As a percentage of net revenues, cost of product was substantially unchanged, amounting to 39.5% in 2018 and 38.7% in 2019.

- *Cost of personnel* amounted to €12.0 million for the year ended December 31, 2019, an increase of €0.5 million, or 4.5%, compared to €11.5 million for the year ended December 31, 2018. Cost of personnel as a percentage of net revenues was substantially unchanged at 2.4% in 2018 and 2.5% in 2019. Average number of employees for 2019 was 1,902, as compared to 1,948 for 2018, with the decrease recorded in manual workers.

- *Other costs* include freight expenses, business travel, rent and services amounted to €3.2 million for the year ended December 31, 2019, an increase of €1.4 million, or 78.2%, compared to €1.8 million for the year ended December 31, 2018. In both periods, other costs primarily related to transport and customs charges, and to a lesser extent, business consulting services.

*Gross Profit*

Gross profit amounted to €279.2 million for the year ended December 31, 2019, an increase of €4.2 million, or 1.5%, compared to €275.0 million for the year ended December 31, 2018, primarily as a result of the factors described above. Gross profit as a percentage of net revenues increased from 57.0% for the year ended December 31, 2018 to 57.4% for the year ended December 31, 2019.

*Distribution and Marketing Expenses*

The following table sets forth an analysis of distribution and marketing expenses for the periods indicated.

| | **For the year ended December 31,** | | | | **Change** | |
|---|---|---|---|---|---|---|
| | **2018** | **% of net revenues** | **2019** | **% of net revenues** | **€** | **%** |
| | *(€ in thousands, except percentages)* | | | | | |
| Cost of personnel | 55,636 | 11.5% | 59,021 | 12.1% | 3,385 | 6.1% |
| Commissions | 29,511 | 6.1% | 29,313 | 6.0% | (198) | (0.7)% |
| Amortization, depreciation and writedowns | 11,272 | 2.3% | 16,549 | 3.4% | 5,277 | 46.8% |
| Royalties | 59,394 | 12.3% | 60,613 | 12.5% | 1,219 | 2.1% |
| Advertising and PR | 33,568 | 7.0% | 33,646 | 6.9% | 78 | 0.2% |
| Other costs | 32,143 | 6.7% | 29,207 | 6.0% | (2,936) | (9.1)% |
| **Distribution and marketing expenses** | **221,524** | **45.9%** | **228,349** | **46.9%** | **6,825** | **3.1%** |

Distribution and marketing expenses amounted to €228.3 million for the year ended December 31, 2019, an increase of €6.8 million, or 3.1%, compared to €221.5 million for the year ended December 31, 2018. As a percentage of net revenues, distribution and marketing expenses were stable at 45.9% in 2018 and 46.9% in 2019.

The increase in distribution and marketing expenses is attributable to the combined effect of the following:

- *Cost of personnel* amounted to €59.0 million for the year ended December 31, 2019, an increase of €3.4 million, or 6.1%, compared to €55.6 million for the year ended December 31, 2018. As a percentage of net revenues, cost of personnel marginally increased from 11.5% in 2018 to 12.1% in 2019.

- *Amortization, depreciation and writedowns* amounted to €16.6 million for the year ended December 31, 2019, an increase of €5.3 million, or 46.8%, compared to €11.3 million for the year ended December 31, 2018, the increase is mainly attributable to the application of IFRS 16 in 2019.

- *Royalties* amounted to €60.6 million for the year ended December 31, 2019, an increase of €1.2 million, or 2.1%, compared to €59.4 million for the year ended December 31, 2018. As a percentage of net revenues, royalties were substantially unchanged from 12.3% in 2018 to 12.5% in 2019. The amount of royalties for both 2018 and 2019 included MAG amounts relating to certain licenses that we decided to terminate in 2020 and 2021.

- *Advertising and public relations* amounted to €33.6 million for the year ended December 31, 2019, in line with the year ended December 31, 2018, continuing to promote the brands managed, including both licensed and house brands and as a percentage of net revenues, the expenditure remained consistent with the previous year.
- *Other costs* amounted to €29.2 million for the year ended December 31, 2019, a decrease of €2.9 million, or 9.1%, compared to €32.1 million for the year ended December 31, 2018.

*General and Administrative Expenses*

The following table sets forth an analysis of general and administrative expenses for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2018 | % of net revenues | 2019 | % of net revenues | € | % |
| | (*€ in thousands, except percentages*) | | | | | |
| Cost of personnel | 16,046 | 3.3% | 19,311 | 4.0% | 3,265 | 20.3% |
| Writedown of receivables | 3,020 | 0.6% | 2,928 | 0.6% | (92) | (0.6)% |
| Amortization, depreciation and writedowns | 4,307 | 0.9% | 4,843 | 1.0% | 536 | 3.3% |
| Other costs | 16,430 | 3.4% | 16,927 | 3.5% | 497 | 3.1% |
| **General and administrative expenses** | **39,803** | **8.3%** | **44,009** | **9.0%** | **4,206** | **26.2%** |

General and administrative expenses amounted to €44.0 million for the year ended December 31, 2019, an increase of €4.2 million, or 26.2%, compared to €39.8 million for the year ended December 31, 2018. As a percentage of net revenues, general and administrative expenses increased from 8.3% in 2018 to 9.0% in 2019. This increase was primarily due to extraordinary personnel costs related to a succession plan drawn up for our Board of Directors.

*Operating Income and Expenses*

The following table sets forth an analysis of operating income and expenses for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2018 | % of net revenues | 2019 | % of net revenues | € | % |
| | (*€ in thousands, except percentages*) | | | | | |
| Other income | 15,366 | 3.2% | 12,898 | 2.7% | (2,468) | (16.1)% |
| Other expenses | (149) | n.a. | (219) | n.a. | (70) | 47.0% |
| **Other operating income** | **15,217** | **3.2%** | **12,679** | **2.6%** | **(2,538)** | **(16.7)%** |

Net other operating income amounted to €12.7 million for the year ended December 31, 2019, a decrease of €2.5 million, or 16.7%, compared to €15.2 million for the year ended December 31, 2018. The amount mainly refers to commercial and distributive services recharged to third parties.

*Profit/(Loss) from Associates*

Loss from associates amounted to €13.2 million for the year ended December 31, 2019, an increase of €4.2 million, or 46.2%, compared to €9.0 million for the year ended December 31, 2018. This increase was primarily attributable to our share of losses incurred by Thélios related to startup costs, mostly related to the outfitting of its manufacturing premises at Longarone which was inaugurated in April 2018.

*Financial Income and Costs*

The following table sets forth an analysis of financial income and costs for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2018 | % of net revenues | 2019 | % of net revenues | € | % |
| | (*€ in thousands, except percentages*) | | | | | |
| Financial income | 8,127 | 1.7% | 14,977 | 3.1% | 6,850 | 84.3% |
| Financial costs | (32,201) | (6.7)% | (36,477) | (7.5)% | (4,276) | 13.3% |
| **Net financial costs** | **(24,074)** | **(5.0)%** | **(21,500)** | **(4.4)%** | **2,574** | **(10.7)%** |

Net financial costs amounted to €21.5 million for the year ended December 31, 2019, a decrease of €2.6 million, or 10.7%, compared to €24.1 million for the year ended December 31, 2018. As a percentage of net revenues, net financial costs decreased from 5.0% in 2018 to 4.4% in 2019. The decrease was primarily attributable to foreign currency exchange gains in respect of financial income, driven by the appreciation of the euro compared to the U.S. dollar, as partially offset by the reclassification to the income statement of the translation adjustment to the loan denominated in U.S. dollars from Marcolin S.p.A. to Marcolin USA Eyewear Corp., previously recognized in an equity reserve as a quasi-equity loan, following the partial waiver of the above mentioned loan.

*Income Tax*

Income tax benefit amounted to €0.3 million for the year ended December 31, 2019 compared to €3.4 million for year ended December 31, 2018. This decrease was attributable to the recognition of deferred taxes that were recorded in 2018 amounting to €6.0 million (as compared to €3.6 million in 2019), partially offset by a tax benefit of €0.3 million recognized in 2019 pursuant to the "Patent Box" regime (an optional tax incentive regime for income derived from the use of intangible assets).

**Liquidity and Capital Resources**

Our primary sources of liquidity in the past have been cash flows from operations and cash proceeds from financing activities. Cash flows from financing activities have in the past included, among others, the net proceeds from the Existing 2023 Notes, drawings under the Existing Revolving Credit Facility, borrowings under the SACE Loan, shareholder loans, leasing, short term loans under unsecured local facilities (including invoice discounting as discussed under "*Description of Certain Financing Arrangements—Local Facilities*") and the sale of trade receivables to factoring counterparties typically under recourse and non-recourse (*pro soluto*) arrangements. See "*Description of Certain Financing Arrangements—Factoring Operations*" for a description of our factoring operations. We also have in the past used cash management accounts with banks to manage day-to-day liquidity needs and we intend to continue to do so. The Indenture and the Intercreditor Agreement will permit us to grant the Collateral to such providers (subject to compliance with their terms).

We intend to use the proceeds from the Offering to redeem all of the outstanding Existing 2023 Notes (plus accrued interest), repay all amounts outstanding under the Existing Revolving Credit Facility, repay and cancel the SACE Facility, fund cash on balance sheet and pay certain fees and expenses in connection with the Refinancing. See "*Use of Proceeds*."

We expect that following the Refinancing, financial liabilities related to leasing and non-recourse factoring obligations of the Issuer will remain outstanding and that we will continue to use local facilities with Italian lenders to meet our export finance, working capital and liquidity needs. We will also have available drawings under the New Revolving Credit Facility. Our main sources of liquidity following the Refinancing will be cash generated from our operating activities and the New Revolving Credit Facility. We may also engage in opportunistic factoring transactions and sell a portion of our trade receivables. For more information regarding our indebtedness and cash service requirements on our indebtedness following the Refinancing, see "*Capitalization*" and "*Description of Certain Financing Arrangements*."

Following the Refinancing our cash requirements will mainly consist of the following:

- operating activities, including our net working capital requirements and purchasing raw materials and semi-finished products;
- making payments under our license agreements, including in connection with securing new licenses and renewals;
- servicing our indebtedness and the interest payments thereon, including the Notes offered hereby and the New Revolving Credit Facility;
- funding capital expenditures; and
- paying taxes and other expenses.

As of March 31, 2021, after giving effect to the Refinancing, the amount of our total financial debt would have been €394.9 million. See "*Description of Certain Financing Arrangements*" for a description of the factoring operations and New Revolving Credit Facility that will be available to the Issuer following the Refinancing.

*Trade Working Capital*

The table below set forth a summary of our trade working capital, as derived from our consolidated statement of financial position information, for the periods indicated.

| | As of December 31, | | | As of March 31, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | | | | unaudited |
| | (€ in thousands) | | | |
| Inventories | 126,061 | 122,777 | 105,863 | 110,295 |
| Trade receivables | 91,992 | 90,674 | 71,652 | 87,034 |
| Trade payables | (150,134) | (143,869) | (94,624) | (113,586) |
| **Trade working capital** | **67,919** | **69,582** | **82,891** | **83,743** |

As of December 31, 2018, our trade working capital amounted to €67.9 million and increased to €69.6 million and €82.9 million as of December 31, 2019 and 2020, respectively. As of March 31, 2021, trade working capital increased to €83.7 million. During the periods under review, we continued to monitor our trade working capital through optimization of inventories and tight management of payments from customers and to suppliers to ensure a better matching between cash inflows and cash outflows.

The table below set forth a summary of our movements in trade working capital, as derived from our consolidated statements of cash flows, for the periods indicated.

| | For year ended December 31, | | | For three months ended March 31, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | unaudited | |
| | (€ in thousands) | | | | |
| (Increase)/decrease in trade receivables | (10,733) | (2,692) | 4,137 | 5,776 | (14,997) |
| (Increase)/decrease in inventories | (10,385) | 5,721 | 2,202 | (14,434) | (3,600) |
| Increase/(decrease) in trade payables | 23,331 | (8,392) | (41,288) | (16,982) | 17,747 |
| **Movements in Trade Working Capital** | **2,213** | **(5,363)** | **(34,949)** | **(25,640)** | **(850)** |

Movements in trade working capital generated cash of €2.2 million for the year ended December 31, 2018 and absorbed cash of €5.4 million and €34.9 million for the years ended December 31, 2019 and 2020, respectively. For the three months ended March 31, 2021 and 2020, movements in trade working capital absorbed cash of €0.8 million and 25.6 million, respectively. For further information on the movements of our trade working capital for the periods indicated, please refer to the section below.

Our trade working capital movements are mainly affected by the volumes and timing of sales. We have undertaken management initiatives in 2020 with the aim of optimizing trade working capital and in particular reducing the days sales outstanding (DSO) and days of inventory (DOI). In addition, we focused on the re-alignment of cash outflows and inflows, leveraging our strong relations with suppliers, and on the improvement of cash collection, reaching strong results with our DSO (days sales outstanding) progressively decreasing from circa 113 days in May 2020 (historical high) to 72 days in December 2020. Our trade payables are affected by purchase volumes as well as by payments to licensors.

Payment agreements with our customers vary according to local laws and market practice. However, generally speaking, for large key accounts and for distributors, contracts require payments within specific periods, which can be between zero days (pre-payment) and 90 days, or in certain instances, depending on the jurisdiction, up to 120 days. For all other customers (independent opticians and small optical chains), payment terms are set by local laws and by our standard terms policy, which normally range from 30 to 120 days. Longer payment terms may be granted according to the local market practice and economic conditions. Typically, collection takes longer in Southern Europe and Brazil where small optical businesses comprise a large portion of our trade receivables, compared to other markets, such as Germany, France and the United States, where our key accounts are largely located.

Our business is affected by seasonality, with sales of sunglasses generally higher in the first half of each year, therefore net revenues for the first half of a given year are expected to account for more than half of the year's total net revenues. As a result, net revenues for the three months ended March 31, should not be considered as an

outlook of the full year. In order to be able to launch new collections at the start of the calendar year, we generally stock up the new lines and as a result, inventory at year-end is usually larger than during interim periods.

**Cash Flows**

The table below sets forth a summary of our consolidated statements of cash flows for the periods indicated.

| *(in thousands of Euro)* | For the year ended December 31, | | | For the three months ended March 31, | |
|---|---|---|---|---|---|
| | **2018** | **2019** | **2020** | **2020** | **2021** |
| | | | | **unaudited** | |
| **OPERATING ACTIVITIES** | | | | | |
| *Profit (loss) for the period* | (831) | (14,826) | (57,011) | (10,083) | 734 |
| Depreciation and amortization | 19,062 | 25,107 | 27,523 | 6,716 | 7,119 |
| Provisions | 12,081 | 4,045 | 14,727 | 1,802 | 1,417 |
| Income tax expense | (3,372) | (324) | (11,125) | (1,805) | 1,001 |
| Accrued interest expense | 24,074 | 21,500 | 22,836 | 11,055 | 2,907 |
| Adjustments to other non-cash items | 8,919 | 12,822 | 17,954 | 4,176 | 338 |
| *Cash generated by operations* | *59,933* | *48,324* | *14,904* | *11,861* | *13,517* |
| *Cash generated by change in operating working capital* | *2,213* | *(5,363)* | *(34,949)* | *(25,640)* | *(850)* |
| *Other elements in working capital* | *(9,676)* | *(2,850)* | *(10,579)* | *(8,768)* | *3,618* |
| Income taxes paid | (2,185) | (1,095) | (1,831) | (1,425) | (342) |
| Interest received | 724 | 627 | 317 | 234 | 43 |
| Interest paid | (13,257) | (13,663) | (14,198) | (3,478) | (3,523) |
| *Total cash generated by change in other items of net working capital* | *(24,394)* | *(16,982)* | *(26,291)* | *(13,437)* | *(203)* |
| *Net cash from /(used in) net working capital* | *(22,181)* | *(22,345)* | *(61,240)* | *(39,078)* | *(1,053)* |
| **Net cash from /(used in) operating activities** | **37,753** | **25,979** | **(46,336)** | **(27,216)** | **12,464** |
| **INVESTING ACTIVITIES** | | | | | |
| (Purchase) of property, plant and equipment | (8,645) | (9,666) | (6,626) | (2,161) | (1,285) |
| Disposal of property, plant and equipment | 700 | 358 | 75 | — | 3 |
| (Investments) in intangible assets | (10,480) | (10,923) | (6,288) | (1,362) | (1,851) |
| Net (Investments)/disposal in investment in subsidiaries and associates | (9,802) | — | — | — | — |
| **Net cash from /(used in) investing activities** | **(28,227)** | **(20,231)** | **(12,839)** | **(3,524)** | **(3,133)** |
| **FINANCING ACTIVITIES** | | | | | |
| *Financial Assets* | | | | | |
| —(Proceeds) | (7,431) | (6,177) | (1,257) | — | (1,960) |
| —Repayments | — | — | — | 525 | 703 |
| *Financial Loans from banks* | | | | | |
| —Proceeds | — | 7,000 | 52,000 | 1,341 | — |
| —(Repayments) | (9,673) | (3,768) | (2,691) | — | (1,006) |
| Loans from shareholders | — | — | 25,779 | — | — |
| Principal elements of lease payments | — | (4,461) | (6,054) | (1,227) | (919) |
| Other current and non-current financial liabilities | 423 | 13,493 | 1,121 | 9,916 | (291) |
| Capital increase | 3 | — | — | — | — |
| Transactions with non-controlling interests | — | — | — | — | (3,634) |
| Dividends paid | (143) | (607) | (1,184) | (1,059) | — |
| **Net cash from /(used in) financing activities** | **(16,821)** | **5,480** | **67,714** | **9,496** | **(7,108)** |
| **Net increase/(decrease) in cash and cash equivalents** | **(7,295)** | **11,228** | **8,539** | **(21,243)** | **2,223** |
| Effect of foreign exchange rate changes | 674 | 460 | (2,048) | (50) | 159 |
| **Cash and cash equivalents at beginning of year** | **40,805** | **34,184** | **45,872** | **45,872** | **52,363** |
| **Cash and cash equivalents at end of year** | **34,184** | **45,872** | **52,363** | **24,579** | **54,743** |

***Net Cash Flows from Operating Activities***

*Three Months Ended March 31, 2021 as Compared to the Three Months Ended March 31, 2020*

Net cash flow from operating activities generated cash of €12.5 million for the three months ended March 31, 2021 compared to cash absorbed of €27.2 million for the three months ended March 31, 2020. The increase of €39.7 million in cash generated by operating activities was primarily attributable to the combined effect of:

- a €1.6 million increase in cash flows from operating activities before changes in working capital, tax paid and interests, from €11.9 million for the three months ended March 31, 2020 to €13.5 million for the three months ended March 31, 2021.
- a €24.8 million decrease in cash used from movements in operating working capital, from cash absorbed of €25.6 million for the three months ended March 31, 2020 to cash absorbed of €0.8 million for the three months ended March 31, 2021.

  In particular, movements in operating working capital were as follows:

  - an increase in trade receivables absorbed cash of €15.0 million for the three months ended March 31, 2021 compared to cash generated of €5.8 million for the three months ended March 31, 2020, due to the higher net revenues. In addition, the increase in trade receivables in the first quarter of 2021 is largely affected by business seasonality, since usually first quarter recorded the highest sales level than other quarters of the year, while in the first quarter of 2020, the decrease in trade receivables was mainly due to the revenues reduction recorded in March 2020;
  - an increase in inventories absorbed cash of €3.6 million for the three months ended March 31, 2021 compared to cash absorbed of €14.4 million for the three months ended March 31, 2020, mainly due to seasonality effect. For the for the three months ended March 31, 2020, inventories increased significantly due to the drop of sales in March 2020;
  - an increase in trade payables generated cash of €17.7 million for the three months ended March 31, 2021 compared to cash absorbed of €17.0 million for the three months ended March 31, 2020. For the three months ended March 31, 2021, the change in trade payables mainly derived from the increase in purchases. For the three months ended March 31, 2020, the decrease in trade payables was mainly due to the expense reduction (e.g. marketing, royalties, discretionary expenditures).
- a €12.4 million increase in cash generated from movements in other elements of working capital, from cash absorbed of €8.9 million for the three months ended March 31, 2020 to cash generated of €3.6 million for the three months ended March 31, 2021. It should be noted that tax and other liabilities absorbed cash of €6.4 in the first quarter of 2020 and generated cash of €4.0 million in the first quarter of 2021 mainly due to the VAT temporary effect.
- a €1.1 million positive effect from income taxes paid of €0.3 million for the three months ended March 31, 2021 compared to income taxes paid of €1.4 million for the three months ended March 31, 2020.
- a €0.2 million negative effect from net interest paid of €3.5 million for the three months ended March 31, 2021 compared to net interest paid of €3.2 million for the three months ended March 31, 2020.

*Year Ended December 31, 2020 as Compared to the Year Ended December 31, 2019*

Net cash flow absorbed by operating activities amounted to €46.3 million for the year ended December 31, 2020 compared to cash generated of €26.0 million for the year ended December 31, 2019. The decrease of €72.3 million in cash absorbed by operating activities was primarily attributable to the combined effect of:

- a €33.4 million decrease in cash flows from operating activities before changes in working capital, tax paid and interests, from €48.3 million for the year ended December 31, 2019 to €14.9 million for the year ended December 31, 2020. This change was mainly related to (i) the decrease in Adjusted EBITDA of €25.7 million, from €56.0 million for the year ended December 31, 2019 to €30.3 million for the year ended December 31, 2020 mainly due to the COVID-19 pandemic; and (ii) the higher impact of non-recurring costs amounted to €20.9 million (excluding the extraordinary inventory write-off of €4.0 million) for the year ended December 31, 2020, compared to €8.5 million in 2019.
- a €30.0 million increase in cash used from movements in operating working capital, from cash absorbed of €5.4 million for the year ended December 31, 2019 to cash absorbed of €34.9 million for the year ended December 31, 2020.

In particular, movements in operating working capital were as follows:

- a decrease in trade receivables generated cash of €4.1 million for the year ended December 31, 2020 compared to cash absorbed of €2.7 million for the year ended December 31, 2019. This change was mainly related to the decrease in net revenues due to the COVID-19 pandemic. In addition, we have introduced several initiatives with the aim of reducing the number of DSO: as a result, our DSO reached a pre-COVID-19 level at the end of 2020, thanks to the measures implemented by the Group to monitor its exposure towards commercial counterparties;
- a decrease in inventory generated cash of €2.2 million for the year ended December 31, 2020 compared to cash generated of €5.7 million for the year ended December 31, 2019, mainly due to the reduction in turnover due to the COVID-19 pandemic, as well as the measures introduced to manage our inventory stock levels;
- a decrease in trade payables absorbed cash of €41.3 million for the year ended December 31, 2020 compared to cash absorbed of €8.4 million for the year ended December 31, 2019. Trade payables were substantially lower than those of the prior year as a result of the reduction of discretionary expenses to a minimum, the suspension of non-essential investments and the alignment of procurement from external suppliers with the market demand, in order to containing the negative financial effects of the COVID-19 pandemic.

- a €7.7 million increase in cash used from movements in other elements of working capital, from cash absorbed of €2.9 million for the year ended December 31, 2019 to cash absorbed of €10.6 million for the year ended December 31, 2020. It should be noted that payables to personnel decreased in 2020 compared to 2019, due to higher utilization of holidays and leave, implemented in accordance with government regulations for the COVID-19 pandemic.
- a €0.7 million negative effect from income taxes paid of €1.1 million for the year ended December 31, 2019 compared to income taxes paid of €1.8 million for the year ended December 31, 2020.
- a €0.8 million negative effect from net interest paid of €13.0 million for the year ended December 31, 2019 compared to net interest paid of €13.9 million for the year ended December 31, 2020.

*Year Ended December 31, 2019 as Compared to the Year Ended December 31, 2018*

Net cash flow provided by operating activities amounted to €26.0 million for the year ended December 31, 2019 compared to €37.8 million for the year ended December 31, 2018. The decrease of €11.8 million in cash provided by operating activities was primarily attributable to the combined effect of:

- an €11.6 million decrease in cash flows from operating activities before changes in working capital, tax paid and interest, from €59.9 million for the year ended December 31, 2018 to €48.3 million for the year ended December 31, 2018. This change was mainly related to (i) the decrease in Adjusted EBITDA of €6.4 million, from €57.2 million for the year ended December 31, 2018 to €50.8 million for the year ended December 31, 2019 (excluding the positive effect from the adoption of IFRS 16 amounting to €5.3 million for the year ended December 31, 2019) due to the negative impact of U.S. duties on Chinese imports partially offset by the new brands launched in the period; and (ii) the higher impact of non-recurring costs amounted to €8.5 million for the year ended December 31, 2019, compared to €6.3 million in 2018.
- a €7.6 million increase in cash used from movements in operating working capital, from cash generated of €2.2 million for the year ended December 31, 2018 to cash absorbed of €5.4 million for the year ended December 31, 2019.

  In particular, movements in operating working capital were as follows:

  - an increase in trade receivables absorbed cash of €2.7 million for the year ended December 31, 2019 compared to cash absorbed of €10.7 million for the year ended December 31, 2018. Trade receivables significantly increased in 2018 compared to the previous year, mainly due to the increase in net revenues;
  - a decrease in inventory generated cash of €5.7 million for the year ended December 31, 2019 compared to cash absorbed of €10.4 million for the year ended December 31, 2018. The decrease in 2019 was mainly related to management actions focused on inventory optimization by reducing considerably the number of models produced and accelerating the sales period for them. With reference to 2018, the increase in inventory was mainly related to an increase in finished product due to higher net revenues and the use of continuing lines at the warehouse to ensure products are never out of stock;

- a decrease in trade payables absorbed cash of €8.4 million for the year ended December 31, 2019 compared to cash generated of €23.3 million for the year ended December 31, 2018. The decrease in 2019 was mainly due to a different procurement timing and thus different timing for the related payments. With reference to 2018, the increase in trade payables was mainly related to an increase in net revenues and inventory.

- a €6.8 million decrease in cash used from movements in other elements of working capital, from cash absorbed of €9.7 million for the year ended December 31, 2018 to cash absorbed of €2.9 million for the year ended December 31, 2019. This improvement is mainly due to the higher VAT and tax instalments paid in 2018, deriving from a different mix of the purchasing and sales liable to VAT in the final months of the year.
- a €1.1 million positive effect from income taxes paid of €2.2 million for the year ended December 31, 2018 compared to income taxes paid of €1.1 million for the year ended December 31, 2019.
- a €0.5 million negative effect from net interest paid of €12.5 million for the year ended December 31, 2018 compared to net interest paid of €13.0 million for the year ended December 31, 2019.

***Net Cash Flows Used in Investing Activities***

*Three Months Ended March 31, 2021 as Compared to the Three Months Ended March 31, 2020*

Net cash flows used in investing activities amounted to €3.1 million for the three months ended March 31, 2021, a decrease of €0.4 million compared to €3.5 million for the three months ended March 31, 2020.

Investments in intangible assets mainly related to software and business application implementations; investments in property, plant and equipment mainly related to the purchase of computer hardware, office furniture and other equipment.

*Year Ended December 31, 2020 as Compared to the Year Ended December 31, 2019*

Net cash flows used in investing activities amounted to €12.8 million for the year ended December 31, 2020, a decrease of €7.4 million compared to €20.2 million for the year ended December 31, 2019. In particular, we introduced several initiatives in 2020 in order to reduce our investments, including minimization of discretionary expenditures and suspension of non-crucial investments.

Investing activities for the year ended December 31, 2020 primarily related to:

- Investments of €6.3 million in intangible assets mainly related to software and business application implementations as well as payments to certain licensors.
- Investments of €6.6 million in property, plant and equipment, mainly related to the purchase of industrial plant and machinery as well as computer hardware, office furniture and other equipment.

Investing activities for the year ended December 31, 2019 primarily related to:

- Investments of €10.9 million in intangible assets mainly related to software and business application implementations as well as payments to certain licensors in order to extend the licensing agreement period and improve terms and conditions.
- Investments of €9.7 million in property, plant and equipment, mainly related to the purchase of industrial plant and machinery to renew existing production line as well as computer hardware, office furniture and other equipment and sales-related furnishings.

*Year Ended December 31, 2019 as Compared to the Year Ended December 31, 2018*

Net cash flows used in investing activities amounted to €20.2 million for the year ended December 31, 2019, a decrease of €8.0 million compared to €28.2 million for the year ended December 31, 2018.

Investing activities for the year ended December 31, 2018 primarily related to:

- Investments of €10.5 million in intangible assets mainly related to software and business application implementations as well as payments to certain licensors in order to extend the licensing agreement period and improve terms and conditions.

- Investments of €8.7 million in property, plant and equipment, mainly related to manufacturing facilities and other trade equipment.
- 2018 was also affected by a capital increase for Thélios.

***Net Cash Flows From Financing Activities***

*Three Months Ended March 31, 2021 as Compared to the Three Months Ended March 31, 2020*

Net cash flows from financing activities absorbed cash of €7.1 million for the three months ended March 31, 2021 compared to generated cash of €9.5 million for the three months ended March 31, 2020.

For the three months ended March 31, 2021, net cash flow from financing activities mainly consisted of (i) €2.0 million related to the Thélios Loan, provided to cover the temporary cash needs of Thélios; (ii) €1.0 million related to repayments of financial loan from banks; (iii) €3.6 million related to the payments of the purchase price of the remaining minority stake in Gin Hon Lin International Co Ltd and in Marcolin-RUS LLC.

For the three months ended March 31, 2021, net cash flow from financing activities mainly consisted of the higher utilization of the Existing Revolving Credit Facility.

*Year Ended December 31, 2020 as Compared to the Year Ended December 31, 2019*

Net cash flows from financing activities amounted to €67.7 million for the year ended December 31, 2020 compared to €5.5 million for the year ended December 31, 2019.

For the year ended December 31, 2020, net cash flow from financing activities mainly consisted of (i) the SACE Facility; a new term loan facility of €50 million provided by UniCredit S.p.A., Banco BPM S.p.A., Deutsche Bank S.p.A. and Credit Suisse AG, Milan Branch (the "Lenders") and with UniCredit S.p.A. as SACE coordinator with maturity date 2025; and (ii) the shareholder loan of €25.0 million provided from 3Cime S.p.A. to Marcolin S.p.A., expiring in December 2025.

For the year ended December 31, 2019, net cash flow from financing activities mainly related to bank overdraft and short-term financing, including bank credit. The increase in financial liabilities mainly refers to higher utilization of the Existing Revolving Credit Facility and bank loans, partially offset by (i) the repayments of loans and borrowings and (ii) and the effect of IFRS 16 on lease liabilities. Net cash flow from financing activities was also affected by the loan granted to the associate Thélios. to provide it with sufficient funding for the start-up of its business.

*Year Ended December 31, 2019 as Compared to the Year Ended December 31, 2018*

Net cash flows from financing activities amounted to €5.5 million for the year ended December 31, 2019 compared to net cash used in financing activities of €16.8 million for the year ended December 31, 2018.

For the year ended December 31, 2019, net cash flow from financing activities mainly related to bank overdraft and short-term financing, including bank credit. The increase in financial liabilities mainly refers to higher utilization of the Existing Revolving Credit Facility and bank loans, partially offset by (i) the repayments of loans and borrowings and (ii) and the effect of IFRS 16 on lease liabilities. Net cash flow from financing activities was also affected by the loan granted to the associate Thélios to provide it with sufficient funding for the start-up of its business.

For the year ended December 31, 2018, net cash flows absorbed by financing activities mainly related to €9.7 million repayments of bank loans and borrowings and €7.4 million absorbed in connection with the loan granted to the associate Thélios to provide it with sufficient funding for the start-up of its business.

### Capital Expenditures

Our capital expenditures have primarily consisted of the maintenance and modernization of our production and logistics facilities and investments in obtaining new licenses or renewing existing licenses. The following table sets forth our capital expenditures for the periods indicated as derived from our cash flow statement.

| | For year ended December 31, | | | | | | For three months ended March 31, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | % of total | 2019 | % of total | 2020 | % of total | 2020 | % of total | 2021 | % of total |
| | | | | | | | Unaudited | | | |
| | (€ in thousands, except percentages) | | | | | | | | | |
| Property, plant and equipment | (7,945) | 43.1% | (9,308) | 46.0% | (6,551) | 51.0% | (2,161) | 61.3% | (1,282) | 40.9% |
| Intangible assets | (10,480) | 56.9% | (10,923) | 54.0% | (6,288) | 49.0% | (1,362) | 38.7% | (1,851) | 59.1% |
| **Capital expenditure** | **(18,425)** | **100.0%** | **(20,231)** | **100.0%** | **(12,839)** | **100.0%** | **(3,524)** | **100%** | **(3,133)** | **100%** |

Capital expenditures for property, plant and equipment for the period indicated primarily related to maintenance, replacement and modernization of our production and logistics facilities. Capital expenditures for intangible assets for the periods indicated primarily related to payments to certain licensors in order to extend the licensing agreement period and improve terms and conditions as well as software and business application implementations.

With reference to the year ended December 31, 2020, we introduced several initiatives in order to reduce our investments, including minimization of discretionary expenditures and suspension of non-crucial investments.

Between 2018 and the first quarter of 2021, our investments in Thélios have been approximately €28.7 million. Thélios is now completely operational, without any further major investment expected going forward (approximately €5 million expected to be invested in 2021 of which approximately €2 million has already been invested in the first three months ended March 31, 2021).

We expect our capital expenditure in 2021 to be between €12 million and €14 million, mainly related to software and maintenance of production and logistics facilities.

### Contractual Obligations

The following table sets forth our contractual obligations as of March 31, 2021, after giving effect to the Refinancing:

| | As of March 31, 2021 | | |
|---|---|---|---|
| | One year | 1-5 years | more than 5 years |
| | (€ in thousands) | | |
| Notes offered hereby | — | — | 350,000 |
| New Revolving Credit Facility[1] | — | — | — |
| Royalty commitments[2] | 66,549 | 239,266 | — |
| **Total** | **66,548** | **239,266** | **350,000** |

(1) We currently anticipate that we will not have any borrowings outstanding under the New Revolving Credit Facility as of the Issue Date.

(2) The Group has contracts in place to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses. These contracts require payment of guaranteed minimum royalties over the duration of the contracts.

### Off-Balance Sheet Arrangements

As of March 31, 2021, we had provided guarantees for an amount of €1.797 thousand relating to office leases and borrowing arrangements.

From time to time we may also provide keepwell or similar standby equity commitment letters to assist Thélios in connection with its financing, without providing any guarantee or direct credit support.

### Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business, we are exposed to a variety of financial risks including market risks (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

We monitor and manage these risks as an integral part of our overall risk management program, which seeks to reduce their potentially adverse effect on our results of operations and financial position. Our risk management is performed centrally within a pre-defined framework. We do not enter use derivative financial instruments for speculative purposes.

### *Currency Risk*

We operate on an international level and are therefore exposed to foreign currency exchange risk. Our principal exposure is to fluctuations of the U.S. dollar, and we are also exposed to fluctuations of other currencies, including but not limited to the Brazilian real, the British pound sterling and the Hong Kong dollar.

Although changes in foreign currency exchange rates could affect the amount of revenues or costs that we recognize, we believe that we have a natural hedge against transaction foreign currency risk, whereby the effects of revenues and costs in foreign currencies substantially offset each other. In the past, we entered into forward contracts for U.S. dollars for the purpose of partially hedging our exposure to foreign currency exchange rate risk from U.S. purchases, however, as we believe that we had a natural hedge against foreign currency risk, we did not have any open foreign currency derivative contracts as of December 31, 2020 and we currently do not expect to enter into foreign currency derivatives contracts in the future.

As of December 31, 2020, if the Euro to U.S. dollar exchange rate strengthened/weakened by 5%, with all other variables held constant, operating income for the period would have decreased/increased by €3.4 million and €3.7 million, respectively.

### *Interest Rate Risk*

For the periods presented in this Offering Memorandum, our primary exposure to interest rate risk was related to the Existing 2023 Notes and drawings under our Existing Revolving Credit Facility and to certain medium and long-term financial liabilities, which bear floating rates of interest. Our exposure to interest rates will decrease following the Refinancing and the issuance of the Notes offered hereby, which bear a fixed rate of interest.

### *Credit Risk*

We do not have a significant concentration of credit risk. Receivables are recognized net of write-downs for risk of counterparty default, calculated based on available information regarding the customer's solvency and any useful statistical records. We have implemented guidelines for managing customer credit, to ensure that sales are conducted only with reasonably reliable and solvent parties, and through the setting of differentiated credit exposure ceilings. Our impairment of receivables has historically been low and amounted to 4.1% of net revenues for the year ended December 31, 2020.

### *Liquidity Risk*

Liquidity risk is the risk of not being able to fulfill present obligations if we do not have sufficient funds to meet such obligations. Liquidity risk mainly arises in relation to our payment obligations relating to our ordinary course of business, in particular payments to suppliers and, to a lesser extent, servicing our debt. Management of our liquidity ensures maintaining a sufficient level of liquidity and having sources of funding available including by means of adequate credit facilities. Upon completion of the Refinancing, we will also have access to €46.3 million under the New Revolving Credit Facility. We believe that our available liquidity is sufficient to meet our immediate liquidity requirements.

### *Critical Accounting Estimates*

The preparation of the Group's consolidated financial statements requires making estimates that could affect the carrying value of some assets, liabilities, income and expenses, and disclosures concerning contingent assets and liabilities at the reporting date.

Estimates were used mainly to determine the recoverability of intangible assets, the useful lives of tangible assets, the recoverability of receivables (including deferred tax assets), the valuation of inventories and the recognition or measurement of provisions.

The estimates and assumptions are based on data that reflect currently available information.

The estimates and assumptions that involve a significant risk of changes in the carrying values of assets and liabilities are described hereunder.

***Goodwill***

Pursuant to IAS 36, the Group performs impairment tests annually. Recoverable values are calculated based on "value in use" The calculations require using estimates of the future performance of the cash-generating units (CGUs) to which goodwill belongs (business plan forecasts), the discount rate (weighted average cost of capital or "WACC") and the prospective growth rate to be applied to the forecast cash flows ("g" rate). As of March 31, 2021, goodwill amounted to €284.5 million, representing 39.8% of our total assets.

***Impairment of Non-Current Assets***

When there is indication that the net carrying value could exceed the recoverable value, non-current assets are reviewed to determine whether they have suffered impairment losses, in accordance with the accounting standards adopted. The recoverable amount is analyzed by comparing the carrying amount of the asset with its fair value less costs to sell and value in use, whichever is greater. If any such indication exists, management is required to perform subjective evaluations based on information available within the Group and on the market, and based on the management's knowledge. If indications of impairment should exist, the Group calculates the potential impairment using the valuation techniques it considers to be the most appropriate. Proper identification of impairment indications and estimates of potential impairment are dependent on factors that may vary over time, affecting the measurements and estimates made by management.

***Provision for Doubtful Debts***

The provision for doubtful debts reflects management's estimates of future losses on trade receivables. The Group estimates the provision for doubtful debts on the basis of expected losses, determined according to knowledge of the customer, past experience for similar receivables, current and historic past-due receivables, losses and collected receivables, careful monitoring of credit quality and forecasts of economic and market conditions.

***Provision for Inventory Impairment***

The provision for inventory impairment reflects management's estimates regarding the losses expected by the Group, determined on the basis of past experience and both past and anticipated market trends.

*Unless otherwise stated, all information regarding markets, market position and other industry data contained in this Offering Memorandum is based on our own estimates, internal surveys, market research, customer feedback, publicly available information and industry reports prepared by consultants. In many cases, there is no readily available external information (whether from trade associations, government bodies, other industry organizations or competitors) to validate market-related analyses and estimates, resulting in our relying on our own internally developed estimates. Certain of the information presented herein has been derived from external sources, including the Statista Eyewear Report 2021, public websites and company financial reports and other independent third party research. See "Industry and Market Data." Any third party sources we use, including the data provided by Statista generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed, and that the projections they contain are based on significant assumptions. Similarly, while we believe that internal surveys, industry forecasts, customer feedback and market research we have used in making our estimates are generally reliable, none of this data has been independently verified. Market data and statistics are inherently subject to uncertainties and not necessarily reflective of actual market conditions. We cannot assure you that any of the assumptions underlying these statements are accurate or correctly reflect our position in the industry or the relevant markets, and none of our internal surveys or information have been verified by any independent sources. None of the Issuer, the Guarantors, the Sponsor nor the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of the industry and market data set forth in this Offering Memorandum, and none of the Issuer, the Guarantors, PAI nor the Initial Purchasers have independently verified this information and cannot guarantee its accuracy.*

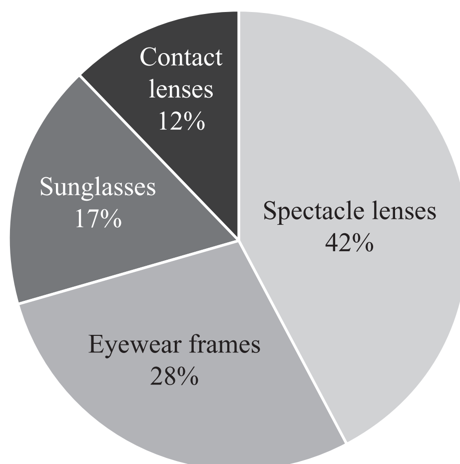
## Eyewear Market Overview

According to the Statista Eyewear Report 2021, the global eyewear market realized revenues of $128 billion in 2019 correlating to volume sales of 9.8 billion pieces. The eyewear market is characterized by a usually steady growth, growing at a CAGR of 2.7% since 2014 but experienced a COVID-19 related decline of 19.8% in 2020, as per latest Statista estimates. This is forecast to be followed by a v-shaped recovery reaching close to pre-COVID-19 levels by 2022 of $127 billion. The market is projected to reach total revenues of approximately $145 billion by the end of 2025, exhibiting a post-pandemic CAGR of 3.9% between 2022 and 2025.

The eyewear market can be divided into four segments:

- Spectacle lenses;
- Sunglasses;
- Eyewear frames;
- Contact lenses.

The chart below displays the breakdown of global revenues according to segment for the year ended December 31, 2020.




The eyewear frames segment, in which the Group primarily operates, is estimated to reach approximately $40 billion by the end of 2025, exhibiting a post-pandemic CAGR of 4.1% between 2022 and 2025. For the year ended December 31, 2019, the eyewear frames segment generated $36 billion of revenues of which approximately 37% is represented by Americas, 31% by Asia, 26% by Europe and 6% by the rest of the world.

This split is expected to shift during 2020, with Americas dropping to approximately 33% of the market, Asia increasing its share to approximately 33% and Europe and the rest of the world remaining on 2019 levels, approximately 27% and 7%, respectively.

For the year ended December 31, 2019, the sunglasses segment, in which the Group also operates, generated $22 billion of revenues of which approximately 36% is represented by Americas, 31% by Europe, 26% by Asia and 8% by the rest of the world. It is expected for revenues to reach approximately $25 billion by the end of 2025, exhibiting a post-pandemic CAGR of 4.4% between 2022 and 2025.

**COVID-19 Impact**

The global eyewear market has been impacted by the COVID-19 pandemic, primarily through exposure to the physical retail channel (including travel retail) which has been heavily impacted by lockdowns but also due to disruptions along the supply chain. Global eyewear revenues are expected to decline by 19.8%, from $128 billion in 2019 to $103 billion in 2020, but are forecasted to recover quickly with a return to 2019 levels by 2022. This v-shaped recovery is expected across all segments of the market.

As the long-term eyewear trends are expected to remain intact, the sector recovery is dependent on governments' abilities to reopen economies and subsequently how quick consumer purchasing behavior returns to pre-COVID levels.

Eyewear is generally considered more resilient to economic shocks than other retail categories, however, this resilience varies by eyewear product category. Contact lenses and eyewear frames are the more resilient categories (given their lower value and more frequent purchase), while sunglasses and luxury eyewear tend to be more discretionary and cyclical. Given the overall more non-discretionary nature of eyewear products, this means that sales are rarely 'lost' but rather usually just delayed by the customer. Following store reopenings in the summer of 2020, eyewear retailers reported returns to growth, indicating a quick recovery as a result of this customer behavior.

**Key Market Drivers and Growth Areas**

The expected growth in the eyewear market can be supported by a number of factors, including: (i) demographics, (ii) health problems, (iii) digital integration, (iv) development of emerging markets and improved living standards, (v) a shift towards branded/luxury goods products and (vi) increasing health awareness.

Key drivers of the growth in demand include:

- ***Demographics.*** Deterioration in eyesight is ultimately unavoidable with ageing, hence ageing populations are a key driver of eyewear growth. The UN forecasts that the world's population is to remain broadly flat over the mid-term, while the over-60 population is anticipated to grow. Higher life expectancy and improved techniques for earlier diagnosis of vision impairments are also contributing to a larger potential customer base. As per the WHO World Report on Vision, at least 2.2 billion people globally have some form of visual impairment, of which at least 1.0 billion have an impairment that is yet to be addressed.
- ***Health problems.*** Myopia (short-sightedness) is the most common vision impairment and is both genetic but also driven by growing digitalization and insufficient exposure to sunlight. Increased use of small electronic screens such as smartphones has been linked to increased eye strain which can increase susceptibility to the development of vision disorders. As a result, consumers are adopting glasses earlier in their lives due to smartphone usage, plus, there is also increasing demand for eyewear technology that can counteract damaging blue light emitted from screens. According to the WHO World Report on Vision, today there are estimated to be around 2.6 billion people suffering from myopia (approximately 34% of the global population) and by 2030 there is projected to be 3.3 billion people with myopia. Furthermore, additional health issues such as diabetes (driven by an increase in obesity) are rising in prevalence and thus accelerating market growth.
- ***Digital integration.*** Eyewear has been relatively slow to transition to online sales and is significantly behind other retail categories such as apparel and electronics. However, younger generations are displaying more interest in business models which can integrate elements of digital into traditionally predominantly physical retail models. Omnichannel eyewear models are becoming much more

prevalent as traditional retailers integrate more digital aspects into the customer journey. For example, online eye tests and augmented reality/3D fittings are transforming the customer experience and allowing customers to feel more comfortable with online purchasing of eyewear.

- ***Development of emerging markets and improvement in living standards.*** In many developing nations there still remains a large disparity between the proportion of the population that needs glasses and the proportion that has them. By region, the largest opportunity for the eyewear industry lies in developing economies, in particular in Asia, Africa and the Middle East and Latin America. Growth in the eyewear market is closely correlated with growth in income per capita and improvement of living standards, especially in emerging markets. Expectations of higher gross domestic product per capita, increased access to optical diagnosis and optical care and increasing brand awareness for prescription frames should result in increased sales volumes globally.

- ***Premiumization and shift towards branded/luxury products.*** While historically eyewear has been seen as a purely functional product, consumers now view eyewear products increasingly as fashion accessories. This is a particular trend among Generation Z and Millennials, who view eyewear as another opportunity to express their personal style, and is thus driving the premiumization trend in the category. Similarly, replacement cycles are also becoming shorter driven by quicker changing fashion trends and younger consumers' desire for newness. The shift to branded prescription frames and sunglasses as well as constant design innovation (including improved fit and weight) have also contributed to a reduction in the average life of the products. As a result, we believe that that nowadays consumers typically own more than one set of glasses at any given time.

- ***Increasing health awareness.*** Health consciousness and the impact of certain lifestyle choices is an increasingly important trend for consumers, especially Millennials and Generation Z. In particular, the rise of eye conditions linked to increased digital use and higher awareness of the dangers of sun damage are two of the most relevant considerations when it comes to eye health. These factors are resulting in the development of new advanced technologies and innovations, especially when it comes to lenses, and will continue to support future growth of the eyewear market.

The primary vision correction alternatives to prescription frames are contact lenses, but these are typically seen as an addition to prescription frames rather than a full substitute. While refractive optical surgery (laser correction) has grown since it was approved by health regulators in 1995, we believe this method is perceived as expensive, as often not covered by insurance, and is still viewed by consumers as carrying high risks related to the invasive procedures.

The eyewear market has experienced sustained growth from 2010 to 2019. Although this is currently being impacted by the COVID-19 pandemic, Statista estimates that growth trends will continue in the coming years.

The tables below set forth certain global eyewear statistics.

| US $ (billions)[1] | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Eyewear frames | 32.2 | 33.2 | 34.1 | 35.0 | 35.9 | 28.8 | 32.8 | 35.5 | 37.5 | 38.9 | 40.0 |
| Sunglasses | 19.6 | 20.3 | 21.0 | 21.6 | 22.2 | 17.5 | 20.2 | 21.9 | 23.3 | 24.2 | 24.9 |
| Spectacle lenses | 49.3 | 50.5 | 51.6 | 52.8 | 54.0 | 43.5 | 49.5 | 53.4 | 56.2 | 58 | 59.4 |
| Contact lenses | 14.7 | 15.1 | 15.5 | 16.0 | 16.4 | 13.3 | 15.2 | 16.5 | 17.4 | 18.1 | 18.6 |
| **Total** | **115.9** | **119.1** | **122.2** | **125.4** | **128.5** | **103.1** | **117.7** | **127.3** | **134.4** | **139.2** | **142.9** |

(1) figures may not exactly match other industry figures referenced in this Offering Memorandum due to rounding.

| Year over year change | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Eyewear frames | 3% | 3% | 3% | 3% | 3% | (20%) | 14% | 8% | 6% | 4% | 3% |
| Sunglasses | 3% | 4% | 3% | 3% | 3% | (21%) | 15% | 8% | 6% | 4% | 3% |
| Spectacle lenses | 2% | 2% | 2% | 2% | 2% | (19%) | 14% | 8% | 5% | 3% | 2% |
| Contact lenses | 4% | 3% | 3% | 3% | 2% | (19%) | 14% | 9% | 5% | 4% | 3% |
| **Total** | **3%** | **3%** | **3%** | **3%** | **2%** | **(20%)** | **14%** | **8%** | **6%** | **4%** | **3%** |

| US $ (billions) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | CAGR ’15-‘19 | CAGR ’22-‘25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Americas | 43.1 | 44.0 | 44.9 | 45.7 | 46.5 | 33.6 | 40.1 | 44.2 | 47.3 | 48.9 | 49.7 | 1.9% | 4.0% |
| Asia | 28.4 | 29.7 | 31.1 | 32.4 | 33.7 | 28.6 | 31.8 | 34.1 | 36.2 | 38.0 | 39.7 | 4.4% | 5.2% |
| Europe | 38.0 | 38.7 | 39.4 | 40.1 | 40.8 | 34.3 | 38.6 | 41.3 | 42.8 | 43.6 | 44.3 | 1.8% | 2.4% |
| Africa | 3.9 | 4.1 | 4.3 | 4.5 | 4.8 | 4.2 | 4.6 | 5.0 | 5.3 | 5.7 | 6.0 | 5.3% | 6.3% |
| Australia & Oceania | 2.5 | 2.6 | 2.6 | 2.7 | 2.8 | 2.3 | 2.6 | 2.7 | 2.8 | 3.0 | 3.0 | 2.9% | 3.6% |
| **Total** | **115.9** | **119.1** | **122.3** | **125.4** | **128.6** | **103.0** | **117.7** | **127.3** | **134.4** | **139.2** | **142.7** | **2.0%** | **3.9%** |

**Key Players and Competitive Positioning**

The eyewear competitive landscape remains highly competitive and fragmented. Our main competitors in the wholesale market are EssilorLuxottica, Safilo, Marchon and De Rigo. The recent acceleration of growth in online and independent eyewear concepts has also led to the emergence and success of new business models such as omnichannel players (*e.g.*, Moscot, Mister Spex and Warby Parker); pure-plays (*e.g.*, Zenni) and direct-to-consumer brands (*e.g.*, Ace & Tate, Gentle Monster).

*EssilorLuxottica.* Following the merger between Essilor and Luxottica in 2018, EssilorLuxottica has become the largest player in the eyewear space with revenues exceeding €14.4 billion in 2020. In addition to the design, manufacture and distribution of eyewear, they also own and directly operate an extensive store network. Luxottica is weighted more towards the retail channel, having generated 68% of revenues through retail and 32% through wholesale for the year ended December 31, 2020. Their wholesale distribution network covers over 150 countries with approximately 50 commercial subsidiaries providing direct operations in key markets. Going forward the retail channel is expected to further expand as EssilorLuxottica is on the verge of a merger with Grandvision, which would substantially increase their retail footprint. Irrespective of a successful closure of the acquisition of Grandvision, EssilorLuxottica will likely continue to expand their operations globally via acquisitions.

We believe that EssilorLuxottica’s business model varies from our operations most significantly in their operation of retail stores and in their focus on lenses.

*Safilo.* Safilo designs, manufactures and distributes eyewear for licensed, primarily diffusion brands. Safilo’s brand portfolio is composed of its own proprietary brands, used for prescription frames, sunglasses and sports goggles, as well as licensed brands for collections of frames and sunglasses. Geographically, Safilo generates 44% of sales in the United States, 42% in Europe, 8% in APAC and 6% in the rest of the world for the year ended December 31, 2020 – a relatively similar geographic footprint to ours.

The Group has been loss-making for the past seven years, which in recent years has been partly attributable to the loss of key licenses. Management believe Safilo’s track record of renewing key licenses, especially in the high-end segment of the market, is not as strong as Marcolin’s. Having recently announced the loss of Fendi as a key license, and also having lost Max Mara Group to Marcolin and Dior to Thélios demonstrates the stronger position of Marcolin in the luxury eyewear sector

*Marchon.* Marchon is owned by VSP and focuses on the design, manufacture and distribution of large volumes of licensed brands with a primary focus on diffusion brands and a smaller exposure to luxury and affordable luxury brands. It is particularly focused on prescription eyewear and has a business model concentrated on the wholesale channel. Marchon has a global network of subsidiaries and distributors spanning more than 100 countries, however due to its US-based footprint, management believes they have a limited presence in Europe.

*De Rigo. DeRigo* focuses on the design, manufacturing and distribution of licensed diffusion brands plus smaller own brands. On top of their wholesale channel exposure, De Rigo generated 56% of their 2019 revenues in the retail channel, which has a strong presence across Spain and Turkey. The retail business operates through a number of banners, including directly operated stores as well as franchises. As of 2019, total number of stores including those under franchise were 967. Its business model is more focused on Europe with over 74% of revenues generated in this region. The remainder is equally split between Americas (13%) and rest of the world (13%). Management believes that the business is less global given its strong footprint in Europe and its wholesale business lags scale compared to Marcolin.

*Marcolin.* We believe that our brand portfolio is well balanced and comparable to those of our competitors in terms of full product offering of sunglasses and prescription frames, geographic reach in the European and North

American markets, target demographics and price offering. Compared to our closest competitors, EssilorLuxottica and DeRigo, we have much less exposure to the more volatile retail sector. Furthermore, we believe that through Thélios, our joint venture with LVMH, we are very well positioned in the luxury segment of the market and we view that as a differentiating factor vs our competitors. We believe that our industry leading retention rates of more than 90% are a strong testament to the quality of our offering and positions us strongly vs competition. We see ourselves as one of the leading global wholesalers that focuses on cultivating brand equity for licensed brands.

## BUSINESS

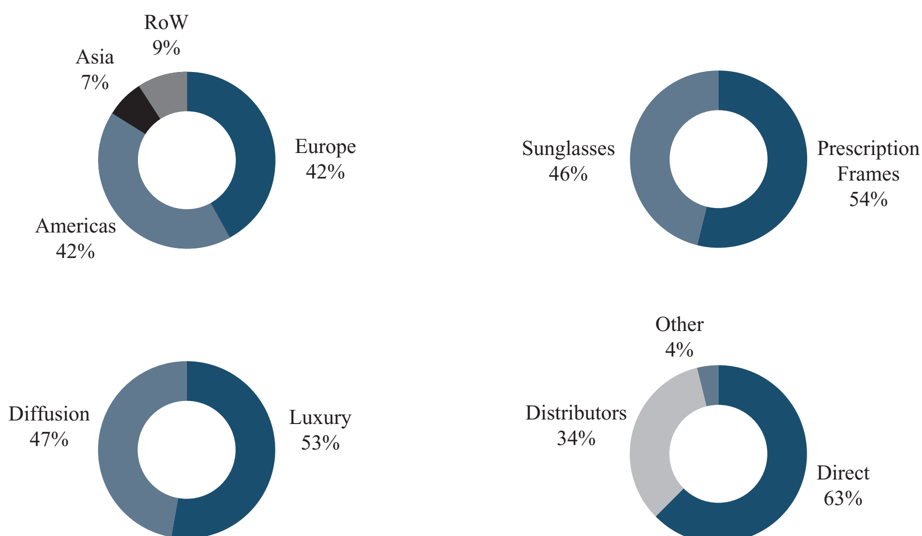
*Unless the context indicates otherwise, other than in respect of "Business—Overview," "Business—Our Strengths" and "Business—Our Strategies," in this "Business," references to "we," "us," "our," or "Marcolin" refer to the Issuer and its subsidiaries (including any of their predecessors) and exclude Thélios.*

### Overview

We are a leading global designer, manufacturer and distributor of branded sunglasses and prescription frames, with a broad portfolio of 28 licensed brands that appeal to key demographics worldwide. We are primarily a licensed brand business, and we design, manufacture (or contract to manufacture) and distribute eyewear primarily bearing brand names we have licensed pursuant to long-term, exclusive agreements. We focus on high performing, internationally recognized brands with eyewear accessory lines that generate profitable growth over the license duration.

Our portfolio includes some of the most prestigious fashion brands such as Tom Ford, Max Mara, Moncler, Ermenegildo Zegna, Barton Perreira, Omega, Longines, Bally, Tod's and Sportmax as well as more affordable brands such as Guess, Adidas, Swarovski, Timberland, Harley Davidson, Gant, Max&Co, Kenneth Cole, Skechers, BMW and GCDS. Our proprietary brand portfolio includes Web, particularly well-known in Italy, as well as Marcolin and Viva, which are currently marketed exclusively in the United States. We believe the long tenure of our licenses provide us with strong revenue visibility, as 71.7% of our net revenues for the twelve months ended March 31, 2021 was generated by sales of products under licenses expiring after 2026. The weighted average remaining term of our licenses was seven years as of March 31, 2021. For the year ended December 31, 2019 we sold approximately 14 million units.

For the year ended December 31, 2019, we had total net revenues of €486.7 million and Adjusted EBITDA of €56.0 million. The graphics below present certain information about our net revenues for the year ended December 31, 2019.




Our product portfolio encompasses 28 licensed brands as well as three proprietary brands. We produce prescription frames, sunglasses, sports eyewear and ski goggles for women and men, targeting consumers at different price points. We generate most of our net revenues from sales of prescription frames which we believe are less-discretionary purchases and exhibit lower seasonal variation, particularly for higher-priced models. We divide our portfolio of licensed brands into luxury and diffusion categories. The luxury category comprises high-end, handcrafted pieces produced for prestigious fashion houses, which we create using our decades of experience with our licensors' vision for their brands and our in-house product design and high-quality craftsmanship. Through our close creative partnerships with each of our licensors we design and create innovative products that reflect the character of each brand. Most of our luxury brand products are handcrafted or hand-finished at our facilities in Longarone and Fortogna, which are constantly being optimized and modernized and are located in northeastern Italy, long considered the birthplace of the modern eyewear industry. As a result of our sophisticated and quality-driven design and production processes, the eyewear in our luxury category generally retails for prices of between €180 and €950. The diffusion category comprises stylish but more affordable licensed-brand alternatives. Within this category we use our expertise in industrializing eyewear

production and integrating style and value. Diffusion brand products are mainly produced in Asia by third parties or assembled in Italy by Marcolin from components and semi-finished products made in China. These more economical design and manufacturing techniques allow us to sell our diffusion eyewear products at retail prices of generally between €30 and €265. In addition, through our license with Adidas, signed in 2018 and for which a collection will be launched in 2021, we have started penetrating the sport segment.

In 2013, we acquired the Viva Group, a then-leading eyewear wholesale designer and distributor of distinctive eyewear, and the second largest U.S.-based eyewear wholesale player. The Viva Group represented a strategically important acquisition for us, adding a portfolio of leading diffusion brands to Marcolin's existing portfolio, balancing a leading position in both sunglasses and prescription frames as well as a significantly expanded distribution network in our core North American market.

Since October 2017, we gained the support of LVMH, one of the largest and most well-known luxury brand conglomerates in the world through its investment in our share capital. In addition, following the creation of Thélios, our joint venture with LVMH, we have enhanced our competitive position in the global luxury eyewear market. Thélios has been formed with the intention of becoming the eyewear designer, manufacturer and distributor of choice for the family of LVMH luxury brands. We own 49% of Thélios' shares, while LVMH (through its vehicle Vicuna) owns the remaining 51%. In 2018, Thélios opened the Manifattura Thélios, its flagship production site and center for excellence, in Longarone where it designs and manufactures eyewear for certain luxury LVMH brands, including Dior, Céline, Kenzo, Stella McCartney, Fred, Louis Vuitton, Loewe, Rimowa and Berluti as of the date of this Offering Memorandum. See "*Business—Our Business—Thélios.*"

We believe the risk of changing consumer fashion tastes is mitigated by our and by Thélios' ample portfolio of licensed brands and by the fact that the eyewear collections of our highest revenue-generating brands are characterized by timeless, classic looks and colors, meaning that year by year, several high-selling models continue to be produced with only slight variations.

We believe we have created a stable, diversified business model for both our luxury and diffusion brands. Across both our luxury and diffusion categories, we produce sunglasses and prescription eyewear under brands that primarily target men such as Timberland, Ermenegildo Zegna, Barton Perreira and Harley-Davidson and that primarily target women such as Swarovski, Sportmax and Max&Co, and that primarily target younger consumers such as Adidas, Kenneth Cole and GCDS.

We are a wholesaler with a presence in approximately 125 countries and an extensive distribution network through 14 direct subsidiaries, over 150 partner distributers and two controlled joint ventures worldwide that reaches 78,381 individual POS (of which 28,511 POS are in the US alone). Each of our licensed brands receives careful attention and a tailored distribution strategy appropriate for each brand's prestige and exclusivity. We also design, manufacture, or contract to manufacture, and distribute proprietary brands which currently target entry-level price points for sales to managed care networks in the United States. Our sales force (present through 14 commercial subsidiaries) markets our products through selective channels tailored to match and enhance brand equity of our licensors and appropriate to the brand's price points, including through our strong customer relationships with independent opticians, optical chains, department stores, managed care networks, and the flagship shops of our licensed brands.

Our wholesale business model is based on the integration of our product design, manufacturing and sales and distribution operations. Our success is a result of an attuned understanding of trends and customer preference gained by developing close partnerships with our licensors and integrating their strategic vision into our product designs. This model allows us to express the essence of the identity of our licensed brands. Our business model also enables our design team to create eyewear with a view to industrialize its production. For in-house production of our luxury brand units, our manufacturing plants have been streamlined through the constant optimization and modernization of our processes and equipment and include on-site raw materials and semi-finished components storage and logistics. Certain machine intensive phases used in our luxury products are outsourced, such as galvanization of metals and acetate. For our outsourced production of diffusion brand models, our manufacturing and supply strategy is based on established relationships with best-in-class suppliers in China, granting us not only good pricing, but more importantly, constant high standards of product quality in-line with our customer needs. We operate through a sales force and extensive international distribution network that, together, form a careful distribution strategy that utilizes a variety of channels to preserve exclusivity. We also provide POS display and marketing materials that showcase the distinctiveness of our licensed brands.

## Our Strengths

We attribute our market position and opportunities for continued growth to the following competitive strengths:

***Leading player in the attractive eyewear industry, leveraging a strong 'Made-in-Italy' heritage and exemplary craftsmanship capabilities.***

We are a leading wholesale player in the global eyewear market and since 1961 we have been building on our Italian tradition of eyewear craftsmanship, expertise and extensive product know-how. The majority of our products are developed and designed internally by our design team of approximately 85 expert artisans to capture the latest fashion trends across the word. We estimate that for the twelve months ended March 31, 2021, approximately 53% of our net revenues carried the "*Made in Italy"* designation. We believe that the combination of the best Italian craftsmanship, our international presence in key markets and our strong ability to anticipate and change the world of fashion has determined our success.

Our business is vertically integrated, encompassing all the key critical functions from research and development, product design, to production, quality control, marketing and distribution. We believe that being highly integrated is a key distinctive factor as it provides maximum control over our operations, allowing us to design eyewear with an industrial view and to respond to consumer demand in a quick and efficient way. We believe that our integrated business model has helped us preserve our margins over time and contributed, together with our long-standing expertise in the industry, to our growth, positioning us as a strong partner for leading brands in the eyewear market.

Most of our luxury brand products are handcrafted or hand-finished at our facilities in Longarone and Fortogna, which are constantly being optimized and modernized and are located in northeastern Italy. With 885 employees in Italy as of March 31, 2021, we are an important employer in the area. In addition, Longarone is also the home town of Manifattura Thélios, the flagship production site and center for excellence of Thélios, our joint venture with LVMH. See "*—Thélios becoming a major industry player with the entrance of Dior and another major license in 2021, with no further major external funding needs.*" Our "*Made in Italy*" production activities are complemented by carefully selected Italian third-party manufacturers and supported by high quality suppliers with whom we have developed strong relationships. In addition, we leverage an extensive network of Asian manufacturers for our diffusion brand and proprietary products that allows for an efficient production cycle.

We believe our particular attention to licensors' interests, our best-in-class product design capabilities and our distribution network's scale make us a preferred licensee for potential partners and creates even greater opportunities for us to further develop existing relationships and attract new licenses in the future, with a focus on brands that have clear potential to be accretive.

***Solid position in the attractive eyewear industry that shows favorable growth trends.***

We believe that the eyewear industry is an attractive and relatively stable market with favorable long-term growth trends due to a variety of economic, demographic and social factors. The Statista Eyewear Report 2021 estimates that the global eyewear market was worth $128 billion in 2019 but experienced a COVID-19 related decline of 19.8% in 2020. However, as the fundamental long-term growth drivers of the eyewear market remain intact, the market is expected to recover over the next two years reaching pre-COVID-19 levels by 2022 with a market size of $127 billion and showing a strong CAGR of 11% for the period from 2020 until 2022 and a 7% CAGR for the period from 2020 to 2025.

The eyewear industry is generally considered to be more resilient to economic shocks than other retail categories given that eyewear frames for the most part are considered non-discretionary purchases. This is particularly the case for contact lenses and prescription glasses but less so for sunglasses, although there are good eye health related reasons to purchase sunglasses. Unlike in other retail categories where a lack of access to stores could result in lost sales, eyewear's non-discretionary nature means sales are rarely lost but are rather usually only delayed. There is already evidence that the post COVID-19 recovery will be fairly strong, as demonstrated following the brief re-opening of stores during 2020 with many eyewear companies reporting a quick return to growth.

We expect that the recovery of the eyewear market will be further supported by a combination of long-term economic, demographic and social drivers, including evolving consumer behaviors, increasing optical deficiency, higher purchasing power in emerging markets and more widespread health consciousness.

The eyewear market is driven by, among other things, the rapidly growing incidence and awareness of visual disorders, such as myopia, hyperopia, presbyopia and astigmatism, across the world, and the ability of optical frames and sunglasses to correct such impairments. This trend is accelerated in part by the increased use of digital devices which has been linked to increased eye strain and thus the development of vision disorders. As per the WHO World Report on Vision, at least 2.2 billion people globally have some form of visual impairment, of which at least 1 billion have an impairment that is yet to be addressed. On top of this, the study predicts a further 2.6 billion people suffer from myopia, one of the most common eye conditions that can lead to vision impairment. This study also estimates that by 2030 this number will increase to 3.3 billion suffering from myopia. In addition, significant new demand for sunglasses is expected due to increased awareness of the harm of ultraviolet rays and the increased brand awareness of consumers, which we believe we can satisfy through our high quality and diverse brand portfolio.

The growth of the optical frames and sunglasses market is also being driven by the growing demand for fashionable products. Consumers, in particular Generation Z and Millennials, have begun to view eyewear as a fashion accessory and method of personal expression, heightening interest in branded eyewear products. Hence, we believe that consumers are increasingly more likely to change their prescription glasses when they change their lenses, generally once every three years, with a similar pattern seen with sunglasses. We believe we are well positioned to take advantage of the positive trends in prescription frames given our strength in this segment.

Statista Research estimates that the eyewear frame segment represents about 28% of the total eyewear market and was worth $28.8 billion in 2020. This incorporates a drop of 20% in 2020 due to COVID-19, primarily driven by the Americas. In line with the overall market, a recovery towards pre COVID-19 levels is expected by 2022 and in 2025 the market is expected to reach $40 billion. The sunglasses segment has historically exhibited similar growth rates as the eyewear frame segment, though demand is more dynamic and sensitive to economic factors. Statista Research estimates that the sunglasses market was worth approximately $22 billion in 2019 and going forward the market is forecasted to reach approximately $25 billion by 2025, representing 17% of the overall eyewear market.

In the near-term, demand in emerging markets, particularly for branded products, is expected to be a strong driver of growth of the global eyewear market. This is a result of, among other things, increased access to eye health facilities, better optical diagnosis and optical care, and general improvement of living standards. Especially China is estimated to be a strong driver of future growth, with CAGRs of 21.5% and 29.4% for the period from 2020 to 2025 for prescription lens and eyewear frame categories, respectively, as per Statista Research estimates. We expect that demand for such products will outpace demand for non-branded products as consumer awareness of internationally recognized brands grows and economic segmentation among consumers becomes an important social signifier.

Finally, innovative marketing and sales strategies, such as internet retailing, allow eyewear manufacturers to interact with the end consumers through new channels (*e.g.*, online, smartphone applications) which enhances the purchasing experience and creates more effective opportunities to target potential customers. As per Mordor Intelligence estimates, global online eyewear sales are expected to grow at a CAGR of 12% between 2020 and 2025. Our online sales are based on partnership agreements with selected third-party online retailers in key geographies, such as Europe and the Americas. In addition, we are currently developing proprietary e-commerce tools for selected brands (*e.g.*, Web). For the twelve months ended March 31, 2021, sales through online channels represented approximately 3% of our net revenues, leaving significant room for future growth on the back of the expected online segment expansion.

We believe that we are well-positioned to take advantage of these positive trends in the optical frames and sunglasses market given our high quality and diversified brand portfolio, as well as our global reach.

***Balanced global brand portfolio of iconic brands, which is constantly reviewed and optimized to enhance resilience and profitability.***

We have a diversified portfolio of 28 licensed brands and three proprietary brands balanced between luxury and diffusion brands that appeal to a wide range of demographic groups across different stylings. For the year ended December 31, 2019 and the twelve months ended March 31, 2021, 53% and 54% of our net revenues were generated from our luxury category, respectively, which offers high-fashion, innovative designs, personalization and high-quality materials. The remaining 47% and 46% of our net revenues in the same periods were generated from our diffusion category, respectively, which offers stylish eyewear at more affordable price points.

We have an outstanding track record in renewing important licenses proved by our industry leading renewal rate (approximately 95% over the period between January 1, 2014 and March 31, 2021, excluding voluntary

terminations by Marcolin). Moreover, our license portfolio is continuously reviewed in order to ensure value accretive contribution of all brands and generate profitable growth going forward. As such, between 2020 and the first quarter of 2021 we have carried out a strategic repositioning, (i) terminating three selected license agreements in advance of the envisaged expiration dates and (ii) not renewing four selected license agreements terminating at natural expiry, which we considered no longer core to our business. The licensed brands associated with such license agreements accounted for approximately 5% of our net revenues for the twelve months ended March 31, 2021.

Due to the segmentation of our offering into luxury and diffusion brands, we can offer a wide array of eyewear at various price options, suitable for wholesale distribution through different channels, including, for example, independent opticians throughout Europe, department stores in the United States and retail stores of our licensors. We believe that the balance of our offering between luxury and diffusion brands with their differing price points and distribution channels balances our appeal to a wide range of demographic groups and offsets the potential cyclicality of the eyewear market and mitigates the risks related to potential sales slowdowns in specific markets and changes in consumer buying habits. Our product offering is also well balanced between prescription frames and sunglasses. For the year ended December 31, 2019 and the twelve months ended March 31, 2021, 54% and 61% of our net revenues were generated by sales of prescription frames, respectively, with the remaining generated by sales of sunglasses. We believe that this relatively even balance serves to insulate us somewhat from seasonality and also from economic downturns since prescription frames are less discretionary, leading to a more constant stream of sales.

We have high revenue visibility as a result of our strong brand portfolio supported by long-term licenses with some of the most recognizable brands in the eyewear industry, including Tom Ford, Guess, Max Mara, Moncler and others. As of March 31, 2021, the average licensing relationship with our top ten brands by net revenues, measured to the date of the expiration of the current license agreements, was 25.7 years. For the twelve months ended March 31, 2021, approximately 99% of our net revenues were generated by sales of licensed brand products. The weighted average residual life of our licenses was seven years as of March 31, 2021 and 71.7% of our net revenues for the twelve months ended March 31, 2021 were generated by sales of products under licenses with more than six years of residual life (beyond 2026).

The strength of our brand portfolio provides the foundation for our success and we believe the strength of the portfolio is attributable to our strong reputation among licensors as a valued partner with a proven ability to deliver brand equity enhancement through capturing and translating each brand's essence into eyewear products, while respecting and preserving each licensor's brand identity.

***Global business with extensive distribution capabilities in key international markets with clear opportunity to further tap future growth in APAC and through digitalization.***

While we have a strong foothold and heritage in Italy, we are a global player with a presence in more than 125 countries on five continents and an extensive distribution network either directly, through our 14 subsidiaries and two controlled joint ventures in Middle East and Mexico, or through our relationships with over 150 distributors.

For the year ended December 31, 2019, 42% of our net revenues were generated in the Americas, 42% in Europe, 7% in Asia and 9% in Rest of World. Our global scale and distribution network enables us to market our licensed and proprietary brands on a global platform, take advantage of growing opportunities in emerging markets with high-growth potentials, such as Asia and the Middle East, and extensively cover the United States market more, where our distribution network has considerable reach among POS in the United States. We believe that our extensive and diversified geographic presence acts as a natural hedge against localized economic downturns and allows us to maximize distribution in regions of increasing demand, such as China.

Starting from 2019, we have streamlined the distribution footprint in key areas, such as Europe and the United States and enhanced our operations and strengthened distribution in key APAC markets, such as China and Australia to improve our growth in those regions. We believe that we can leverage our increased presence in APAC to capitalize on the projected growth in these markets.

In addition, as part of our digital agenda, we launched a project named "MORE" (Marcolin Order Replenishment Evolution), a modern end-to-end customer and category management solution aiming to improve sales sustainably through a joint business plan, we developed an online platform, the "Marcolin HUB", and improved our customer knowledge through a new customer relationship management ("**CRM**") tool tracking sales data.

***Solid track record of profitable growth and high cash conversion under PAI ownership.***

Under the ownership of our controlling shareholder PAI, we have demonstrated a solid track record of achieving significant growth, while maintaining a high cash conversion, as a result of stable double-digit margins combined with the limited property, plant, and equipment capital expenditure requirements of our business. In the years ended December 31, 2013 (the first fiscal year under PAI ownership) and 2019 (before the COVID-19 pandemic), we have more than doubled our net revenues, which grew from €212.3 million to €486.7 million, recording a CAGR in the same period of 14.8%, as a result of both organic performance and the acquisition of Viva Group.

In the same period, we have grown our Adjusted EBITDA from €26.2 million in 2013 to €56.0 million in 2019 (post-IFRS-16), recording a CAGR in the same period of 13.5%, while maintaining double-digit margins. In fact, our Adjusted EBITDA margin was 12.4% in 2013 and 11.5% in 2019 (post-IFRS 16), despite 2019 being negatively affected by certain additional extraordinary charges mostly related to new brand start-up costs (the slight EBITDA margin dilution is attributable to certain impacts in 2019 related to U.S. duties, significant MAG under a currently terminated license and start up costs for the launch of new brands). In terms of our limited tangible capital expenditure requirements to run our operations, for the years ended December 31, 2013 and 2019, our capital expenditures in property, plant and equipment were respectively 1.2% and 1.9% of our net revenues. As a consequence of that, over the same period, our business showed a solid cash conversion: for the years ended December 31, 2013 and 2019, our Adjusted EBITDA (post-IFRS 16) less capital expenditures in property, plant and equipment was respectively, €23.6 million and €46.7 million, implying a stable and high cash conversion respectively of 89.9% and 81.7%.

We believe that our financial performance demonstrates the significant growth we have been able to achieve, the consistent profitability and the high cash conversion that we have historically recorded. We have been able to achieve such results thanks to some important strategic milestones that we achieved under the PAI ownership, with all major investments now completed. In 2013, we acquired Viva Group (successfully integrated by the end of 2015), a then-leading eyewear wholesale designer and distributor of distinctive eyewear, and the second largest U.S.-based eyewear wholesale player. The Viva Group represented a strategically important acquisition for Marcolin, adding a portfolio of leading diffusion brands to Marcolin's existing portfolio. The acquisition allowed us to balance our leading position in both sunglasses and prescription frames and to significantly expand the distribution network in North America with a wider product offering.

Moreover, we expanded our production capacity through the opening of our new plant in Fortogna, completed in 2015. Thanks to this important investment, we believe that we have now reached sufficient capacity to support the anticipated spike in demand for eyewear as the world recovers from the COVID-19 pandemic. For the next phase of growth of our Group we do not envisage any further major capital expenditure requirement.

In addition, in 2017 we created Thélios, our joint venture with LVMH, for which we, as owner of 49% of Thélios' shares, have invested approximately €47.5 million (including approximately €2 million invested in the three months ended March 31, 2021) since its inception in order to fund its start-up phase. Following the addition of Dior to its already fully up-to-speed portfolio of brands in January 2021, Thélios is now completely operational, without major future external funding need expected going forward (approximately €3 million is still expected to be invested by us in the remainder of 2021). During 2021, we expect another major LVMH license to be added to Thélios' portfolio, further enhancing its upside potential.

Finally, we have successfully completed the onboarding of new important licenses to our portfolio such as Moncler, Omega, Barton Perreira, Max&Co, Max Mara and Adidas (which will allow us to penetrate the sport segment) as well as extended other key licenses such as Tom Ford, Guess, Moncler and Svarowski, creating a well balanced and optimized portfolio of iconic brands, with a long contractual horizon.

***Thélios becoming a major industry player with the entrance of Dior and another major license in 2021, with no further major external funding needs.***

We believe that Thélios, our joint venture created in 2017 together with one of the leading global luxury groups, LVMH, is a real differentiating factor and a strong signal of the quality and strength of our Group. Thélios represents a very important industrial investment for us and we believe it provides many tangible benefits. In particular, it enhances our focus on high-end brands, significantly improving our positioning in the high-growth luxury eyewear segment. Thélios was established with the purpose of becoming the preferred partner of LVMH in the eyewear business. Through Thélios, we apply our design, industrialization, manufacturing and distribution know-how to certain LVMH brands. In addition, we believe that we will be able to use the know-how we gain through Thélios to attract new brands in the future.

Thélios designs and manufactures eyewear for certain luxury LVMH brands, which, as of the date of this Offering Memorandum, are Céline, Kenzo, Stella McCartney, Fred, Louis Vuitton, Loewe, Rimowa and Berluti and since, January 2021, Dior, one of the major global LVMH brands. Finally, an additional major license is expected to enter Thélios' portfolio in July 2021. As the business ramps up further, we expect no further major external funding needs as well as potential for additional luxury brands from LVMH to be added to the portfolio increasing our focus on high-end brands.

***New top management team combining strategic vision, extensive operational experience and strong adaptability as proven during COVID-19 impacted 2020.***

Under PAI's leadership, in 2020, we have strengthened our senior management team by hiring our new Chief Executive Officer, Mr. Fabrizio Curci, and selected highly skilled professionals with extensive operational experience and proven international track record in the consumer products and fashion industry. Our new top management team was carefully selected with the aim of strengthening key functions such as Style & Product Development and Operations, which are key to positioning us for future profitable growth. In addition, our Chief Executive Officer will have a key role in leading the Group throughout the recovery from the ongoing pandemic, providing his strategic vision and strong operational expertise. The new organizational set-up aims at enhancing digital capabilities, extracting industrial efficiencies, optimizing profitability and increasing cash conversion, and has already provided strong results, as demonstrated during the pandemic in 2020 and in the first quarter of 2021 given the circumstances.

In fact, thanks to our management's resiliency and adaptability through the pandemic, the Group was able to undertake immediate actions to ensure better control over costs and secure liquidity. The cumulative positive impact on EBITDA resulted in approximately €61 million cost savings, all of which were achieved in the year ended December 31, 2020. On the cost side, license agreements were renegotiated in order to obtain waivers or reductions of minimum guaranteed royalties and advertising amounts (approximately €23 million cost savings). We reached very positive results and received strong support from licensors, with full waivers for the vast majority of our key licenses, providing significant economic benefits. Moreover, we took advantage of government subsidies and furlough to mitigate costs related to personnel and overheads savings (approximately €14 million cost savings) and the lower sales volumes allowed saving on agents' commission and freight costs (approximately €7 million cost savings) and variable royalties (approximately €17 million cost savings). On cash management side, we took advantage of the SACE Facility, a €50.0 million loan backed by SACE S.p.A. and the 3Cime Shareholder Loan, a €25.0 million loan which allowed to increase our liquidity during the pandemic. In addition, we focused on the re-alignment of cash outflows and inflows, leveraging our strong relations with suppliers, and on the improvement of cash collection, reaching strong results with our days sales outstanding (the "**DSO**") progressively decreasing from circa 113 days in May 2020 (historical high) to 72 days in December 2020. As a result of the actions taken, the year ended December 31, 2020 closed with €52.4 million of cash, higher than our pre-pandemic level.

Additionally, in response to the COVID-19 pandemic, the management team decided to review the Group's traditional business approach and operations. We expect that the strong focus of our management on industrial processes with the aim of streamlining the supply chain will result in significant efficiency gains and cost savings. For example, increasing insourcing capacity, reducing stock obsolescence and back-orders and optimizing the product development process. In addition, our portfolio was carefully reviewed and rationalized in order to focus only on licenses with higher profitability and guarantee access to new channels (*e.g.*, Adidas, which provides access to the new sport channel). As a result of the transformation plan undertaken by management, the impact from the pandemic was successfully mitigated with the Group being able to preserve cash generation and with positive results already achieved in the first months of 2021, which typically result in negative cash flow.

***Strategic, strong and fully supporting shareholders as further demonstrated during the COVID-19 pandemic.***

We benefit from strong support from our shareholders, as also demonstrated by the recent fund transfer and during the COVID-19 pandemic when one of our direct shareholders, 3Cime, made available a shareholder loan of an amount of €25.0 million. Our controlling shareholder is PAI, one of the leading European private equity funds. Marcolin represents a strategic investment for PAI, to which it has demonstrated strong commitment over time including through continued equity injections, also to support strategic acquisitions, without dividend extraction since its entry and by the recent transfer of Marcolin to the new PAI Strategic Partnerships fund. In addition, in December 2019, Marcolin was transferred into "PAI Strategic Partnerships" fund, a continuation fund designated to provide continued and long-term investments to priority assets, such as our Group. In

addition, LVMH, one of the leading global luxury groups enjoying strong stability, is one of our main strategic partners that invested in our expertise and it is strategically committed to us through Thélios and as a minority shareholder since 2017. Finally, we benefit from the support of other key long-term shareholders, such as the Della Valle family, controlling shareholders of Tod's, and Marcolin's family.

### Our Strategies

We intend to further strengthen our position as a leading wholesale eyewear company by focusing on the following strategic pillars:

#### *Strengthen our core business.*

We are one of the leading vertically integrated wholesale eyewear group with a global reach. Our business has extensive global distribution networks, especially in the mature markets of North America and Europe and we intend to maintain a strong foothold in these markets and leverage our know-how to expand further. In addition, we intend to pursue organic growth opportunities in fast-growing emerging markets, where we believe consumer demand for branded products will increase. Especially in APAC we have significantly strengthened our footprint by setting up a logistic center in Hong Kong and replaced our distributor in South Korea to ensure that we are well positioned to capture this future growth opportunity.

We expect that our balanced geographic presence and integrated business model both place an emphasis on proximity and responsiveness to consumers that will benefit us while the market recovers from the COVID-19 related impacts.

We intend to continue to develop our successful business model of providing collections in a variety of styles, materials and colors to distinctive brands with high commercial potential in eyewear. For luxury brands, we will continue producing "Made in Italy" pieces that seek to translate each licensed brand's unique identity into eyewear. For diffusion brands, we intend to continue to offer consumers compelling propositions of style and value. We believe establishing the eyewear collection for some of our largest brands and continuing to grow them as formidable, recognized and profitable brands in the eyewear accessory line has contributed to raise awareness among consumers for these brands, and therefore, increased consumer loyalty and brand value.

To improve our core business further, we will strengthen our financial profile by renegotiating the commercial terms of our licenses with more favorable terms than the original ones and a clear focus on high contribution brands. We therefore constantly review our portfolio of licenses and monitor ongoing developments to ensure that our agreements are accretive to the top line and profitability.

We continue to invest in new strong brands, as shown by the addition of two new core brands Adidas and Max Mara. Through Adidas we will enter the attractive sport category, while Max Mara allows us to consolidate our premium offering. In addition, we continue to invest into our own brand portfolio through Web's new international brand identity which aims at developing a strong in-house brand.

Lastly, we have implemented significant changes to the management structure and related internal processes to ensure that our governance, compliance and ESG policies are strengthened, which we believe are in line with best practices across the industry.

#### *Maximize operational efficiency.*

We believe our integrated business model provides maximum control over our operations, allows us to quickly respond to consumer demands and has contributed to margin preservation. We intend to continue to focus on operational efficiencies and best-in-class internal processes. Between 2020 and the first quarter of 2021, our management has started to implement significant actions in order to streamline the supply chain and extract efficiencies on the procurement, production and distribution side, including through the adoption of new scorecards, which allow us to rank our suppliers in terms of costs and efficiency, and scouting for best price suppliers. In this context, we are now increasing the insourcing capacity for our "Made in Italy" production, through the redesign of our production process at our Fortogna facility. In addition, in order to optimize our logistics operations, we completed two new automation projects: an automated component counter system at our Fortogna facility and an automated kit packaging system at our Longarone facility.

We will continue to focus on operational improvements, including reduction of stock obsolescence risk, back-orders and optimization of product development process. We do not expect to incur any major extraordinary investments going forward in order to improve our operations and internal processes.

***Refocus on profitable growth.***

To ensure that we are well positioned, following the market disruption from the pandemic, we have developed a more disciplined approach for new licenses with a clear focus on highly profitable as well as scalable brands. As such, we have recently terminated three selected license agreements in advance of the envisaged expiration dates and not renewed four selected license agreements terminating at natural expiry which we considered no longer core to our business. In addition, we have recently renewed Guess, one of our top brands, until 2030. At the same time we have an outstanding track record in renewing important licenses thanks to our industry leading renewal rate (approximately 95% over the period between January 1, 2014 and March 31, 2021, excluding voluntary terminations by Marcolin), due to our strong reputation in the eyewear sector and long-standing relationships with licensors.

We believe this track record can help us develop other luxury and diffusion brands that have yet to establish eyewear collections or are otherwise dissatisfied with their current licensee. In addition, our ability to produce, industrialize and distribute eyewear in the diffusion brand category can be attractive to licensors seeking to complement their offering and reach mass-market consumers. We will continue to focus on profitable licensed brands that have broad consumer appeal or target selective and profitable niches, such as Tom Ford and Guess, and will also gain indirect access to an increased portfolio of luxury brands through Thélios.

Through our global presence and deep understanding of the market, we continuously evaluate and, where economically reasonable, leverage market opportunities to increase the weight of own brands, with a specific focus on strategic regions such as the U.S. and APAC. Finally, we intend to focus on the expansion of our main proprietary brand, Web, which has the potential to have a higher margin profile (due to the lack of royalty payments), by relaunching its brand identity and expanding its distribution, including via online channels, and therefore we will seek to strengthen this part of the business.

***Digital reinvention.***

As part of our strategy of profitable sustained growth going forward, we have developed a digital agenda to improve the customer journey, increase connectivity with our clients, better track consumer behaviors and increase sales efficiency. In particular, we intend:

- to increase the efficiency and reliability of our supply chain flows through the full roll out of our "MORE" ("Marcolin Order Replenishment Evolution") project, our modern end-to-end customer and category management solution aiming to improve sales sustainably through a joint business plan;
- to strengthen our business-to-consumer (B2C) channel by expanding our e-commerce presence through partnership agreements with selected third-party online retailers in key geographies and developing proprietary e-commerce tools for selected brands (*e.g.*, Web);
- to re-design and transform our customer experience through our an improved CRM tool platform, to drive the business, better track customer needs and sales data and develop a more tailored approach with the goal to (i) optimize our operating model, in light of customer centricity, (ii) improve overall customer satisfaction and (iii) be able to react faster to changing customer and consumer behavior; and
- to strengthen our business-to-business (B2B) channel through the full roll out of our "Marcolin HUB", our online platform, where customers can, *inter alia*, place orders, check order status, download digital assets images and request marketing materials.

***Increasing benefits from Thélios.***

Thélios has been a core part of our strategy since the setting up of such joint venture with LVMH in 2017. Thélios strengthens, indirectly, our luxury brand portfolio by giving us the opportunity to apply our design, industrialization, manufacturing and distribution know-how to luxury LVMH brands, including Céline and Dior, which have previously been designed and manufactured by one of our largest competitors. The primary purpose of Thélios is to strengthen LVMH's eyewear business by enhancing the creativity and innovation of the designs of the licensed brands through the application of our know-how, thereby improving the overall brand equity and luxury positioning of LVMH.

Following significant investments over the course of the last three years to support the start-up phase, Thélios' operations are now up to speed and we are seeing the benefits of such joint venture as the scale of operations increase. As of today, we foresee no major further cash injection and we believe that Thélios will provide us with dividend potential going forward.

We believe that Thélios is set to become a strong value contributor to our Group. The entrance of Dior in January 2021 as well as an additional major license, which is expected to enter in July 2021, will further enhance the attractiveness of Thélios due to the strength of the brands and their size. We expect these additions to the brand portfolio to be a further milestone for Thélios as volumes are expected to ramp-up significantly further strengthening profitability.

Finally, we expect to have the opportunity to win additional LVMH brands by leveraging Thélios' ability to successfully launch and manage Dior.

***Maintain disciplined financial strategy, focus on cash generation and reduce leverage.***

We intend to focus on cash generation and operationally reduce our leverage through improving working capital practices (e.g., reduction of stock obsolescence, improving inventory rotation, reducing DSOs) and actively monitoring cash flow management. The New Revolving Credit Facility, which we expect will have available drawings of €46.3 million after the Refinancing, will help us maintain a liquidity cushion for on-going business needs. Leveraging our limited capital expenditures, combined with our disciplined financial strategy, we intend to continue focus on cost reduction and efficiency improvement opportunities.

Further, as part of our plan to maximize efficiency in our expenses and to maintain adequate levels of liquidity, we intend to maintain our conservative dividend and acquisition policies. Historically, where we have undertaken certain acquisitions, these generally arose from extraordinary opportunities that helped us globalize our business, penetrate unexplored markets (such as our acquisition of the Viva group in 2013 which expanded our footprint in the United States and added a number of leading diffusion brands to our portfolio including Guess) or otherwise meet our strategic business objectives. Subject to any exceptional opportunities that may materialize in the future, we do not presently envisage any significant acquisition or business combination, as we are well positioned with our diversified brand portfolio and open to forming partnerships with brands that resonate with customers and can generate profitable returns. As part of this prudent financial policy, we currently expect the 3Cime Shareholder Loan, for an aggregate principal amount of €25.0 million, to remain outstanding following the completion of the Refinancing.

## Our History

We were founded in 1961 by Giovanni Marcolin in Cadore, an area in the Veneto region of Italy with a historic tradition of artisanship in the eyewear industry dating back to the first workshop for eye spectacles in Italy which was established there in 1877. Our first production (under the *Fabbrica Artigiana* trademark) focused on gold laminated arms for eyeglasses using doublé laminé, an alloy combining the aesthetic of gold with the strength of other metals such as copper, silver or palladium. In 1967, we opened a factory in Vallesella di Cadore to accommodate the production of our first line of prescription frames. In the following years, we entered into distribution agreements and established branches to market our products outside of Italy, notably in the United States (1968), France (1976), Germany (1976) and Spain (1986). In 1985, our production plant was moved to Longarone, where we are currently based.

In 1989, we acquired our first licensed brands in what would become an extensive portfolio of luxury and diffusion brands through acquisitions of companies holding the licenses to produce eyeglasses bearing the Mila Schoen and Lancetti brands. In the 1990s and 2000s, luxury and diffusion brands were added to our portfolio through a series of license agreements. In 1999, we signed a license agreement with Roberto Cavalli, followed by various others, including Tom Ford in 2005, Diesel in 2010, Ermenegildo Zegna in 2013 and Moncler in 2015. Many of these agreements have been subsequently renewed.

In 1999, we became a public company through a listing on the Italian Stock Exchange. We also focused on expanding our geographic reach through distribution agreements and new subsidiaries and through selective acquisitions such as that of Cébé in France (1999) and Creative Optics in the United States (2001). In December 2012, we were acquired by funds advised by PAI Partners for aggregate consideration of €261.2 million for 100% of our ordinary shares, consisting of the purchase of a majority stake in our share capital from our former controlling shareholders and a subsequent mandatory tender offer from public shareholders resulting in the de-listing of our ordinary shares from the Italian Stock Exchange. Certain managers and former shareholders, including Andrea Della Valle and Diego Della Valle and certain members of the Marcolin family, remain indirect shareholders of Marcolin.

In 2013, we acquired the Viva Group, a then-leading eyewear wholesale designer and distributor of distinctive eyewear, and the second largest U.S.-based eyewear wholesale player. The Viva Group represented a

strategically important acquisition for Marcolin, adding a portfolio of leading diffusion brands to Marcolin's existing portfolio. Our business now benefits from diversified operations balancing a leading position in sunglasses with a complementary leading position in prescription frames and a significantly expanded distribution network in North America with a wider product offering. Since completing the Viva Acquisition, and as part of integrating the Viva Group into the Group, we have strategically restructured and integrated our sales, manufacturing and distribution operations in, among other locations, the United Kingdom, Asia, France, Brazil and North America to reduce production times and maximize the synergies and economies of scale afforded by the Viva Acquisition. These efforts have strengthened our position as one of the leading global designers, manufacturers and distributors of branded sunglasses and prescription frames.

In October 2017, LVMH acquired 10% of the fully-diluted capital stock of the Issuer. As a result of this, we now benefit from the support of LVMH, one of the largest and most well-known luxury brand conglomerates in the world. See "*Principal Shareholders.*"

Also in October 2017, LVMH, through its wholly owned subsidiary Vicuna, and the Issuer established a joint venture called Thélios with LVMH (through its vehicle Vicuna) and the Issuer now owning 51% and 49%, respectively, of Thélios. Thélios designs and manufactures eyewear for certain luxury LVMH brands, which, as of the date of this Offering Memorandum, are Dior, Céline, Kenzo, Stella McCartney, Fred, Louis Vuitton, Loewe, Rimowa and Berluti. See "*—Our Business—Thélios.*"

With the purpose of penetrating the APAC market, in 2019, we expanded our direct presence by opening a subsidiary in Singapore, in December 2020 and February 2021, we acquired full control of our joint-ventures in China and Russia and in 2020 we opened a subsidiary in Australia.

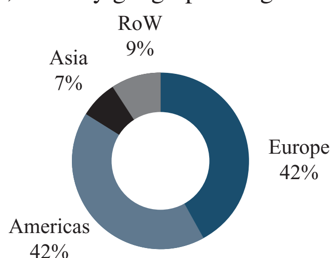
### Our Business

We operate in the sunglasses and prescription frames segments of the eyewear industry and we design, produce and distribute products bearing a variety of brands that cater to different demographics. Our present business model focuses on licensed brands, though we also maintain three proprietary brands. We forge close and long-term relationships with our licensed brands and create value by combining specialized product development methodologies, *Made in Italy* design and the latest industrial know-how. For the twelve months ended March 31, 2021, approximately 61% of our net revenues were generated by sales of sunglasses and approximately 39% were generated by sales of prescription frames. We further separate our eyewear products into the following categories:

- **luxury brands:** high-end products distinguished by their exclusivity and distinctiveness (or consumer perceptions thereof) influenced by fashion and often characterized by a higher retail price; and
- **diffusion brands:** products influenced by market trends positioned in the mid- and upper-mid price segments targeting a wider customer base.

In addition, since 2018, through the Adidas license, we have been penetrating the sport segment. Net revenues generated from our Adidas license are accounted under the diffusion category. For the twelve months ended March 31, 2021, approximately 54% of our net revenues were generated by sales of luxury brand eyewear and approximately 46% of our net revenues were generated by sales of diffusion brand eyewear. For the twelve months ended March 31, 2021, we sold 2.4 thousand units of luxury brand eyewear and 7.7 thousand units of diffusion brand eyewear.

Our core markets are Europe, the Americas and Asia. The chart below displays the breakdown of our net revenues for the year ended December 31, 2019 by geographic segment.




#### *Our Licensed Brands*

Our portfolio of licensed brands, comprised of brands from many of the leading brands around the world, targets broad demographics, lifestyles and interests from traditional, casual elegance to haute couture. Our licensed

brand portfolio has historically been dynamic; we have gained several new licensed brands in recent years and we have also transitioned out certain licensed brands which we believed were no longer in line with our strategy of focusing on top-end luxury and diffusion brands. For the twelve months ended March 31, 2021, approximately 99% of our net revenues were generated by sales of licensed brand products. The average residual life of our licenses was seven years as of March 31, 2021 and 71.7% of our net revenues for the twelve months ended March 31, 2021 were generated by sales of products under licenses with more than six years of residual life. As of March 31, 2021, the average licensing relationship with our top ten brands by net revenues, measured to the date of the expiration of the current license agreements, was 25.7 years.

We focus on top brands with international recognition and resonance with key demographics that can generate profitable growth throughout the license duration. Our brand portfolio reflects a strategy to capitalize on the consumer segments we believe will be most commercially attractive, including high-end, luxury brands such as Tom Ford, Max Mara, Moncler, Ermenegildo Zegna, Barton Perreira, Omega, Longines, Bally, Tod's and Sportmax and diffusion brands with high commercial appeal, such as Guess, Adidas, Swarovski, Timberland, Harley Davidson, Gant, Max&Co, Kenneth Cole, Skechers, BMW and GCDS that cater to younger and lifestyle consumers. The table below presents certain information regarding our key licensed brand portfolio.

| | Date of first license | Categories of products | Exclusive license?[1] |
|---|---|---|---|
| ***Luxury brands*** | | | |
| Tom Ford | 2005 | sunglasses, prescription frames | ✓ |
| Max Mara | 2020 | sunglasses, prescription frames | ✓ |
| Moncler | 2016 | sunglasses, prescription frames | ✓ |
| Ermenegildo Zegna | 2013 | sunglasses, prescription frames | ✓ |
| Barton Perreira[2] | 2019 | sunglasses, prescription frames | ✓ |
| Omega | 2016 | sunglasses, prescription frames | ✓ |
| Longines | 2019 | sunglasses, prescription frames | ✓ |
| Bally | 2018 | sunglasses, prescription frames | ✓ |
| Tod's | 2008 | sunglasses, prescription frames | ✓ |
| Sportmax | 2019 | sunglasses, prescription frames | ✓ |
| ***Diffusion brands*** | | | |
| Guess | 1991 | sunglasses, prescription frames | ✓ |
| Adidas | 2018 | sunglasses | ✓ |
| Swarovski | 2009 | sunglasses, prescription frames | ✓ |
| Timberland | 2003 | sunglasses, prescription frames | |
| Harley-Davidson | 2003 | sunglasses, prescription frames | |
| Gant | 2001 | sunglasses, prescription frames | ✓ |
| Max&Co | 2020 | sunglasses, prescription frames | ✓ |
| Kenneth Cole[3] | 2003 | sunglasses, prescription frames | ✓ |
| Skechers | 2009 | sunglasses, prescription frames | ✓ |
| BMW | 2019 | sunglasses, prescription frames | ✓ |
| GCDS | 2020 | sunglasses, prescription frames | ✓ |

(1) License to sell, distribute, advertise and promote is exclusive worldwide, unless otherwise indicated.

(2) License is limited to a distribution agreement excluding the territory of the U.S., Canada and Japan.

(3) The license for our Kenneth Cole brand is limited to the United States.

In addition to the above licenses, during the periods under review, we have also designed, produced and distributed sunglasses and prescription frames for other brands. Our license agreements with four of these brands, one expired in 2021 and three due to expire in 2021, will not be renewed as we consider them no longer core to our business. For the twelve months ended March 31, 2021, only 4% of our net revenues were generated by sales of products under these licenses.

The following presents a brief description of each of our licensed brands.

*Luxury Brands*

*Tom Ford.* Under the Tom Ford brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices generally ranging from €180 to €650. Tom Ford eyewear is meticulously handcrafted in Italy, complete with sophisticated touches and exudes the iconic, everyday luxury, glamour and

exclusivity that has helped the brand gain worldwide renown. Our Tom Ford eyewear offering features rich acetates with metalworking accents, clean linear shapes and minimalist metal shapes with a strong vintage inspiration. The primary target demographic for Tom Ford eyewear are women and men over 25. In 2006, Tom Ford was awarded the Accessories Council Excellence Award for the category "Best Accessory Brand Launch of the Year" in recognition of Tom Ford eyewear's contribution to brand excellence.

*Max Mara.* Under the Max Mara brand, we design, produce and distribute sunglasses and prescription frames for women with retail prices ranging from €140 to €240. Max Mara's frames are characterized by geometric shapes, a harmonious dialogue between materials and chromatic combinations of soft nuances. The primary target demographic for Max Mara eyewear are women between 30 and 60.

*Moncler.* Under the Moncler brand, we design, produce, and distribute sunglasses, prescription frames and ski goggles for women, men and children with retail prices ranging from €180 to €390. Moncler's look is inspired by its functional activewear roots with an innovative injection of high-fashion styling and finishing. The primary target demographic for Moncler eyewear are men and women between 25 and 50.

*Ermenegildo Zegna.* Under the Ermenegildo Zegna brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €160 to €390. The initial Zegna collections were launched in January 2015. Our Zegna eyewear is characterized by high-quality materials and an innovative technological production processes, in-line with the essence of Zegna's tradition and heritage. The primary target demographic for Zegna eyewear are men between 30 and 50.

*Barton Perreira.* Under a distribution agreement, we sell Barton Perreira's exquisite eyewear collection for men and women to select retailers and optical shops in Southern Europe (including Spain, Portugal, Greece, and Italy), the Middle East, Eastern Europe (including Russia), Asia-Pacific (except for Japan), South America and Mexico, while Barton Perreira is responsible for the design and manufacturing, as well as sales in the rest of Europe, the United States, Canada and Japan. The primary target demographic for Barton Perreira eyewear are women and men between 30 and 60.

*Omega.* Under the Omega brand, we design, produce, and distribute sunglasses and prescription frames for women and men with retail prices ranging from €280 to €650. The Omega eyewear is crafted with top-quality materials and meticulous attention to detail and is characterized by vintage-inspired tributes, contemporary aesthetics, iconic engravings, timeless craftsmanship and luxury materials. The primary target demographic for Omega eyewear are women and men between 35 and 60.

*Longines*. Under the Longines brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €220 to €410. Longines eyewear closely reflects the brands' craftsmanship legacy and includes styles distinguished by precise detailing. Our Longines eyewear combines beauty with the brand's technical expertise to offer high-performance, elegant products that mirror the characteristics of Longines timepieces. The primary target demographic for Longines eyewear are women and men between 30 and 60.

*Bally.* Under the Bally brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €160 to €280. Bally's timeless refinement and elegant shapes take center stage, while versatility and functionality are kept in mind with an easy-to-wear color palette. Bally's collections are designed with a focus on details that evoke its rich heritage of vintage-inspired looks. The primary target demographic for Bally eyewear are women and men between 25 and 50.

*Tod's.* Under the Tod's brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €190 to €365. Tod's eyewear features an international taste as interpreted by Italian style with a modern and timeless essence. With a wide-ranging color palate in both metal and acetate, Tod's eyewear features interesting shapes for greater personal expression, such as women's cat eye and butterfly-shaped sunglasses. The primary target demographic for Tod's eyewear are women and men over 35.

*Sportmax.* Under the Sportmax's brand, we design, produce and distribute women's sunglasses and prescription frames with retail prices ranging from €150 to €280. Sportmax's collection offers a unique assortment of strong, angular shapes balanced with a varying color palette of soft hues, classic havanas, and deep colorways. The primary target demographic for Sportmax eyewear are women between 30 and 50.

*Diffusion Brands*

*Guess.* Under the Guess, G by GUESS and Marciano brands, we design, produce and distribute prescription frames and sunglasses for both children and adults with retail prices ranging from €30 to €190. Guess is a youthful and iconic brand and our Guess eyewear is imbued with this casual sophistication. Guess eyewear features classic and retro shapes, with prominent acetate and metal frames. The primary target demographic for Guess eyewear are children aged eight and older and adults up to the age of 50.

*Adidas.* Under the Adidas brand, we design, produce and distribute sunglasses for women and men under two labels, Adidas Originals and Badge of Sport, with retail prices ranging from €75 to €250. Adidas Badge of Sport is characterized by a comfortable fit, ensuring ultimate vision and lens protection. The Originals eyewear collection is inspired by street culture and loyal to the DNA of the iconic Adidas brand. The primary target demographic for Adidas eyewear are women and men between the ages of 18 to 40. The Adidas sports sunglasses model "SP0001" was awarded sports eyewear piece of the year at the 27th Slimo d'Or awards in October 2020.

*Swarovski.* Under the Swarovski brand, we design, produce and distribute sunglasses and prescription frames for women with retail prices generally ranging from €110 to €265. Swarovski eyewear personifies a delicate, luxurious aesthetic with precision-cut crystal accent pieces. Swarovski eyewear incorporates clean lines, slender frames and earth tones in metal and acetate. The primary target demographic for Swarovski eyewear are women over 40.

*Timberland.* Under the Timberland brand, we design, produce and distribute sunglasses and prescription frames for men with retail prices ranging from €80 to €149. For each collection, we draw inspiration from America's New England geography and spirit of ingenuity. Timberland eyewear collections embrace the core heritage in craftsmanship, outdoor utility and the environmental awareness of its target audience. We have developed specific Timberland models to support active lifestyles, for example, wrap-around sports sunglasses. The primary target demographic for Timberland eyewear are men over 30.

*Harley-Davidson.* Under the Harley-Davidson brand, we design, produce and distribute prescription frames and sunglasses for both children and adults with retail prices ranging from €110 to €180 for adult prescription frames and sunglasses and starting from €16 for children's sunglasses. Harley-Davidson eyewear draws inspiration from the pursuit of the open road and a rebel's love of challenging the status quo. Our Harley-Davidson eyewear is known for its classic sunglasses with chrome metal rivet details and prominent double bridge that recalls a motorcycle's handlebars. The target demographic for Harley-Davidson eyewear are children ages 8 and older and men and women of all ages.

*Gant.* Under the Gant brand umbrella, we design, produce and distribute prescription frames and sunglasses for women and men under two labels, Gant and Gant Rugger with retail prices ranging from €98 to €175. Gant eyewear is retro and classic recalling the 1960s' heyday of fashion house's Americana clothing line with smooth and elegant shapes in acetate with simple metal accents. Gant Rugger features bold and retro shapes with a soft, sunny, earth tone color palette in handmade acetate. The primary target demographic for Gant eyewear are women and men between the ages of 25 to 60.

*Max&Co*. Under the Max&Co brand, we design, produce and distribute sunglasses and prescription frames for women with retail prices ranging from €79 to €180. The Max&Co brand mainly targets young, fashion-conscious, female consumers. The first Max&Co eyewear collection was presented to the market in 2020. The Max&Co eyewear collection embodies young and easy-to-wear shapes with a modern fresh and feminine taste, colors, customized materials and details inspired from fabrics and garments of the Max&Co world.

*Kenneth Cole.* Under the Kenneth Cole, Kenneth Cole New York, and Kenneth Cole Reaction brands, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from $114 to $254 (€97 to €217). Our Kenneth Cole license is limited to the United States market and our offering features both plastic injected and metal models in sleek and geometric shapes and classic colors. The primary target demographic for Kenneth Cole eyewear are women and men between the ages of 20 to 35.

*Skechers.* Under the Skechers brand, we design, produce and distribute sunglasses and prescription frames for men, women and children with retail prices ranging from €50 to €111. Skechers is designed to appeal to broad demographics, and mainly exudes a trendy, sporty and urban feel with a strong California heritage. Our Skechers offering features classic shapes and everyday color palette with models in metal, acetate and plastic. The primary target demographic for Skechers eyewear are children of the ages of eight and over, and women and men up to the age of 60.

*BMW*. Under the BMW brand umbrella, we design, produce and distribute prescription frames and sunglasses for women and men under three labels, BMW, BMW M and BMW M Motorsport with retail prices ranging from €89 to €200. BMW eyewear is characterized by modern and easy-to-wear shapes, enriched by smart details. BMW M eyewear features top quality materials and treatments, with exclusive aesthetic and bold profiles. BMW M Motorsport eyewear showcases young and sporty accents. The primary target demographic for BMW eyewear are women and men between the ages of 30 to 60.

*GCDS*. Under the GCDS brand, we design, produce and distribute prescription frames and sunglasses for women and men with retail prices ranging from €120 to €250. Experimentation and street style are the key elements distinguishing GCDS eyewear. GCDS frames perfectly embody the brand's concept of aesthetics, in which top-quality products are combined with sporty lines, technical materials and vibrant colors. The primary target demographic for GCDS eyewear are women and men between the ages of 18 to 35.

***Our Proprietary Brands***

In addition to our licensed brands, we also design, produce and distribute eyewear products bearing our proprietary brands, Marcolin, Viva and Web. Our proprietary brands benefit from Marcolin's long history in the eyewear design marketplace and our knowhow from collaborating with leading design houses. In terms of market positioning, all three are diffusion brands. Marcolin is marketed and sold by Marcolin USA only. For the twelve months ended March 31, 2021, approximately 1% of our net revenues were generated by sales of proprietary brand products.

The following presents a brief description of each of our proprietary brands.

*Web*. Under the Web brand, we design, produce and distribute sunglasses and prescription frames for women and men under two labels, Web and W, with retail prices ranging from €60 to €220. Web eyewear is inspired by the icons of 1930s' America and the pioneers of aviation, with travel-themed models in iconic shapes and acetate and metal materials, with a distinctly vintage elegance. Web eyewear celebrates life, travel and the capacity to enjoy new experiences. The primary target demographic for Web eyewear are women and men between the ages of 25 to 40.

*Marcolin*. Under the Marcolin brand, we design, produce and distribute prescription frames for women and men with retail prices of approximately $111 (€99). Marcolin is a value-focused diffusion brand with a competitive value proposition of sophisticated yet affordable style. The Marcolin brand targets a broad range of consumers with a wide mix of product styles, colors and sizes in plastic, metal and acetate.

*Viva*. Under the Viva brand, we design, produce and distribute prescription frames for women and men with retail prices of approximately $97 (€86). Viva eyewear is inspired by the all-American lifestyle and classic, casual elegance. Pieces come in acetate and metal with accent touches such as Swarovski crystals and metal temple treatments.

***Thélios***

On January 31, 2017, we entered into a joint venture agreement with, *inter alia*, LVMH and PAI (the "**Thélios JVA**") to establish a joint venture, which was then created in October 2017 under the name of Thélios. The Issuer holds 49% of Thélios' shares, while LVMH holds indirectly the remaining 51%. Thélios was established with the purpose of becoming the preferred partner of LVMH in the eyewear business. LVMH represents one of the largest and most well-known luxury brand conglomerates in the world. Through Thélios, we apply our design, industrialization, manufacturing and distribution know-how to certain LVMH brands with the goal of strengthening LVMH's eyewear business by enhancing the creativity and innovation of their designs, thereby improving the brand equity and luxury positioning of LVMH.

As of the date of this Offering Memorandum, Thélios designs and manufactures eyewear for the following luxury LVMH brands:

| | Date of first license | Categories of products | Exclusive license?(1) |
|---|---|---|---|
| Dior | 2021 | sunglasses, prescription frames | ✓ |
| Céline | 2018 | sunglasses, prescription frames | ✓ |
| Kenzo | 2019 | sunglasses, prescription frames | ✓ |
| Stella McCartney | 2020 | sunglasses, prescription frames | ✓ |
| Fred | 2018 | sunglasses, prescription frames | ✓ |
| Louis Vuitton(1) | 2019 | sunglasses | |
| Loewe | 2018 | sunglasses, prescription frames | ✓ |
| Rimowa | 2020 | sunglasses, prescription frames | ✓ |
| Berluti | 2019 | sunglasses | ✓ |

(1) License is limited to sale, production and distribution in Louis Vuitton's boutiques.

The following presents a brief description of each of Thélios' licensed brands.

*Dior.* Under the Dior brand, Thélios designs, produces, and distributes sunglasses and prescription frames for women and men with retail prices ranging from €290 to €420 for women and from €290 to €450 for men. Dedicated and elegant colors, sophisticated materials and quality craftsmanship make Dior eyewear unique and distinctive. Dior eyewear is mainly aimed at the sophisticated female consumer, with elegant design and attention to detail including some fashion inserts. The primary target demographic for Dior eyewear are women and men between 30 and 60.

*Céline.* Under the Céline brand, Thélios designs, produces, and distributes sunglasses and prescription frames for women with retail prices ranging from €240 to €390. Céline's look is mostly driven by icon fashion styles, including vintage-inspired shapes and timeless styles revisited in new, contemporary versions with updated shapes that range from sophisticated cat eye to squared designs. The primary target demographic for Céline eyewear are women and men between 25 and 55, with a focus on luxury and fashion consumers.

*Kenzo.* Under the Kenzo brand, Thélios designs, produces, and distributes sunglasses and prescription frames for women and men with retail prices ranging from €110 to €220. Kenzo eyewear is sporty and futuristic, and it is characterized by ethnic styles and vibrant colors mixed with Parisian sophistication. The primary target demographic for Kenzo eyewear are women and men between 18 and 35, with a focus on youthful and urban consumers. In 2021 Kenzo will launch a kids' eyewear collection, with retail prices ranging from €90 and €110 for boys and girls aged between 6 and 12 years old.

*Stella McCartney.* Under the Stella McCartney brand, Thélios designs, produces, and distributes sunglasses and prescription frames for women with retail prices ranging from €180 to €290. Stella McCartney eyewear incorporates several sustainable features including bio-lenses, as well as frames featuring an ecological version of bio-acetate. Thélios does not use any animal or vegetal products for these collections, respecting the desires of the designer. The primary target demographic for Stella McCartney eyewear are women between 25 and 50. Stella McCartney also covers the kids' eyewear segment with a collection dedicated to girls between 6 and 12 years old, with products ranging between €90 and €120.

*Fred.* Under the Fred brand, Thélios designs, produces and distributes sunglasses and prescription frames for women and men with retail prices ranging from €460 to €1,100. Fred eyewear is inspired by sailing, marine cables and the Mediterranean Sea, which reflects the roots of the jewelry luxury brand. The primary target demographic for Fred eyewear are women and men between 40 and 55.

*Louis Vuitton.* Under the Louis Vuitton brand, Thélios designs and produces sunglasses for Louis Vuitton, which is very well known for the excellence and exclusivity of its products. Thélios sells Louis Vuitton eyewear products only in Louis Vuitton's boutiques worldwide. The primary target demographic for Louis Vuitton eyewear are women and men between 25 and 50.

*Loewe.* Under the Loewe brand, Thélios designs, produces and distributes sunglasses and prescription frames for women and men with retail prices ranging from €270 to €350. Lowe eyewear features unusual and oversized shapes, which are edgy and fashion driven with bold structures. The primary target demographic for Lowe eyewear are women between 25 and 45.

*Rimowa.* Under the Rimowa brand, Thélios designs, produces and distributes sunglasses and prescription frames under three labels (Rimowa Bridge, Rimowa Rim and the Rimowa Air) for women and men with retail prices ranging from €230 to €350. The Rimowa's look is light and functional, keeping in line with the brand's iconic design. The primary target demographic for Rimowa eyewear are women and men between 20 and 40, with a focus on luxury and modern travelers.

*Berluti.* Under the Berluti brand, Thélios designs, produces and distributes sunglasses frames for men with retail prices ranging from €350 to €650. Berluti eyewear is characterized by timeless shapes and classic materials including light metal and deep-colored, ultra-resistant acetate meeting understated luxury finishings, such as the iconic B logo and specifically developed shiny lenses. The primary target demographic for Berluti eyewear are men between 25 and 65.

In addition to Thélios' licensed brands, Thélios also designs and produces sunglasses and prescription frames for men for its proprietary brand 9.81. The first collection will be launched in the summer of 2021 with retail prices ranging from €290 to €490 and it will be available in a selected network of opticians worldwide. The 9.81 collection is designed for metropolitan and active men and features a unique, exclusively patented temple with a variable curvature.

In April 2018, Thélios opened the Manifattura Thélios, its flagship production site and center for excellence, in Longarone, where it can take advantage of synergies afforded by the Issuer's manufacturing and operational infrastructure for short-term design and production. Its comprehensive, flexible manufacturing system ensures full control of every stage of production, from the design brief to product design, prototyping and production. The site focuses on innovation and cutting-edge technologies, such as 3D printers, while also emphasizing traditional craftsmanship. In order to enable the joint venture to operate on an international scale, Thélios also established subsidiaries in France, Germany, Switzerland, UK, Spain, Portugal, Sweden, the United States, Hong Kong and Shanghai.

For the period from January 31, 2017 (establishment of the joint venture) and March 31, 2021, our equity contributions (including in the form of shareholder loans) for the start-up costs, capital expenditures and working capital requirements of Thélios totaled €47.5 million (including approximately €2 million invested in the three months ended March 31, 2021) and approximately €3 million is still expected to be invested by us in the remainder of 2021. As of March 31, 2021, €13.3 million was outstanding under Thélios Loan.

**Operations**

Our integrated wholesale business model is organized to cover the entire value chain of product design, manufacturing and distribution of sunglasses and prescription frames. The chart below displays our value chain. We estimate that our entire design to market process typically takes approximately 12 months.

Each phase of our operations is informed by our decades of experience in the eyewear industry and structured to focus on quality and an understanding of our key stakeholders:

- ***our licensed brands:*** our product design and sale and distribution phases are coordinated closely in terms of style, look and materials with the rest of each licensed brand's collections to promote and maintain brand equity and positioning;
- ***our customers:*** as we operate as a wholesaler, we work closely with our customer base consisting of: (i) traditional channels (*i.e.*, independent opticians, optometrists and ophthalmologists, buying groups and alliances and strategic accounts), (ii) modern channels (*i.e.*, key accounts, e-wholesalers, department stores, sunglasses retailers, boutiques operated by our licensors, travel retail and sport

retailers) and (iii) distributors, during the product design and sales and distribution phases to promote a range of products that maximize revenues per channel and are otherwise responsive to the business exigencies of our customers;

- ***our consumers:*** our product design, and manufacturing phases are influenced by the demands of our consumers for eyewear in tune with the latest fashion trends but are also appropriate for fitting and comfort; and
- ***our suppliers and craftspeople:*** our manufacturing phase for *Made in Italy* manufactured eyewear supports the artisanal tradition of Italy's northeast and for third-party manufactured eyewear, we coordinate closely with suppliers to harmonize value with quality and innovation.

***Product Design***

Our strength in product design is based in part on our long history in the eyewear industry, our in-house design capabilities and our ability to perceive, shape and cater to changing fashion trends and consumer preferences. Our product design team responsible for shaping our new collections consists of approximately 85 members, including designers and prototype engineers. We believe we are recognized by fashion brands seeking to diversify into the eyewear segment for our ability to capture and interpret a brand's "DNA" and translate it in the design of optical frames.

All of our licensed brands are managed independently of one another with their own design teams each under the direction of a head of design. Each of our licensed brands retains its own creative "voice" and expression, as its eyewear collection proceeds cohesively, as influenced by fashion trends, innovation and the rest of the fashion house's products.

Planning for a new seasonal collection begins one year prior to the commercialization of the relevant eyewear. Our product design process is characterized by close collaboration with our licensors, particularly in the case of luxury brands where stylists focus on designing collections that reflect the latest evolution of each brand's respective identity and incorporates Marcolin's research and development ("**R&D**"). See "*—Research and Development*." Our designers meet with our licensors to develop themes and fashion concepts that reflect the attributes of the licensor's brand and its market segment positioning, followed by, for certain brands, reviewing the latest innovations of third-party manufacturers to determine the look for the new collection. Product design commences with a hand-drawn sketch, which is then converted into a computer-rendered technical drawing. We then present the technical drawings to our licensors, and then work with our them to define colors, materials and styles. The preliminary costing analysis is performed at the time of prototype design to favor a balanced range of units at different price points. Following this process, technical drawings are selected and approved by our licensors. The selected design is processed by our technicians and transformed into a technical drawing. The computer-rendered technical drawing is then fabricated into a hand-finished prototype at our premises in Italy. This prototype is extensively analyzed and measured through laboratory and field-testing to ensure that it reflects the design integrity of the original sketch and that the fit of the eyewear for the wearer meets our standards.

Prototypes that have been submitted and approved by our licensors are then presented to selected sales managers, who are able to provide their input, sales forecasts and advice based on their knowledge of the customer and consumer preferences in their specific markets. We then incorporate any changes and improvements to our prototypes in response to the inputs received from our sales managers and cross-functional teams. Once the prototypes are selected, a cost analysis is performed in relation to the marketing and industrialization of the units (for example cost of components and finished products), taking into account the likely wholesale prices and market entry costs. Before the full commercialization and industrialization take place, we conduct unit tests against our targets in terms of margin and determine production volumes based on, among other factors, the likely margin return. Once the prototype is thoroughly tested and optimized, the design is passed to the industrialization department for the production set-up of each model.

We aim to continually introduce new models, update existing models and to maintain momentum and reflect the character of successful brands. The life cycle of eyewear in the mid-range to luxury eyewear market is short. The life cycle of sunglasses is about one year and of prescription frames two years, and models are generally updated every six months, though certain classic and contemporary models from our brands have been in production for years and continue to exhibit strong performance. The ability to constantly renew our product offerings, absorb, reflect and transmit new fashion and cultural influences is a key component in our continued success.

### ***Manufacturing***

*Materials*

Our sunglasses and prescription frames generally are produced using three different materials (or combination thereof): metal, acetate or plastic, each with its own manufacturing technology. Our product offering consists primarily of metal and acetate, though certain diffusion brands employ plastic. However, we are also able to develop special products with customized materials, such as horn and titanium.

*Metal.* Metals typically used in eyewear include mixtures of nickel, titanium, monel (an alloy of two-thirds nickel and one-third copper), stainless steel, silver and palladium. The manufacturing process for metal frames has approximately ten phases, beginning with the production of basic components such as rims, temples and bridges, which are folded to create the component parts such as eye rims and temples. These components are then welded together to form frames over numerous stages of detailed assembly work. The unpolished frames subsequently undergo galvanizing and coloring processes during which the frames assume the colors of the new collection and are subsequently prepared for lens fitting and packaging. Galvanization, the most machine-intensive phase of the production, is outsourced to third parties. Metal frames are generally more expensive than other materials.

*Acetate.* Acetate, a propionate cellulose, also called Zyl, is produced from natural cotton fibers and tree pulp. Acetate material can be imbued with different colors and patterns. Layers of plastic are formed into a large block of cellulose acetate. The manufacturing process for acetate frames has approximately fifteen phases, beginning with a computer-programed drilling machine that cuts the component eyewear pieces from large acetate sheets. After the pieces are cut, they are folded and hand polished to form the frame, which is then held together using hinges. The drilling machines can be easily reprogrammed and the machinery redeployed, therefore, acetate manufacturing is suitable for production of multiple lines of eyewear.

*Plastic.* Our plastic-injected eyewear is manufactured using a highly automated injection molding process. The manufacturing process for plastic- injected frames has approximately ten phases, beginning with liquefied plastic resins injected into molds. When the mold cools, the plastic is solidified and forms the frame. The parts are then assembled, colored and galvanized. Galvanization, the most machine-intensive phase of the production, is outsourced to third parties. Because the molds used for manufacturing plastic-injected eyewear must be specific to the particular model and cannot be customized, we use plastic-injected materials for high-volume models.

*In-House Manufacturing*

Our in-house manufacturing capabilities are concentrated at our plants in Longarone and Fortogna in northern Italy, long considered the birthplace of the modern eyewear industry. We produce our own metal and acetate frames, though we outsource certain industrial stages of the production process within Italy, such as galvanization. Our manufacturing process in Italy emphasizes hand-crafted production, and our process engineers devise tailored production workflow plans for specific models that maximize production efficiency, reduce raw material use and draw on the complementary strengths of our approximately 340 craftspeople. Production tasks for eyewear include frame shaping, decorating, assembly, welding and polishing. For the year ended December 31, 2019, we directly produced approximately 3 million eyewear pieces. For metal, acetate and plastic eyewear, we also purchase basic components from suppliers in China. We estimate that for the twelve months ended March 31, 2021, approximately 53% of our net revenues carried the *Made in Italy* designation based on a total of 9.4 million frames (including internal production and external purchases).

The purchase of the Fortogna facility in 2015, and subsequent transfer of the acetate production division from the Longarone facility to the Fortogna facility doubled our *Made in Italy* production, making it possible to meet the demands arising from the influx of new brands in our brand portfolio and the structural expansion of some markets. By reallocating divisions between the two factories, we were able to update the production layout of the Longarone facility, overhaul the metal, product development and prototype divisions, open up floor space and purchase additional machinery to expand production capacity. The addition of the Fortogna facility and the overhaul of the Longarone facility maximized opportunities offered by the development of our luxury brands, reduced our dependence on external suppliers, enabled us to reduce time to market, shorten manufacturing lead time and realign the proportion of products manufactured domestically with that of our main competitors and manage the inflation risk in the Chinese sourcing market. See "—*Real Estate and Equipment*."

*Third-Party Manufacturing*

We also subcontract the entirety of the manufacturing phase for certain of our diffusion brands. In determining which third-party manufacturer to use for a particular frame, we consider each manufacturer's expertise (based

on type of material and style of frame), its ability to translate design concepts into prototypes, its price per frame, its manufacturing capacity, its ability to deliver on schedule, and its ability to adhere to our quality control standards and quality assurance requirements. Our design product teams then provide the prototypes or design specifications for the products to be produced to the third-party manufacturers who are responsible for all aspects of the production, including purchasing raw materials and components. Following approval of final production samples, we purchase the finished products for resale. In 2016, we established MTS, a new subsidiary with a permanent presence in China, to oversee the production and distribution of all Chinese-manufactured products required by the Group. Based in Shenzhen, Guangdong Province, China, this quality control team selects suppliers in China, performs quality controls and provides both general and technical manufacturing services at all stages of production.

The on-the-ground presence afforded by our subsidiary MTS in Shenzhen has created a partnership approach with a selected number of our Chinese manufacturers, streamlining the production and monitoring of our diffusion brand products and allowing us to, at each phase, more effectively monitor and respond to market trends, which we believe allows us to more quickly meet demand and, thereby, preserve margins. We also believe that such a partnership-based approach that integrates suppliers into our manufacturing planning process facilitates obtaining sufficient capacity to meet anticipated production requirements and promote efficient service. Though we do not enter into long-term agreements with our suppliers, we procure certain production capacity commitments for short-term periods which are then renewed frequently. As a result, we believe our suppliers can dedicate production lines to the manufacturing of our products and invest in plant efficiency based on our historical and anticipated purchases of their production capacity. In addition, as management believes that labor costs represent the majority of historical and anticipated rising costs, we believe that a partnership approach with a selected number of suppliers promotes investment in state-of-the-art equipment, more efficient labor capacity planning and therefore, has the potential to counteract rising labors costs.

Our supply agreements include provisions granting us the right to inspect the supplier's facilities, undertakings by the supplier to safeguard our intellectual property (including licenses, prototypes and knowhow) and undertakings by the supplier that it will comply with applicable laws, including related to workplace safety and environmental protection. While we do not have long-term agreements with these suppliers, we do not believe our relationship with any one supplier is material to our business. Rather, we believe that our annually-renewing supply agreements afford us leverage to renegotiate supply contracts at reduced prices in an increasingly competitive supplier market. See "*Risk Factors—Risks Related to Our Business—Our results of operations could be adversely affected by a disruption of operations at our manufacturing facilities or our distribution centers or by problems with third-party manufacturers or suppliers.*"

### *Sales and Distribution*

*Sales*

We are a wholesaler of eyewear products and do not operate points of sale directly. Instead, we utilize a network of salespersons operating within our subsidiaries and controlled joint ventures, third-party distributors and external consultants to directly market our products through selective channels tailored to match and enhance brand equity of our licensors and appropriate to the brand's price points, including through our strong customer relationships with independent opticians, optometrists and ophthalmologists, buying groups and alliances, strategic accounts, key accounts, e-wholesalers, department stores, sunglasses retailers, boutiques operated by our licensors, travel retail and sport retailers. Our regional hubs in Longarone (Italy), Hong Kong and Somerville, New Jersey, United States oversee marketing and sales efforts into countries where we operate through distributors and we do not otherwise maintain a physical presence through one of our subsidiaries or controlled joint ventures We also manage show rooms in Milan, Hong Kong, Paris, New York, São Paulo, Singapore, Barcelona, London, Cologne and Sydney for purposes of introducing our new collections to buyers.

In 2019, we expanded our direct presence by opening a subsidiary in Singapore. Through this subsidiary we intend to step up our growth in Asia and enhance the marketing synergy with the regional office operating in Hong Kong, by acting as a sales hub for the entire network of wholesalers and handling the distribution of the brand portfolio in the area. The objective is to strengthen the sales and marketing activities and to offer dedicated customer service to best meet the demands of Singapore, Malaysia and Southeast Asia. In addition, we acquired full control of our joint-ventures in China and Russia in December 2020 and February 2021, respectively. In 2020, we opened a subsidiary in Australia with the purpose of penetrating the Australian market both directly and through an agency network, and boosting the sales volumes and profits in that region. By opening these new affiliates, we intend to strengthen the sales and marketing activities and offer dedicated customer service to best meet the demands of China, Singapore, Malaysia, Southeast Asia and Russia.

Sales made directly by us are invoiced at dispatch and with payment terms that require our customers to pay within periods required by applicable law or otherwise consistent with local market practices. See also "*—Operations—Customers and Contracts.*"

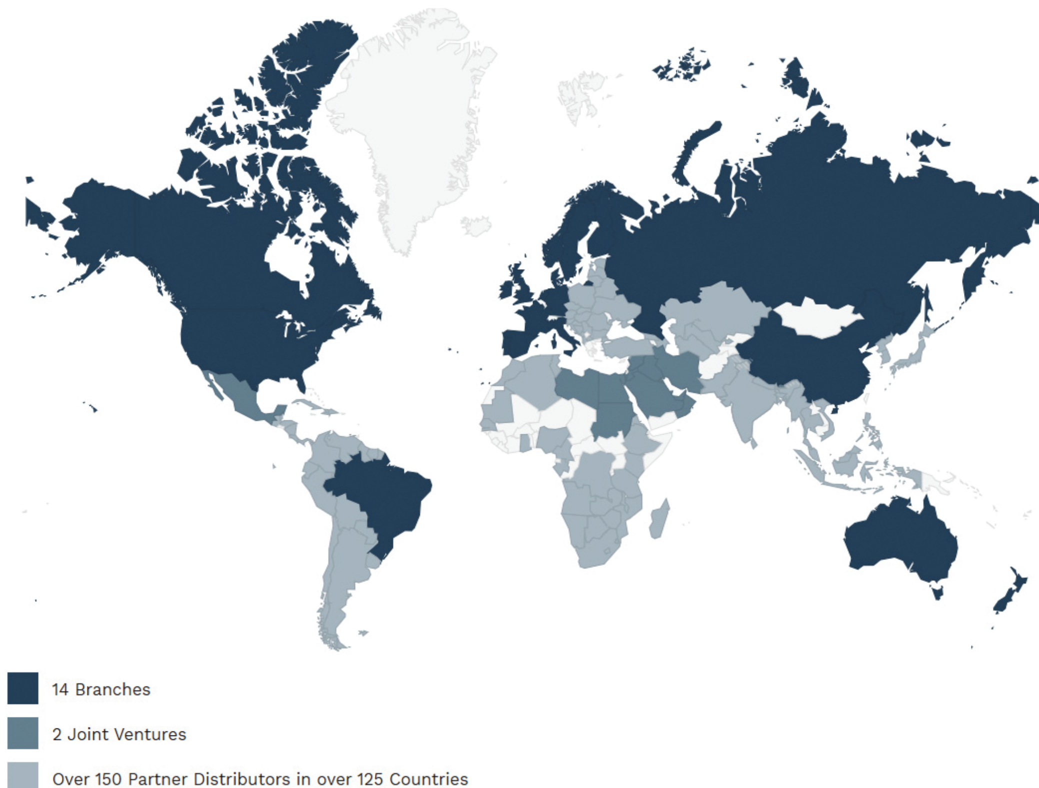
Our direct sales force is either paid a base salary plus a commission based on performance or exclusively on a commission basis. From time to time, we provide rebates to customers in keeping with industry standard practices. In our core markets, exclusive sales networks are dedicated to our top licensed brands to cultivate and promote brand awareness. We also routinely conduct training in cooperation with our licensors to support sales activities and keep the sales force informed about developments within the brand's collections. In recent years, we have undertaken re-organizational initiatives to train our sales force and align their compensation with their individual results, choose the right distributors in markets where we are not directly present and streamline our credit collections efforts. See "*Risk Factors—Risks Related to Our Business—We are exposed to credit risk related to our customers which may cause us to make larger allowances for doubtful trade receivables or incur write-offs related to doubtful debts.*"

*Distribution*

Our products are sold in approximately 125 countries. The initial forecasts for new eyewear collections are typically made after the prototypes and sketches approved by our licensors are presented to our sales team and distributors. At that stage, we commence manufacturing for the first run of production which is used to fulfill initial orders as well as to maintain a ready inventory to quickly fulfill subsequent orders. The volume of such first run of production is determined by our production team in coordination with our sales managers using their best judgment on anticipated volume of sales in our core markets. Therefore, the first eyewear pieces for a new collection are typically available in stores some 12 months following the start of the product design phase described above. Upon feedback from our sales team, distributors, other customers and the initial trends of the sales campaign, we then proceed for a second run of production to adjust the initial volumes and fulfill reorders.

In some markets we distribute our products through controlled joint-ventures with local eyewear operators as an intermediate step toward full direct control of local commercial activity. Joint ventures operating in Middle East and Mexico manage all domestic distribution from their on-site warehouses. We have consolidated our distribution to all other markets into three main geographic distribution hubs, which has reduced time to market, decreased costs, shortened the distance to the customer and improved the effectiveness of our response to the market: from our headquarters in Longarone, Italy, we distribute finished products into our Europe, Middle East, Africa ("**EMEA**"), and Latin America ("**LATAM**") markets, from our facilities in Somerville, New Jersey, Marcolin USA manages the distribution to North America and from our facilities in Hong Kong, Marcolin UK Ltd—HK Branch manages the distribution to the Asia Pacific ("**APAC**") area. In the other key markets, such as Brazil, Russia, China and Australia we manage distribution from our on-site warehouses. The diagram below displays our distribution network as of March 31, 2021.

Marcolin worldwide




We currently organize our distribution activities through the following distribution models:

- *Direct.* Our direct distribution model consists of sales managed directly through our subsidiaries and global channels. Our direct distribution consists of:
  - *Traditional channels* include independent opticians, optometrists and ophthalmologists, buying groups and alliances and strategic accounts (*i.e.*, small optical chains). We retain the majority of the gross margin on sales through our traditional channels because there are no intermediaries, but such sales entail higher payments to sales force and distribution and commercial costs since the customer base of such stores is large and fragmented.
  - *Modern channels* include key accounts (*i.e.*, large accounts, such as large optical chains and retail chains), e-wholesalers, department stores, sunglasses retailers, boutiques operated by our licensors, travel retail (*i.e.*, airport duty-free shops and sport retailers). Our value proposition to these customers consists of complementing their offering, which consists of a mix of low-end and non-branded eyewear products, with fashionable luxury and diffusion brand products. Compared to traditional channels, modern channels typically generate lower gross margins due to the higher negotiating power of these types of customers, which order larger volumes on average. Such lower margins are offset by reduced distribution costs and higher sales density per account.

  For the twelve months ended March 31, 2021, approximately 68.3% of our net revenues were generated through our direct distribution. For a description of contracts with direct customers, see "*—Operations—Sales and Distribution—Customers and Contracts*."

- *Distributors.* Our distributor model consists of sales to over 150 third-party international distributors. Our value proposition to our distributors consists of complementing their offering with our fashionable luxury and diffusion brand products. Our gross margin with distributors is lower than the gross margin generated by our direct distribution due to the intermediary role of the distributors, which is partially offset by limited go-to-market costs. For large markets we often work with more than one third-party distributor. In such cases, we sign agreements with each distributor on an exclusive basis for different licensed brands or for different geographical areas.

  For the twelve months ended March 31, 2021, approximately 8.0% of our net revenues were generated through our distributors. For a description of contracts with distributors, see "*—Operations—Sales and Distribution—Customers and Contracts*."

- *Joint-Ventures.* In the Middle East (with Rivoli Group) and Mexico (with Moendi) we distribute our products through controlled joint-ventures with local eyewear operators. Our value proposition to such local operators consists of complementing their offering with our fashionable luxury and diffusion brand products.

  For the twelve months ended March 31, 2021, approximately 6.0% of our net revenues were generated through our joint ventures.

- *Other.* Our other distribution channel consists of sales of non-current collections sold at discount prices, with efforts to ensure that such discounted non-current collections do not overlap or otherwise impair the sales of our current collections. Our value proposition to customers of our non-current collections is recognized brands for affordable prices. We generally maintain lower gross margins due to the prevailing discount prices in this distribution channel.

  For the twelve months ended March 31, 2021, approximately 3.5% of our net revenues were generated through our "other" distribution channel.

The prominence of our traditional and modern channels reflects our efforts to focus on top retailers and selected distribution where we can build and preserve brand equity for our licensed brands and where we enjoy the highest gross margins. For luxury and diffusion brands, selective distribution networks are key to avoid diluting brand awareness. To preserve brand integrity, we encourage sales of our eyewear at suggested manufacturer's retail prices, we make every lawful effort to prevent discounting of our in-season eyewear products and we discourage any manner of sale that would degrade our products' or brands' images, in compliance with anti-trust and local regulations. We believe we have been successful in correctly positioning the brands in our portfolio by targeting specific groups of customers and consumers based on the unique characteristics of each brand, and, in particular, preserving and enhancing the highest brand awareness of the various luxury brands we offer. We believe that we enjoy an excellent reputation among our licensors for cultivating and enhancing the value of their respective brands, especially among exclusive high-end brands such as Tom Ford, due to our focus on the sales and distribution of eyewear bearing their proprietary marks, and that this reputation constitutes a key differentiator in the otherwise highly competitive eyewear marketplace.

The table below sets forth our net revenues by geographic segment for the periods indicated. The reporting segment of each of our distribution hubs includes domestic and certain international (export) sales conducted by our geographic sales offices and therefore is further divided to reflect this breakdown.

| | For the year ended December 31, | | | | | | For the three months ended March 31, | | | | For the twelve months ended March 31 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | **% of total** | **2019** | **% of total** | **2020** | **% of total** | **2020 (Unaudited)** | **% of total** | **2021 (Unaudited)** | **% of total** | **2021 (Unaudited)** | **% of total** |
| | *(In € thousands, except percentages)* | | | | | | | | | | | |
| Americas | 197,466 | 40.9% | 202,143 | 41.5% | 143,540 | 42.2% | 39,366 | 42.1% | 45,465 | 41.8% | 149,639 | 42.1% |
| Europe | 195,375 | 40.5% | 204,272 | 42.0% | 156,440 | 46.0% | 44,291 | 47.4% | 51,268 | 47.2% | 163,417 | 46.0% |
| *Italy* | 34,204 | 7.1% | 35,033 | 7.2% | 24,568 | 7.2% | 5,987 | 6.4% | 7,762 | 7.1% | 26,343 | 7.4% |
| *Rest of Europe* | 161,171 | 33.4% | 169,239 | 34.8% | 131,872 | 38.8% | 38,304 | 41.0% | 43,506 | 40.0% | 137,074 | 38.6% |
| Asia | 36,372 | 7.5% | 34,783 | 7.1% | 12,863 | 3.8% | 2,408 | 2.6% | 4,502 | 4.1% | 14,957 | 4.2% |
| Rest of World | 53,006 | 11.0% | 45,472 | 9.3% | 27,135 | 8.0% | 7,469 | 8.0% | 7,428 | 6.8% | 27,094 | 7.6% |
| **TOTAL** | **482,219** | **100.0%** | **486,670** | **100.0%** | **339,978** | **100.0%** | **93,534** | **100.0%** | **108,663** | **100.0%** | **355,107** | **100.0%** |

*Europe* represented 46.0% of net revenues for the twelve months ended March 31, 2021.

*Italy* represented and 7.4% of net revenues for the twelve months ended March 31, 2021 and comprises sales of sunglasses and prescription frames from both luxury and diffusion brands by the Issuer in the Italian market.

*Rest of Europe* represented 38.6% of net revenues for twelve months ended March 31, 2021 and comprises sales of sunglasses and prescription frames from both luxury and diffusion brands sold to all European countries other than Italy, including the United Kingdom and Russia. For Southern European countries, our domestic distribution channel prevails due to the high fragmentation in the marketplace and the propensity towards small independent opticians. For Northern European countries, our key accounts distribution channel prevails, mostly selling to low cost chains and premium independent optical stores.

*Americas* covers some of our most important markets and represented 42.1% of net revenues for the twelve months ended March 31, 2021 and comprises sales of sunglasses and prescription frames from both luxury and

diffusion brands in our North, Central and South America markets. We maintain certain licenses (Kenneth Cole, among others) that are predominantly sold into the U.S. market. In addition, the U.S. represents an important market for our proprietary brands Marcolin and Viva, which are sold to target managed care networks. Our licensed brands with particular resonance in the United States market (other than our U.S.-only licensed brands) are Tom Ford, Guess and Swarovski.

*Asia* represented 4.2% of net revenues for the twelve months ended March 31, 2021 and comprises sales of sunglasses and prescription frames from both luxury and diffusion brands in the entire Asian market. Increasing our penetration of Asian markets has been one of our sales goals for recent years. We have established a distribution joint venture in China to grow our base of key accounts and distributors in the region. As a result, we have established direct subsidiaries in China, Singapore and Australia. Our licensed brands with particular resonance in Asian markets are Tom Ford and Guess.

*Rest of World* represented 7.6% of net revenues for the twelve months ended March 31, 2021 and comprises sales of sunglasses and prescription frames from both luxury and diffusion brands to all countries and regions not covered in the above divisions, primarily the Mediterranean region (mainly Turkey, Greece, Israel and Cyprus), Africa, the Middle East and India.

*Customers and Contracts*

We sell our eyewear products to a diverse and fragmented customer base, including traditional channels (*i.e.*, independent opticians, optometrists and ophthalmologists, buying groups and alliances and strategic accounts), which represent our main customers, modern channels (*i.e.*, key accounts, e-wholesalers, department stores, sunglasses retailers, boutiques operated by our licensors, travel retail and sport retailers) and distributors. For the twelve months ended March 31, 2021, no single customer accounted for more than 3% of our net revenues. Since we are not vertically integrated and therefore we do not compete with our customers in the eyewear retail trade, we believe we are an attractive partner for such stores. We also believe our value proposition to our customers is our focus on high-end luxury and diffusion brands which can offer greater net revenues per display space due to higher prices per unit. In other markets, we sell to opticians as well as to department stores, with an emphasis on the segmentation and positioning of our brands in strategic channels, such as the placement of certain of our high-end luxury brands at Selfridges and House of Fraser in the United Kingdom and at Saks Fifth Avenue and Nordstrom in the United States.

*Customer contracts.* We generally enter into three types of contractual arrangements with customers, depending on the type of customer and the volume of purchases. The following provides brief descriptions of our contractual arrangements.

- *Traditional channels:* Our commercial transactions with these customers are typically handled through one of our sales representatives with responsibility for the particular region or arrangements are made remotely through our central telephone lines or business to business commerce platform. These customers place orders with us, with order size and frequency varying according to the amount of floor space available for the products. We then ship the ordered merchandise along with a written bill of sale. Payment terms with independent opticians and small optical chains are set by local laws and by our standard terms policy, which normally range from 30 to 90 days. Longer payment terms may be granted according to the local market practice and economic conditions. Typically, collection takes longer in Southern Europe and Brazil where small optical businesses comprise a large portion of our trade receivables, compared to other markets, such as Germany, France and the United States, where our key accounts are largely located.
- *Modern channels.* We sign master or framework agreements to which the customer has the ability to access a preferential pricing list (generally a discount from our normal prices, set according to past and expected purchase volumes). Though the customer does not have an obligation to purchase set minimums from us, they are incentivized through rebates based on growth. Other relevant provisions in our key account contracts include: payment terms which range from zero days (pre-payment) to 90 days, or in certain instances 120 days, according to the jurisdiction; invoicing terms (generally upon dispatch or quarterly, according to the customer); transfer of risk and title to the products; any applicable restrictions regarding sale of the products (*i.e.*, online, resales and territories); returns of damaged or unsuitable products; warranties of fitness for use; marketing and promotional activities pursuant to which we typically partner with our key account customers to foster and maintain brand awareness through POS materials provided by us; and an undertaking for the key account to supply adequate sales information to us in a timely manner.

- *Distribution contracts.* Our distribution contracts are limited to particular licensed brands and grants the relevant distributor a right (exclusive or non-exclusive) to market, distribute and sell such products in a particular territory or territories. Our distribution contracts include minimum purchase amounts. Our varied billing and payment arrangements with our distributors reflect the diversity of our distributor base: some distributors pay within 60 to 90 (or 120) days following invoicing upon dispatch, whereas other distributors pay upfront depending on market practices and customs requirements. Our contractual arrangements with our distributors typically include the following provisions: an undertaking by the distributor not to distribute other licensed brands of third parties without our written consent; representations from the distributor that (a) it will use its best efforts to distribute the products at POS commensurate with the standards of the product and brand identity; (b) it will not engage in parallel distribution or otherwise divert our products to other territories; (c) it will maintain an adequate inventory; payment terms; invoicing terms; and (d) it will take no action or fail to take any action which might damage or conflict with our business relationship with our licensors; marketing and promotional activities pursuant to which the distributor undertakes such activities at its own cost according to our guidelines; an undertaking for the distributor to supply adequate sales information to us in a timely manner; and our right to cancel the distribution contract in the event of breach, misuse or infringement of ours or our licensor's intellectual property, acts or omissions by the distributor that cause us to breach our license agreements or the distributor being declared bankrupt or filing a petition for insolvency protection.

## Marketing and Promotion

Our marketing and promotional activities are designed primarily to enhance our image and our brand portfolio. For the twelve months ended March 31, 2021, we spent €18.2 million on advertising and public relations expenses, a 45.8% increase from the year ended December 31, 2018. Pursuant to certain of our license agreements, we make regular payments to our licensors in the form of advertising and promotional fees, although, we generally exercise little control over the nature and priorities of the related spending. Nonetheless, we believe that we generally benefit from brand-name advertising carried out by licensors intended to promote the image of their brand ecosystems. See "*—Intellectual Property—License Agreements*."

In addition, we undertake direct advertising and promotional activities. For example, we collaborate with our licensed brands to prepare marketing and promotional materials (posters, video installations) for sell-out corners for optical and licensed brand flagship stores which convey the relevant brand's image.

We also seek and obtain endorsements from celebrities, such as music artists, actors and athletes, to sell our products, preserve the relevancy and authenticity of our brands and to support new products. Examples of endorsers have been Daniel Craig for Tom Ford, Miranda Kerr for Swarovski and Kate Winslet for Longines. We are also involved in selecting the photographs for the eyewear advertising campaigns undertaken by our licensed brands. For our proprietary brands, we conduct our own advertising campaigns; in 2020 for Web Eyewear we launched the campaign "Week End Believers" in order to better target the young segment. We also maintain online/digital communications and engagement with consumers to remain close to the users of our products and the fashion trends that inspire them. See "*Risk Factors—Risks Related to Our Business—If our advertising and promotional activities are not successful, our ability to market and sell our products or develop new products may be harmed*."

Our key account and distributor contracts typically contain undertakings by such customers to take no action or refrain from taking any action that would damage our relationship with our licensors as well as representations by the customer to maintain an exclusive and appropriate distribution strategy and support continued brand awareness through an advertising and promotional campaign that is either approved by us or directly provided by us. See "*—Operations—Sales and Distribution—Customers and Contracts*."

## Procurement

The principal raw materials and components we purchase for our manufacturing process include plastic resins, acetate sheets, metal alloys, frame parts and lenses for sunglasses. We generally source our raw materials and semi-finished components from suppliers in both Italy and China, and for a limited number of certain titanium components, Japan. In recent years, we have adopted a supply strategy based on partnerships with selected suppliers in order to obtain better pricing conditions, increase quality control and reduce design-to-market time. See "*—Operations—Manufacturing—Third-Party Manufacturing*" for a description of our arrangements with manufacturing suppliers in China.

We also purchase prescription lenses for purposes of displaying and finishing our prescription eyewear products. For high-value sunglasses lenses, such as polarized and mirror lenses for luxury sunglasses, we purchase from Divel and Carl Zeiss. Lenses for sunglasses generally cost between €1 to €5. We also purchase a variety of packaging materials for our eyewear, for example, wood and leather carrying cases which we carefully select to maintain brand integrity.

Generally, the raw materials and components used in our products are available in sufficient supply from a number of suppliers. However, certain products with innovative fashion content, such as lenses with innovative coatings or coloring, or unusual materials, such as special types of plastics produced only for us, are not generally available from a number of alternative sources. See "*Risk Factors—Risks Related to Our Business—Our results of operations could be adversely affected by a disruption of operations at our manufacturing facilities or our distribution centers or by problems with third-party manufacturers or suppliers,*" *and* "*—If we or our manufacturers are unable to procure raw materials and semi-finished products at terms acceptable to us, our business may suffer.*"

Our Longarone and Fortogna plants maintain their own on-premises storage for raw materials and semi-finished pieces (both produced on-site and in Italy or China by third parties) which we believe is sufficient for our current level of production.

**Logistics**

We operate three logistics centers or hubs:

- the North American hub, headquartered in Somerville, New Jersey, United States;
- the European hub, headquartered in Longarone, Italy; and
- the Asian hub, headquartered in Hong Kong.

They operate as centralized facilities, efficiently coordinating distribution within their geographic regions, eliminating redundancies in the distribution chain, shortening the distance to the customer and offering customers an automated order management system that reduces delivery times and keeps inventory levels low but within acceptable amounts to fulfill anticipated orders. We pay careful attention to our level of inventory and our manufacturing process is designed to allow us to have stock available to fulfill requests quickly when a new collection is introduced.

We rely on third parties for shipping our products to customers. Our sales to distributors and key account customers are typically made "free on board," meaning the buyer pays for transportation from our distribution center.

**Quality**

High quality products are a key element of our success and strategy. Our quality organization consists of: a supplier quality team in charge of controlling and supporting our suppliers in order assist them in achieving the desired quality standard, a process quality team in charge of monitoring all the manufacturing processes and inbound material controls and a customer and distribution quality team in charge of monitoring our performance and supporting our customers.

In selecting third-party manufacturers, we only contract those committed to comply with our quality standards and design details. Through MTS in Shenzhen, China, we conduct inspections of third-party facilities and provide technical services regarding production, such as supplier selection, quality control and monitoring of production work in progress and general manufacturing-related services. We perform the same rigorous quality control and inspections procedures in our own production and distribution facilities, including sampling our products for defects and irregularities throughout the stages of our manufacturing process and distribution. We regularly enhance the performance criteria used in our standards tests and introduce new requirements when we deem appropriate. In addition, customer satisfaction is one of our core values and we maintain and constantly improve the efficiency of our products and processes. Furthermore, in 2010, we obtained the ISO9001 Quality Management System (QMS) certification. The ISO9001 system aims at monitoring quality measures and assurance for all area of our business, thereby increasing productivity and profit and, in turn, our customer acquisition and retention.

*Made in Italy*

The *Made in Italy* designation is a key differentiator in the eyewear marketplace. We believe that consumers throughout the world recognize the superior styling, craftsmanship and quality that the label embodies and are prepared to pay premium prices for products that bear such designation. We believe licensors also recognize that their brand equity is enhanced through the sale of products that are *Made in Italy*.

The use of the *Made in Italy* designation is regulated by Italian and European Union law and requires that the relevant product was manufactured in Italy with Italian components, or, if the product includes non-Italian components or semi-finished pieces, was assembled or otherwise underwent its "last, substantial and economically justified processing" in Italy.

We estimate that for the twelve months ended March 31, 2021, approximately 53% of our net revenues carried the *Made in Italy* designation. See also "*—Operations—Manufacturing*."

## Intellectual Property

We use a combination of trademark, copyright, trade secret and trade dress laws, as well as confidentiality agreements, to aggressively protect our intellectual property, including product designs, product research and development and recognized trademarks. We believe that having distinctive marks that are readily identifiable is an important factor in creating a market for our products, identifying our brand and distinguishing our products from those of our competitors. We believe the Marcolin, Viva and Web trademarks resonate in their respective target marketplaces and audiences at their respective price points. However, we do not believe any of our proprietary intellectual property is material to our business as for the twelve months ended March 31, 2021, approximately 1% of our net revenues were generated by sales of proprietary brand eyewear.

### *License Agreements*

We have entered into license agreements to manufacture (or contract to manufacture) and distribute sunglasses and prescription frames with numerous designers and fashion houses. See "*—Our Business—Our Licensed Brands*" for a list of our licensed brands and certain other information regarding the terms of our licenses. Our license agreements typically have terms ranging from five to ten years, but may be terminated early by either party for a variety of reasons, including non-payment of royalties, sales of products not approved by the licensors and, under certain agreements, failure to meet minimum target net revenues and a change of control at Marcolin. Although our license agreements typically do not contain automatic renewal clauses, a number of our license agreements provide for an automatic renewal or renewal upon satisfaction of certain requirements. Renewal discussions typically commence 18-24 months in advance of the termination of the relevant license; in certain instances, we have purchased options or paid certain renewal fees to the relevant licensor to renew licenses that we consider important to our portfolio. Most of our license agreements are exclusive, meaning we are the only player to receive worldwide use to design, manufacture and distribute eyewear bearing such proprietary markets. Two of our licenses are geographically limited, including the contract with Barton Perreira (which is exclusively related to the sales and distribution of products bearing the relevant trademark), which excludes the territories of the United States, Canada and Japan and the contract with Kenneth Cole, which is limited to distribution in the United States.

Licensors are remunerated through royalties which can be based on a percentage of net revenues (variable royalty amounts, or "**VRA**"), some of which are subject to a minimum. If the minimum sales volume is not achieved, a minimum annual guaranteed amount is payable ("**MAG**"). The percentages of net revenues on which VRA royalties are calculated, and the minimum thresholds for calculation of MAG vary license by license and can grow year on year, as stipulated in the individual agreements.

MAG amounts are generally payable regardless of units sold or revenues and range from no MAG to €10.5 million, depending on the expected amount of revenues to be generated by the license. MAG amounts are increasingly uncommon for smaller licenses which will typically only have VRAs. VRAs require us to pay a royalty ranging from, for example, 5% to 14.5% of the revenues of the relevant collection. Certain license agreements contain a ratchet which increase the VRA depending on targets achieved, such as units sold or revenues.

In addition, our license agreements also provide for mandatory advertising and promotional fees or investments, whose amounts are usually set (i) as a percentage of net revenues of the products under the license (ii) as a

percentage of the greater of net revenues or agreed upon minimum revenue targets for the applicable license period, or (iii) as the greater of a percentage of net revenues or a fixed amount (which, in certain instances, may vary from year to year).

We incurred total royalties of €59.4 million, €60.6 million, €37.3 million and €41.0 million for the years ended December 31, 2018, 2019 and 2020 and the twelve months ended March 31, 2021, respectively. In addition, for certain key licenses, we have from time to time in the past made certain upfront payments consisting of compensation or advanced royalties upon securing such license or at renewal. See "*—Our Business—Our Licensed Brands*" for more information concerning our licensed brand portfolio. See also "*Risk Factors—Risks Related to Our Business—We are party to license agreements which require us to pay royalty and other license fees*" and "*—Our business is dependent on our ability to negotiate, maintain and renew license agreements on satisfactory terms with leading brands*."

***Anti-Counterfeiting***

Intellectual property is one of our most important assets, which we protect through the registration of our trademarks and patents and enforcement of our rights under our license agreements. Our commitment is demonstrated through on-going anti-counterfeiting activities. We face the threat of counterfeit products through the implementation of vigorous anti-counterfeiting policies, working in partnership with trade organizations, law enforcement and customs authorities and our suppliers, distributors and licensors.

We diligently monitor whether any counterfeit products that bear the proprietary marks of our licensors are being offered through informal networks or through trade exhibitions and normal distribution channels, and historically we have intervened availing ourselves of the courts and/or public authorities to take appropriate legal action, including the seizure and destruction of counterfeit goods.

We dedicate considerable efforts to monitoring the trafficking of counterfeit goods through the Internet, and work actively to remove counterfeit eyewear from certain popular on-line auction platforms and shut down the websites that violate our intellectual property rights through the sale of counterfeit products or the unauthorized use of our trademarks.

**Real Estate and Equipment**

We own our headquarters in Longarone, Italy while our distribution and sales subsidiaries rent their premises on customary, arms-length terms. Our design and industrial equipment is either owned by Marcolin or leased on customary, arms-length terms. Our Longarone plant was opened in 2010 to centralize production and logistics. In 2015, we completed the purchase and conversion of a new 3,500 square meter factory in Fortogna, Italy. This new facility, which operates in conjunction with our Longarone facility, doubled our *Made in Italy* production, making it possible to meet the demands arising from the influx of new brands in our brand portfolio and the structural expansion of some markets. As a result of the set-up of our Fortogna facility, we increased by approximately 10% to 20% our capacity for manufacturing eyewear at our two Italian plants. In addition, we lease our distribution facilities located in Somerville, New Jersey, United States with 100,000 square feet of warehouse space and a maximum capacity to process nine million units and in Hong Kong with 12,000 square feet of warehouse space and a maximum capacity to process 0.4 million units.

Furthermore, management believes that our finishing and processing capacity at our plants could be easily ramped up at incremental expense through implementing space-saving and process management techniques. Therefore, we believe we have sufficient capacity to meet our obligations to our customers.

Our other real estate assets include show rooms in Milan, Hong Kong, Paris, New York, San Paulo, Singapore, Barcelona, London, Cologne and Sydney that support sales to key accounts and distributors and host presentations of new prototypes and collections to licensors and the press. Our shop in Milan also makes year-round sales of eyewear to consumers.

We believe that our facilities are in excellent condition and suitable for the purposes for which they are being used. See also "*Management's Discussion and Analysis of Financial Conditions and Results of Operations—Capital Expenditures*."

### Employees

As of March 31, 2021, we employed 1,747 people. The following table shows a breakdown of the employees of the Group by function:

| | As of March 31, 2021 |
|---|---|
| Managers | 69 |
| Employees | 979 |
| Manual workers | 699 |
| **Total** | **1,747** |

According to information available to management, only about 10% of our employees are represented by trade unions. We consider our relationship with the trade unions to be good and we are committed to maintaining those relationships. Historically, we have not experienced any material labor strikes or disruptions. In Italy, the collective bargaining agreement in place for the eyewear sector and applicable to all operators including Marcolin was renewed in 2019 and will be renewed prior to its expiration in 2022.

### Competition and Market Position

For a discussion of our competition and market position, see "*Industry Overview*."

### Information Technology

We have invested in information technology ("**IT**") systems pursuant to licenses from third parties. We believe our IT systems maintain and enhance our business processes. We use IT to in all phases of our operations, from preparing technical drawings during the product design phase, the purchasing suppliers, monitoring industrial processes and coordinating with suppliers during our manufacturing phase, and track logistics and our transactions with customers and distributors during our sales and distribution phase. We have also deployed programs to assist us in tracking and collecting on our trade receivables. As of the date of this Offering Memorandum, we believe that our IT system is robust, adequate to support our activities and insured to standards that are comparable to other operators in our industry.

### Research and Development

Our R&D activities are undertaken by two divisions. The first division works in partnership with licensors to come up with new collections, hone style, research new materials and develop collections related to sunglasses and prescription frames. Our second division, which works closely with the first, handles product development and manufacturing innovation, working closely with suppliers. We conduct R&D into materials (flexibility and resiliency), colors (retention), fittings (sports, children/young adults and facial structure) and valuation of feasibility and design-to-cost.

### Insurance

We maintain insurance coverage under various liability and property insurance policies for, among other things, damages in areas of operations, product liability, environmental liabilities and business interruption. Our fixed assets, such as technical equipment used in our manufacturing processes and inventory, information technology and office equipment, are protected by a bundled industrial insurance policy (damages from fire, catastrophes, theft, flood and severe weather) that includes a business interruption insurance when business interruption is caused by an insured property damage. We also maintain various legal services, transportation, accident and motor vehicle insurance policies as well as a directors' and officers' liability insurance. We believe that the level of insurance which we maintain is appropriate for the risks of our business and is comparable, in each case, to that maintained by other companies in our sector.

We do not have insurance coverage for all interruptions as a result of operational risks because in our view, these risks cannot be insured or can only be insured on unreasonable terms. See "*Risk Factors—Risks Related to Our Business—Our insurance is limited and subject to exclusions and depends on the ongoing viability of our insurers; we may also incur liabilities or losses that are not covered by insurance*."

**Compliance with Applicable Regulations**

We are subject to numerous regulations, including governmental health and safety regulations, regulations concerning data protection and regulation concerning intellectual property and product compliance regulation related to personal protective equipment (sunglasses) and medical devices (spectacle frames). Historically, compliance with regulatory requirements has not had a material effect on our operations.

In addition, governments throughout the world impose import duties and tariffs on products being imported into their countries. In the past we have not experienced situations in which the duties or tariffs imposed materially impacted our operations.

*Production of Spectacle Frames, Blue Block and Sunglasses*

In the European Union, spectacle frames are regulated as class I medical device according to the Medical Device Directive (MMD) 93/42/EEC, which will be replaced starting from May 26, 2021 by the European Medical Device Regulation no. 2017/745 (the "**MDR**"). The MDR provides certain obligations for medical device manufacturers, including the implementation of effective traceability systems, new labelling requirements, post-market surveillance and vigilance systems and quality management system. Furthermore, UNI EN ISO 12870, which is applicable to spectacle frames, specifies certain requirements for unglazed spectacle frames designed for use with the prescription lenses. We also produce blue block spectacle frames, which are medical device intended to prevent or relieve eye strain caused by exposure to blue light from artificial sources such as personal computer, tablet or smartphone screens, or similar electronic devices. Non-prescription sunglasses are regulated by Regulation (EU) 2016/425 on personal protective equipment (PPER) and by the UNI EN ISO 12312-1 standard, which provides minimal safety and labeling requirements, including related to flammability, biocompatibility and optical protection. Spectacle frames and sunglasses have metal parts in direct contact with the skin and therefore the UNI EN ISO 12472 and 16128 standards are applicable with regards to nickel release.

In the US, non-prescription sunglasses and spectacle frames are regulated as medical devices by the Center for Devices and Radiological Health in the Food and Drug Administration ("**U.S. FDA**"). Furthermore, the standard ANSI Z80.3–2015 regulates the impact resistance, flammability, biocompatibility and optical protection properties.

Certain technical provisions and/or specific provision related to labelling requirements are locally applicable in other countries (*e.g.*, China, Japan and Australia).

We have incorporated guidelines from the EU, US and applicable harmonized standards as well as other best practices from trade groups into our production and quality control processes and we regularly monitor our operations and products for compliance therewith. Our arrangements with suppliers in China require them to produce component parts and finished and semi-finished goods that comply with regulatory requirements and our agreements also grant us the right to conduct inspections without notice.

Our product compliance team has professionals based in Hong Kong who are dedicated to managing testing activities, inspections and our day-to-day relationships with our suppliers.

*Data Protection and Cybersecuity*

We process personal customers data as part of our business, and therefore we believe that data security and strict compliance with data protection and privacy laws are competitive factors in our market. We adapted our internal procedures and operations to the requirements imposed by Regulation (EU) 2016/679 ("**General Data Protection Regulation**" or "**GDPR**"). We have appointed a dedicated data protection team and we have taken and will continue to take action to ensure the constant and complete implementation of the best practices for compliance with the applicable data protection laws and regulation.

*Management and Control Organizational Model Pursuant to Legislative Decree 231/2001*

The Issuer adopted a management and control organizational model in accordance with Legislative Decree No. 231/2001. This organizational model identifies areas where the Issuer could be at risk of potentially committing criminal offenses, and governs the functions and powers of the supervisory committee (*organismo di vigilanza*), both setting its requirements and ensuring adequate informational flows towards it. The organizational model further includes a disciplinary system, ensuring the effectiveness of the model itself, and a "Code of Ethics", which summarizes all the guiding principles that employees of the Issuer are required to comply with.

*Antitrust Compliance*

In order to comply with the principles set forth in the applicable antitrust and competition laws and regulations, in 2020 we developed an antitrust compliance program. This program aims to protect us from competition as well as to ensure that we have suitable compliance systems to reduce the risk of violations of antitrust and competition laws.

This program is in compliance with the antitrust guidelines adopted by the Italian Competition Authority on October 25, 2018. The program includes adoption of the antitrust guidelines by our Board of Directors; communication and training initiatives (including examples of day-to-day implementation) for all employees; risk assessments connected to the control and management systems of the risks associated with our business; systematic controls and monitoring to verify the effectiveness of antitrust compliance.

**Environment, Sustainability and Citizenship**

We support and develop our corporate social responsibility by distinctly refusing any kind of discrimination, enhancing resources and supporting the local context in which we operate through the implementation of actions that favor its development. We promote the themes of social responsibility and attention to environmental topics along our supply chain. For example, 35% of the material used for our Timberland Earthkeepers's collection is bio-based and Thélios, our joint venture with LVMH, has recently announced a new exclusive long-term partnership with the Stella McCartney group to produce a sustainable eyewear collection.

We are committed to operating our business while respecting the environment and other social considerations. Our past and present operations, including owned and leased real property, are subject to extensive and changing environmental laws, regulations and local permitting requirements related to, *inter alia*, the discharge of materials into the environment, the handling and disposition of waste or otherwise relating to the protection of the environment. We believe that we are in substantial compliance with applicable environmental laws and regulations.

**Legal Proceedings**

We are party to various legal proceedings involving routine claims that are incidental to our business. From time to time, we may be party to legal proceedings with current or former licensors in order to assert our rights under agreements with such counterparties. Although our legal and financial liabilities with respect to such proceedings cannot be estimated with certainty, we do not believe that the outcome of these legal proceedings, individually or in the aggregate, will be materially adverse to our business, financial position or results of operations. As of March 31, 2021, we have provisioned €0.2 million for potential liabilities in connection with legal proceedings.

## MANAGEMENT

*The following is a summary of certain information concerning our management, certain provisions of our bylaws (statuto) and Italian law regarding corporate governance. This summary is qualified in its entirety by reference to our bylaws and/or Italian law, as the case may be, and it does not purport to be complete.*

The Issuer was incorporated as a private joint stock company (*società per azioni*) under the laws of the Republic of Italy on February 8, 1983 and is registered under number 01774690273 with the Companies Register of Belluno (*Registro delle Imprese di Belluno*). The Issuer's registered office is at Zona Industriale Villanova, 4, 32013 Longarone (BL), Italy and its telephone number is +39 043 777111.

We are managed by a board of directors (*Consiglio di Amministrazione*) which, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee and/or one or more managing directors. Under Italian law, the board of directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires us to have a board of statutory auditors (*Collegio Sindacale*) which functions as a supervisory body.

### Directors and Senior Management

***Directors***

The board of directors of the Issuer (the "**Issuer's Board of Directors**"), as of the date of this Offering Memorandum, is set forth in the table below. The business address of each member of the Issuer's Board of Directors is the registered address of the Issuer, Zona Industriale Villanova, 4, 32013, Longarone (BL), Italy.

The following table sets forth the age, date of first appointment and position of the directors of the Issuer:

| Name | Age | Date of First Appointment | Position |
|---|---|---|---|
| Vittorio Levi(1) | 83 | December 5, 2012 | Chairman, Director |
| Fabrizio Curci | 48 | June 22, 2020 | Chief Executive Officer, Director |
| Giovanni Zoppas | 62 | March 28, 2019 | Non-Executive Director |
| Cirillo Coffen Marcolin(3) | 61 | June 27, 1986 | Non-Executive Director |
| Emilio Macellari(4) | 63 | April 28, 2005 | Non-Executive Director |
| Frédéric Jacques Marie Stévenin(1) | 54 | December 5, 2012 | Non-Executive Director |
| Franck Raymond Temam(1) | 50 | December 5, 2012 | Non-Executive Director |
| Raffaele Roberto Vitale(1) | 58 | December 5, 2012 | Non-Executive Director |
| Antonio Abete(5) | 41 | April 28, 2009 | Non-Executive Director |
| Jacopo Forloni(1) | 31 | March 28, 2019 | Non-Executive Director |
| Simone Cavalieri(1) | 44 | March 23, 2020 | Non-Executive Director |
| Alberto Fabbri(2) | 60 | March 23, 2020 | Non-Executive Director |

(1) Nominee of indirect shareholders PAI Investors (as defined under "*Principal Shareholders*").
(2) Nominee of LVMH.
(3) Nominee of indirect shareholder CMG (as defined under "*Principal Shareholders*").
(4) Nominee of indirect shareholder DDV and ADV (as defined under "*Principal Shareholders*").
(5) Nominee of indirect shareholder TI (as defined under "*Principal Shareholders*").

Set forth below is certain biographical information relating to the members of the Issuer's Board of Directors.

*Vittorio Levi* graduated from the Politecnico of Turin with a degree in electrical engineering. He began his career with Olivetti S.p.A., where he was responsible for its Customer Engineering Service, and subsequently, head of Sales and Marketing and Chief Operating Officer. Mr. Levi then joined Nokia's Italian subsidiary and was subsequently made a director of the parent company Nokia. From 2005 to 2010, Mr. Levi was Managing Director of Centax, a payments and financial services firm. Until 2014, Mr. Levi served as Vice Chairman of The Nuance Group AG and also served as President of Panini S.p.A.

*Fabrizio Curci* graduated from the Università Commerciale Luigi Bocconi of Milan and attended the Managerial Development Program at SDA Bocconi. He began his professional career at Olivetti Tecnost, where he worked in marketing from 2001 to 2004 before joining FIAMM as group marketing and sales development director from 2004 to 2007. Mr. Curci then joined Fiat Chrysler Automobiles Group, where he held roles of progressive responsibility in marketing, parts and services and finally as head of the Alfa Romeo brand for Europe, Middle East & Africa. In 2017, he joined Fiera Milano as Chief Executive Officer, a role held until 2020. Mr. Curci joined Marcolin as Chief Executive Officer in June 2020. He also serves as a Non-Executive Director of Thélios.

*Giovanni Zoppas* graduated from the Università Commerciale Luigi Bocconi of Milan with a degree in economics. He began his professional career in 1984 with Andersen Consulting. From 1993 to 2000, he was director of administration and internal control at the Benetton Group where he led the acquisition of Benetton Sportsystem, and subsequently, he served as Chief Financial Officer of the Italian subsidiary of GlaxoSmithKline. From 2003 to 2006, Mr. Zoppas was Managing Director of Nordica S.p.A., upon which time he joined Gruppo Coin S.p.A. as Chief Financial Officer and Chief Operating Officer, where he led the acquisition and subsequent integration of two large retail chains (Upim and Melablu). In 2012, Mr. Zoppas joined Marcolin as Chief Executive Officer, a role he held until his resignation on May 30, 2019 to become Chief Executive Officer of Thélios, upon which time he was appointed as Non-Executive Director of Marcolin. Following his resignation from Thélios in April 2021, he has been announced as the new Chief Executive Officer of Tecnica Group S.p.A. He also remains a member of the board of directors of Gruppo Coin S.p.A.

*Cirillo Coffen Marcolin* graduated from the Università Commerciale Luigi Bocconi of Milan. He began working with the Issuer while still a university student. After graduation, Mr. Marcolin spent one year as Branch Director with Marcolin's French subsidiary. Upon his return to Italy, and through the course of his long tenure with the Marcolin Group, he has held numerous management positions in administration, production, building management and has held positions on the board of directors of various Marcolin Group companies. Mr. Marcolin was formerly Chief Executive Officer and also served as Commercial Director from 1997 to 1999. In addition to his experience with the Marcolin Group, Mr. Marcolin has served in various management positions with trade organizations; notably he is President of MIDO, the company responsible for organizing the International Optics, Optometry and Ophthalmology exhibition in Milan, President of ANFAO, the Italian Optical Goods Manufacturers Association, an executive committee member of CONFINDUSTRIA, the Italian manufacturing and service companies confederation and President of FIAMP, the confederation of Italian Accessories and Fashion Associations.

*Emilio Macellari* graduated from the Università degli Studi of Macerata with a degree in political sciences and law. Mr. Macellari has taught at the Università degli Studi of Ancona and the Università degli Studi of Macerata. Mr. Macellari has been admitted to the roll of chartered accountants since 1986. He currently provides corporate finance, general business and tax advisory services through his own firm based in Civitanova Marche, Italy. Since 1976, Mr. Macellari has served as director or other administrative positions within the companies owned or partially owned by the Della Valle family. Since 2000, Mr. Macellari has served as Head of Institutional Investor Relations and as a director of Milan-listed fashion house TOD'S S.p.A. He also serves as director of other companies within the TOD'S Group and for certain other companies.

*Frédéric Jacques Marie Stévenin* studied at ESCP and started his career with Banque Paribas in the Advisory team of the Private Banking division. He first joined PAI in 1993 and spent five years in the then Food & Beverage Team. In 1998, he joined Deutsche Bank / Bankers Trust in the European Acquisition Finance Group as a Director and subsequently as Managing Director. In June 2001, he returned to PAI, where he has been involved in a large number of transactions including Atos Medical, B&B Hotels, Cerba Healthcare, Chr. Hansen, DomusVi, Elis, ELITechGroup, Ethypharm, Froneri, Kaufman & Broad, Labeyrie Fine Foods, Marcolin, Panzani-Lustucru, Refresco, Roompot, Provimi, Saeco, United Biscuits and Yoplait. Mr. Stévenin is a member of PAI's Management Committee. He also chairs PAI's Investment Committee and Heads the Healthcare Team.

*Franck Raymond Temam* studied Innovation and Production Systems at the École Centrale Paris. He started his career at Procter & Gamble with management roles at manufacturing facilities in France, Italy and the US. After seven years at P&G, he joined the Operations Practice at McKinsey & Co., focusing on manufacturing, supply chain and capital expenditure, serving clients in the industrial and consumer goods sectors. Mr. Temam joined PAI in 2011 as a member of the Portfolio Performance Group.

*Raffaele Roberto Vitale* graduated from Rollins College (USA) in Business Administration. Raffaele started his career in the Corporate Finance department of Chase Manhattan Bank in New York, London and Milan. In 1993, he became one of the Founding Partners of Vitale Borghesi & Co, which became part of the Lazard Group in 1998. Mr. Vitale joined PAI in 2002 as a member of the Italy Team and has been involved in a number of investments including Gruppo Coin, Marcolin, Saeco and The Nuance Group. In 2020, he became one of the Founding Partners of the Mid-Market Fund Team. He also serves as a Non-Executive Director of Thélios.

*Antonio Abete* graduated from the Università degli Studi Roma Tre of Rome with a degree in business economics. He began his career with J.P. Morgan Chase in its mergers and acquisition group of Milan and thereafter worked with the investment bank's equity capital markets group in London. In 2006, Mr. Abete worked with marketing and communications firm Blendon Communications. In 2007, Mr. Abete joined the Issuer and has worked in a variety of strategic and brand management functions.

*Jacopo Forloni* holds a degree in Business Administration from the University of Miami and an MBA from INSEAD. He started his career at Bahlsen GmbH in Hannover (Germany) covering a number of roles in Sales & Marketing as well as Business Development. Mr. Forloni joined PAI in 2016 and became a member of the Mid-Market Fund Team in 2021. He has been involved in the Marcolin and Tendam investments.

*Simone Cavalieri* graduated from the Bocconi University in Milan with a degree in Business Administration. Mr. Cavalieri was previously a Partner and Investment Committee Member at Charme Capital Partners. Before starting at Charme Capital in 2009, Mr. Cavalieri spent almost ten years at Merrill Lynch in Investment Banking in London and Milan. Mr. Cavalieri joined PAI in 2019 and heads PAI's Italy Team.

*Alberto Fabbri* graduated from the Politecnico di Milano with a degree in electrical engineering and holds an MBA from SDA Bocconi. From 1991 to 1995, he worked at Eli Lilly as Finance Manager. He then joined Prada as Finance Director from 1995 to 2000, upon which time he joined Fendi, serving as Chief Financial Officer from 2000 to 2019, and from 2019 to present, as Governance and Compliance Director. Mr. Fabbri has served as Chairman from 2005 to 2012 and as Vice Chairman from 2013 to present at LVMH Italia S.p.A., the holding company of the LVMH Group in Italy.

*Issuer's Board of Directors Practices*

The Issuer's Board of Directors comprises twelve directors. Pursuant to the by-laws (*statuto*) of the Issuer, the Issuer is managed by a board of directors consisting of between seven to thirteen members, who are elected upon nomination by the Issuer's ordinary shareholders' meeting. The Issuer's Board of Directors may perform all acts that they consider necessary for the achievement of the Issuer's corporate purpose, except for those actions reserved by law or for the shareholders' meeting pursuant to the Issuer's by-laws. The by-laws delegate, pursuant to Article 2365, second paragraph, of the Italian Civil Code, the Issuer's Board of Directors, to adopt also any resolution on simplified mergers, opening and closing branch offices and reduction of the share capital due to shareholders' withdrawal. The Board of Directors remains in office for a three-year term which expires on the date of the ordinary shareholders' meeting called to approve the financial statements of the last financial year of the term.

*Audit and Remuneration Committees*

The Issuer's Board of Directors has established an internal audit committee, whose members are Vittorio Levi (Chairman), Cirillo Coffen Marcolin and Jacopo Forloni. No compensation was paid to the members of the internal audit committee for the year ended December 31, 2020.

The Issuer has not adopted a separately established remuneration committee, whose functions are fulfilled by the Board of Directors as a whole, or its delegated members, as and when required.

***Senior Management***

The following table sets forth the age and position of the senior managers of the Group:

| Name | Age | Position |
|---|---|---|
| Fabrizio Curci | 48 | Chief Executive Officer, Director |
| Sergio Borgheresi | 54 | Chief Financial Officer |
| Alessandro Beccarini | 51 | Style & Product Development Director |
| Matteo Blandi | 42 | Marketing Director |
| Serena Cuogo | 43 | Legal & Compliance Director |
| Emilio Fulgione | 50 | Operations Director |
| Nicolò Gasparini | 53 | Chief of Staff |
| Sabrina Paulon | 48 | HR Director |
| Davide Rettore | 40 | Sales Operation Director |

The senior managers listed above are considered relevant to establishing that we have the appropriate expertise and experience for the management of our business.

Set forth below is certain biographical information relating to the members of the Group's senior management.

*Fabrizio Curci*—see "*—Directors and Senior Management—Directors*" for a description of Mr. Curci's management expertise and experience.

*Sergio Borgheresi* graduated from University of Florence in 1991 with a degree in Business Management & Economics. He also holds an MBA from General Electric Corporate University in 2003 and attended Harvard Business School from 2002 to 2003. He began his career as Audit Senior at Ernst & Young in 1992 and then he joined General Electric in 1997, covering several roles (Manufacturing Finance Manager; Healthcare; Commercial Finance & Risk Management; CFO EMEA and CFO Europe). He worked as Group CFO for Datalogic from 2014 to 2016 and, in 2016, he joined Marcolin as Group CFO.

*Alessandro Beccarini* graduated from high school in 1991. He worked for Prada as Product Director from 1999 to 2005. He then joined Luxottica where he worked from 2005 to 2017, as Product Development Director and, subsequently, he worked as Product Management for Loro Piana from 2017 to 2020. He joined Marcolin in 2020 as Group Style & Product Development Director.

*Matteo Blandi* graduated from University of Padua in 2003 with a degree in Business and Managerial Economics. He worked as Global Brand Manager for Marchon Eyewear from 2010 to 2012. He then worked as Global Head of Brand Marketing at Automobili Lamborghini from 2012 to 2016 and, subsequently, in 2017, joined Marcolin at first as Global Marketing Director and then as Global Marketing Director and Communications Director.

*Serena Cuogo* graduated from University of Padua in 2002. She worked as trainee lawyer from RVBA Law Firm from 2003 to 2006. In 2005 she qualified as a Lawyer and she joined the Bar Association of Venice. She then worked as a lawyer at SLT Law Firm from 2006 to 2013. She joined Marcolin in 2014 as Head of Legal & Compliance Director.

*Emilio Fulgione* graduated from University of Naples Federico II in 1998 with a degree in Economics. He began his career as a finance employee for Società Ittica Europea in 2000. Then he joined Ruotecompany in 2002 as Supply Chain & Logistic Manager and covered the same role, from 2003 to 2004, at Carpisa, from 2004 to 2006, at Bijoux Center and, from 2006 to 2007, at Extyn Italia. From 2007 to 2011, he worked for CNH as Industrial Supply Chain Manager—WCM Logistics Pillar Leader and Senior Manager Production Planning & Control—CE Manufacturing WW. He then joined Luxottica as Supply Chain Director APAC in 2011 and then as Group Supply Chain Director for Elica from 2016 to 2019. He worked as Chief Operating Officer from 2019 to 2020 for Clementoni and finally joined Marcolin in 2020 as Group Operations Director.

*Nicolò Gasparini* graduated from University of Padua in 1996 with a degree in Economics. He worked as service manager for PAM Group from 1989 to 1991. He then worked as Logistics Manager from 1992 to 1997. From 1997 to 2005 he worked at FIAMM, as Export Sales Area Manager, Logistics Director and General Manager. Subsequently, he worked as President and General Manager for Akuma. From 2007 to 2016, he worked for FIAMM as Business Unit Director and then as Executive Vice President. From 2017 to 2021, he was Executive Vice President for FET and, in 2021, joined Marcolin as Chief of Staff.

*Sabrina Paulon* graduated from University of Padua with a degree in political science. She began her career with Adecco, as Branch Manager in 1998. Then she joined General Electronic as HR Manager, in 2001, and subsequently she worked as HR Group Director for Selcom from 2004 to 2014. She joined Marcolin in 2014 and currently holds the role of HR Director for the Group.

*Davide Rettore* graduated from Ca' Foscari University in 2003 with a degree in Marketing & Communication. He worked for Benetton Group from 2003 to 2011, covering several roles (Media & Communication Specialist; Co-alliance & Licensing Manager; Brand Manager Sisley). He joined Marcolin in 2011 as Brand Manager and then as Group Brand Manager until 2014. He then worked for Kering from 2014 to 2017 as Global Brand Manager and Global Brand Director. He rejoined Marcolin in 2017 as CEO of Marcolin North America.

*Senior Management Compensation*

The aggregate compensation paid to our senior management of the Group for the year ended December 31, 2020 was €2.7 million, consisting of fixed salaries and performance-related components.

As of the date of this Offering Memorandum, the Issuer does not maintain a stock option plan.

## PRINCIPAL SHAREHOLDERS

As of the date of this Offering Memorandum, 90% of the share capital of the Issuer is held directly by 3Cime, a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy, with the remaining 10% held indirectly by LVMH (through the vehicle Vicuna), a *societas Europaea* organized under the laws of France. As of the date of this Offering Memorandum, 100% of the share capital of 3Cime is held directly by Tofane, a *société anonyme* organized by the laws of the Grand Duchy of Luxembourg, whose share capital is held directly by PAI (83%) and by certain Marcolin co-investors (17%) (the "**Existing Shareholders**").

The following sets forth certain information regarding the indirect ownership of the Issuer (through the vehicles, Tofane and Vicuna):

| | Percentage of share capital |
|---|---|
| PAI(1)(A) | 74.7% |
| LVMH(2)(B) | 10.0% |
| Co-investors(A) | 15.3% |
| *of which* | |
| CMG Partecipazioni S.r.l.(3) | 2.7% |
| DDV Partecipazioni S.r.l.(4) | 2.7% |
| ADV Partecipazioni S.r.l.(5) | 2.7% |
| Tree Investimenti S.r.l.(6) | 2.7% |
| Red Circle Investments S.r.l.(7) | 4.5% |
| **Total** | **100.0%** |

(1) PAI is a major European private equity firm that manages and advises private equity funds with a total equity value in excess of €14.7 billion. Certain funds managed and/or advised by PAI organized as French *fonds professionel de capital investissement* or English limited partners (the "**PAI Investors**") hold participations in Tofane. The relations between PAI and the certain co investors in Tofane are governed by the Shareholders' Agreement (as defined below) as discussed under "*—Shareholders' Agreement.*"

(2) LVMH Moët Hennessy Louis Vuitton SE is a European public company (*societas Europaea*) organized under the laws of France, and which wholly owns Vicuna. Pursuant to the PAI/LVMH Shareholders' Agreement, LVMH will be permitted to acquire additional shares of the Issuer (equivalent to a maximum of 7.5% of the Issuer's current share capital). See "*—PAI/LVMH Shareholders' Agreement.*"

(3) CMG Partecipazioni S.r.l. ("**CMG**") is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy and is owned and controlled indirectly by Mr. Cirillo Coffen Marcolin, Mr. Maurizio Coffen Marcolin and Ms. Monica Coffen (members of the Marcolin family and descendants of the founder of the Issuer).

(4) DDV Partecipazioni S.r.l. ("**DDV**") is a limited liability company (società a responsabilità limitata) organized under the laws of the Republic of Italy and is owned and controlled by Mr. Diego Della Valle.

(5) ADV Partecipazioni S.r.l. ("**ADV**") is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy and is owned and controlled by Mr. Andrea Della Valle.

(6) Tree Investimenti S.r.l. ("**TI**") is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy and is owned and indirectly controlled by Mr. Antonio Abete and Ms. Caterina Abete.

(7) Red Circle Investments S.r.l. ("**RCI**") is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy and is owned and controlled by Mr. Renzo Rosso, Mr. Stefano Rosso and Mr. Andrea Rosso.

(A) Class A shares.

(B) Class B shares.

### Classes of Shares

The Issuer's bylaws provide for separate Class A and Class B shares. Class A shares are entirely held by 3Cime (and entirely indirectly held by the Existing Shareholders) and the Class B shares are entirely held by Vicuna (and entirely indirectly held by LVMH). Class A and Class B shares entitle their holders to the same economic and voting rights but different corporate governance and transfer rights. The different corporate governance and transfer rights of the Class B shares include the right of LVMH to nominate one additional member of the Issuer's Board of Directors and the Tag-along Right, each as described below in "*—PAI/LVMH Shareholders' Agreement.*"

### Shareholders' Agreement

On December 5, 2012 and amended and restated from time to time (lastly on December 18, 2018), the PAI Investors, CMG, DDV, ADV, TI and RCI (as well as the underlying indirect shareholders thereof) (each a "**Party**," and collectively, the "**Parties**") signed a shareholders' agreement (the "**Shareholders' Agreement**"). The Shareholders' Agreement governs, among other things, the corporate governance of the Issuer and the intermediate holding companies (3Cime and Tofane), transfer restrictions on the shares of Tofane and the

relations among the Parties. The Shareholders' Agreement expires on March 9, 2022, and automatically renews for two-year periods unless terminated in writing. The Shareholder's Agreement is governed by Italian law.

***Corporate Governance Provisions***

The Shareholders' Agreement establishes, among other things, the following corporate governance provisions:

- the board of directors of each of Tofane and 3Cime will consist of up to seven, appointed as follows: one member appointed by CMG, one member nominated by TI and the rest of the members nominated by PAI Investors, *provided, however,* that should either of CMG or TI cease to appoint a member of the boards of Tofane and 3Cime for any reason, then RCI will be entitled to appoint one member of the relevant board;
- the Issuer's Board of Directors will consist of seven or more members (it currently has twelve members), appointed as follows: one member appointed by CMG, one member appointed by TI, one regular member and one alternate member of the board of the statutory auditors appointed by DDV, ADV, CMG and TI, and the rest of the members (including the chairman) as well as one alternate member of the board of statutory auditors nominated by PAI Investors; *provided, however,* that should either of CMG or TI cease to appoint a member of the Issuer's Board of Directors for any reason, then RCI will be entitled to appoint one member of the Issuer's Board of Directors;
- certain special matters are reserved to the boards of directors and are not delegable to singular members, including:
  - for Tofane: decisions concerning the right to vote at the shareholders' meeting of 3Cime, decisions (if not reserved to the shareholders' meeting under the bylaws) and proposals concerning the issuance of securities, sale and purchase of 3Cime's shares, options and/or other rights connected with 3Cime's shares;
  - for 3Cime: decisions concerning the right to vote at the shareholders' meeting of the Issuer, decisions (if not reserved to the shareholders' meeting under the bylaws of 3Cime) and proposals concerning the issuance of securities, sale and purchase of the Issuer's shares, options and/or other rights connected to the Issuer's shares and decisions concerning extraordinary transactions and permitted transactions;
  - for the Issuer: decisions regarding the appointment of the Chief Executive Officer and the grant of related powers, the approval of the budget and business plan, decisions regarding share capital increases excluding pre emptive rights of existing shareholders, decisions regarding the sale of assets or participations in other companies, decisions regarding the signing of new license agreements, renewals of license agreements, decisions regarding financings and investments for material amounts and decisions regarding related party transactions for material amounts—in each case, decisions will be taken upon a simple majority vote of the Issuer Board of Directors; and
  - with respect to the adoption of any resolution regarding decisions concerning the right to vote in shareholders' meetings, decisions concerning the issue of securities and the sale, purchase, options and/or rights related to the shares of each of Tofane, the Issuer and 3Cime, as applicable, action may only be taken upon a simple majority of the relevant board of directors, and at least one member designated by any of CMG, DDV, ADV or TI dissents, then the other members appointed by each of CMG, DDV, ADV or TI, excluding the member who previously dissented from the relevant decision, and the members nominated by PAI Investors must meet to resolve the dissension, following which time a second vote of the relevant board of directors is to be convened, and, if the dissenting member continues to express dissent with respect to the decision, the Party that nominated such dissenting member will have the right to sell all (and not less than all) of its shares of Tofane to PAI Investors at a price set at their fair market value.

***Transfer Restrictions; Lock-up***

The Shareholders' Agreement contains the following transfer restrictions and lock-up provisions:

- the Parties may not sell or transfer their respective shares of Tofane on or prior to the termination of the Shareholders' Agreement, save for transfers which are permitted (*i.e.*, to PAI Investors as discussed under "—*Corporate governance provisions*");
- if PAI Investors intend to transfer 100% or less of their shares of Tofane to third parties, tag along rights are granted to each of CMG, DDV, ADV, TI and RCI which oblige such third party offeror to acquire 100% of the shares of such Parties or a *pro rata* percentage of such shares;

- if any PAI Investors receives an offer from a third party to purchase 100% or less of its respective shares of Tofane, drag along rights are granted to PAI Investors which oblige CMG, DDV, ADV, TI and/or RCI to sell either 100% of their respective shares if such third party offeror is seeking to acquire 100% or more than 50% of the shares of Tofane, or such proportional amount if such third party offeror is seeking to acquire less than 50% of Tofane's shares of the shares of PAI Investors or a pro rata percentage of such shares;
- in the event of a direct or indirect transfer of Tofane's class A shares to third parties, a preemption right is granted to class B shares holders in accordance with the provisions of Tofane's bylaws;
- the interests of CMG, DDV, ADV, TI and RCI are non transferrable, except as otherwise consistent with the provisions of the Shareholders' Agreement, without prior written consent of PAI Investors, and PAI Investors is granted a pre emption right to acquire the interests that the relevant party is seeking to transfer.

***Additional Provisions***

In addition to the foregoing, the Shareholders' Agreement contains the following additional provisions:

- in the event of a capital increase and/or share offering of Tofane, all such transactions unless otherwise agreed with the Parties, will be conducted at the fair market value thereof and without preemptive rights for existing shareholders; and
- in the event of a transfer by Tofane and 3Cime, of all or part of their investment in, respectively, 3Cime and the Issuer, the PAI Investors will promptly make available to the shareholders of Tofane, minus certain costs for administrative and transaction fees and any other withholdings required by law, such net proceeds of the sale in the form of dividends.

**Thélios JVA**

***Governance***

Pursuant to the Thélios JVA, the Thélios board of directors is composed of six members comprised as follows: (i) three (including the chairman of the board) appointed by LVMH; (ii) two appointed by the Issuer; and (iii) the chief executive officer, appointed by the consensus of LVMH and the Issuer. Thélios' board of directors is empowered to approve ordinary matters by simple majority vote (taking into account the chairman's casting vote, if necessary), including, among other things, the approval of the annual budget, entering into debt financing and the payment of dividends in line with the dividend policy. Special matters (in relation to which the chairman's casting vote cannot be exercised), including amendments to, or early termination of, license agreements, changes to the dividend policy and forming subsidiaries, must be approved by a favorable vote of (i) the majority of the board members in office, (ii) at least one board member appointed by LVMH and (iii) at least one board member appointed by the Issuer. Any deadlock of the board on any of the special matters referenced above will be resolved through mediation.

***Put Option and Call Options***

Pursuant to the Thélios JVA (i) between June 30, 2028, and December 31, 2029 the Issuer may exercise a put option over all (and not less than all) the shares it owns in Thélios and (ii) between June 30, 2028 and June 30, 2029 LVMH may exercise a call option over 50% of the Issuer's ownership in Thélios, representing 24.5% of the total share capital of Thélios (the "**LVMH Initial Call**").

Furthermore, between June 30, 2031, and December 31, 2031 LVMH will have an additional option to call 50% of the Issuer's current ownership in Thélios, representing 24.5% of the total share capital of Thélios, whether or not the LVMH Initial Call is exercised before the period from June 30, 2028 to June 30, 2029. Alternatively, pursuant to the Thélios JVA, LVMH is afforded a call option over 100% of the Issuer's shares of Thélios to be exercised after June 30, 2029 and before December 31, 2031, provided that the LVMH Initial Call has not been exercised.

The price of each of the put and call options on Thélios' shares exercisable by the Issuer and LVMH will be determined at the time of the exercise of the relevant option by an equation taking into account a multiple of the EBITDA and the net financial debt of Thélios (the "**Option Price**").

Furthermore, upon (i) an IPO of the Issuer (a "**Marcolin IPO**"), or (ii) the sale of the majority of the Issuer's share capital or voting rights to a third party not satisfactory to LVMH or (iii) any other event (at any level of the chain of control over the Issuer) as a result of which a third party not satisfactory to LVMH becomes the direct or indirect controlling shareholder of the Issuer, LVMH will be entitled to exercise a call option on all shares of Thélios at the Option Price.

In the event LVMH holds, at any time, more than 75% of the share capital or voting rights of Thélios, the Issuer will forfeit its right to nominate together with LVMH the chief executive officer of Thélios. If LVMH has acquired 75% of the share capital of Thélios as a result of the exercise of the LVMH Initial Call, or if LVMH acquires 80% of the share capital of Thélios, the Issuer will lose its veto rights on certain governance matters requiring one vote of the member of the board of directors of Thélios appointed by each of the Issuer and LVMH.

***Transfer of the Shares***

The Thélios JVA prohibits the Issuer from transferring any of its shares in Thélios to third parties until the later of December 31, 2031 and, should the call options have been validly and timely exercised, the date on which the sale and transfer of the concerned shares have been completed (the "**Lock-up Period**"). After the expiration of the Lock-up Period, all transfers of the shares of Thélios remain subject to the terms of the Thélios JVA.

***Dividend Policy***

Thélios' dividend policy is to pay a minimum of 50% and a maximum of 80% of its net profits as dividends to the Issuer and LVMH, in proportion to their ownership of Thélios' share capital. Dividends are only paid if Thélios has sufficient net cash and to the extent the distribution is consistent with the capital expenditure needs of Thélios and its subsidiaries for the relevant financial year, as decided by the board of directors of Thélios. To date, Thélios has not paid dividends.

**Thélios Shared Services Agreements**

Since 2018 pursuant to certain arms-length shared services agreements (the "**Thélios Shared Services Agreements**"), the Issuer has provided Thélios with certain operational services, including, but not limited to, information technology, manufacturing and supply chain services (including after-sales services). After Thélios has established subsidiaries in Europe, United States and Asia, such services have been progressively reduced and we expect to provide such residual services until 2021.

**PAI/LVMH Shareholders' Agreement**

The PAI/LVMH Shareholders' Agreement, entered into in connection with the execution of the Thélios JVA (see "*Business—Our Business—Thélios*"), among other things, (a) grants LVMH the right to appoint one additional member of the Issuer's Board of Directors and (b) sets forth the timing and respective rights of PAI and LVMH in connection with an IPO of the Issuer (a "**Marcolin IPO**") or a sale of the shares of the Issuer (whether directly by Marmolada or indirectly by PAI or any of the companies that directly or indirectly control the Issuer) to LVMH or a third party (a "**Marcolin Share Sale**"), including the Tag-along Right described below, a right of first offer and a right of first refusal for the benefit of LVMH.

The PAI/LVMH Shareholders' Agreement provides that, in the event that (i) PAI intends to transfer any of its shares of Tofane to a third party, (ii) 3Cime intends to transfer any of its shares of the Issuer to a third party or (iii) any other company directly or indirectly controlling the Issuer intends to transfer any of its shares in another company directly or indirectly controlling the Issuer to a third party (each, an "**Intended Transfer**") and as a result of any Intended Transfer the Issuer would no longer be indirectly controlled by PAI, LVMH will have the right to transfer all of its shares of the Issuer to such third party (including any shares acquired by exercising the LVMH Call Option, described below) (the "**Tag-along Right**").

Furthermore, LVMH will have the right to acquire additional shares of the Issuer from 3Cime upon a Marcolin IPO or a Marcolin Share Sale (as the case may be) in proportion to the expected capital gain to the Existing Shareholders from such Marcolin IPO or Marcolin Share Sale (the "**LVMH Call Option**").

The Indenture and the relevant Security Document will permit the Issuer to issue new shares to LVMH and/or 3Cime to release shares of the Issuer subject to pledge in order to transfer such shares to LVMH, in each case in accordance with the PAI/LVMH Shareholders' Agreement and for a number of shares equivalent to a maximum of 7.5% of the Issuer's current share capital. Upon such transfer to LVMH, the relevant shares of the Issuer will not be pledged to secure the Notes. See "*Description of the Notes—Security*."

The PAI/LVMH Shareholders' Agreement will expire on January 31, 2022 and, upon expiry, will automatically renew for consecutive periods of five years, unless terminated in writing with a six-months prior notice. However, the provisions relating to the LVMH Call Option will be effective until January 31, 2032, and, in any event, the PAI/ LVMH Shareholders' Agreement will terminate upon the earliest of, among other instances, any of the following events: (i) a Marcolin IPO, (ii) a Marcolin Share Sale, (iii) a direct or indirect transfer of shares of the Issuer as a result of which PAI no longer controls directly or indirectly the Issuer, (iv) any other transaction having the same or a similar economic effect as the transactions referred to in points (i) to (iii) above, (v) LVMH ceases to be a shareholder of the Issuer, or (vi) termination of the Thélios JVA (*i.e.*, the earlier of (a) the date one single party holds the entire share capital of Thélios and (b) December 31, 2031).

**Thélios Loan**

The Issuer, as lender, granted an interest-bearing loan to Thélios, as borrower, for an original aggregate principal amount of €15.0 million (subsequently increased from time to time by an overall amount of €20.0 million, the "**Thélios Loan**"), pursuant to a loan agreement originally entered into on November 30, 2017 and governed by Italian law, as subsequently amended and restated. As of March 31, 2021, €13.3 million was outstanding under the Thélios Loan.

## RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we may enter into agreements with or render services to related parties. In turn, such related parties may render services or purchase goods from us as part of their business. We believe that all transactions with related parties are negotiated and conducted on a basis equivalent to that which would have been achievable on an arm's length basis, and that the terms of these transactions are comparable to those currently contracted with unrelated third parties.

The transactions and outstanding balances with respect to related parties as of December 31, 2020 are shown below:

| | (€ thousands) | | | |
|---|---|---|---|---|
| | Expenses | Revenues | Payables | Receivables |
| **Subsidiaries** | | | | |
| PAI | 40 | — | 109 | — |
| Coffen Marcolin Family | 487 | — | 95 | 0 |
| 3Cime | 779 | — | 25,779 | 10,833 |
| Thélios | 2,975 | 3,081 | 4,804 | 19,875 |
| **Total** | 4,280 | 3,081 | 30,787 | 30,707 |

The transactions and outstanding balances with respect to related parties as of December 31, 2019 are shown below:

| | (€ thousands) | | | |
|---|---|---|---|---|
| | Expenses | Revenues | Payables | Receivables |
| **Subsidiaries** | | | | |
| PAI | 60 | — | 60 | — |
| Coffen Marcolin Family | 524 | — | 136 | — |
| 3Cime | — | — | — | 7,465 |
| Thélios | 15,554 | 11,364 | 5,643 | 18,446 |
| **Total** | 16,138 | 11,364 | 5,840 | 25,911 |

## DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

*The following summary of certain provisions of the documents listed below governing certain of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. Unless otherwise defined in this Offering Memorandum or unless the context otherwise requires, terms defined in the New Revolving Credit Facility Agreement and the Intercreditor Agreement shall have the same meanings when used in this section.*

### New Revolving Credit Facility

The following description is a summary of certain terms of and provisions that will be contained in our New Revolving Credit Facility Agreement. It does not restate or summarise all of the terms and conditions relating to the New Revolving Credit Facility Agreement and as such you are urged to read the New Revolving Credit Facility Agreement because it, and not the description that follows, sets out the terms of the New Revolving Credit Facility Agreement. Capitalised terms used and not defined herein shall have the meaning given to them in the New Revolving Credit Facility Agreement.

*Overview and structure*

On or about the date of this Offering Memorandum, the Issuer, the financial institutions named therein as the mandated lead arrangers (together the "**Mandated Lead Arrangers**"), the financial institutions named therein as original lenders and the financial institution named therein as Agent and as Security Agent, entered into the New Revolving Credit Facility Agreement.

The New Revolving Credit Facility Agreement provides for borrowings up to an aggregate principal amount of €46.3 million on a committed basis. The New Revolving Credit Facility may be utilized by any current or future borrower (subject to certain exceptions) under the New Revolving Credit Facility Agreement in euro or certain other currencies by the drawing of cash advances or, subject to the appointment of an Issuing Bank, the issue of bank guarantees and/or documentary credits (including letters of credit) 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 towards (directly or indirectly) financing or refinancing the general corporate and/or working capital purposes of the Issuer and its Restricted Subsidiaries and to (including, without limitation, directly or indirectly refinancing existing indebtedness (other than (i) the Existing 2023 Notes and/or (ii) the Notes (iii) and/or any Refinancing Indebtedness (as defined in the New Revolving Credit Facility) of the Notes) and/or directly or indirectly financing or refinancing capital expenditure, acquisitions, joint ventures, investments, operational restructurings or permitted reorganisations, restructuring costs, purchase price adjustments, redemption premium, break costs, original issue discount and additional financing fees).

***Additional Facilities***

The New Revolving Credit Facility Agreement contemplates the incurrence of additional uncommitted revolving facilities in a maximum aggregate amount not to exceed (after taking account all of the commitments under the New Revolving Credit Facility) the amount able to be incurred under paragraph (1) of the second paragraph of the covenant described under "*Description of the Notes—Certain Covenants—Limitation on Indebtedness*", whether as a new facility or commitment, as an additional tranche of any existing facility or by increasing the commitments under an existing facility. Such additional facilities shall be secured and shall rank *pari passu* with the New Revolving Credit Facility. The lenders of any such additional facilities, if not already lenders under the New Revolving Credit Facility Agreement, shall be required to accede to the New Revolving Credit Facility Agreement and the Intercreditor Agreement and shall only have the benefit of the guarantees and Transaction Security (as defined in the New Revolving Credit Facility Agreement) granted in respect of the New Revolving Credit Facility unless any additional security and guarantees are also granted in favour of all the Lenders under the New Revolving Credit Facility Agreement. The availability, maturity, pricing and other terms of any additional facility will be those agreed between the Issuer and the relevant lenders of that additional facility, provided that no additional facility may have a maturity date that is earlier than the maturity date of the New Revolving Credit Facility unless the maturity date of the New Revolving Credit Facility is amended to match that of the additional facility.

***Availability***

The New Revolving Credit Facility may, subject to satisfaction of certain conditions precedent, be utilised from the Issue Date until the date falling one month prior to the maturity date of the New Revolving Credit Facility.

### *Maturity and Repayment Requirements*

The New Revolving Credit Facility matures approximately six months prior to the final maturity date of the Notes. Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the New Revolving Credit Facility must be repaid in full on or prior to the maturity date for the New Revolving Credit Facility. Amounts repaid by the borrowers on loans made under the New Revolving Credit Facility may be re-borrowed during the availability period for that facility, subject to certain conditions.

### *Interest Rate and Fees*

The interest rate on cash advances under the New Revolving Credit Facility will be the percentage rate per annum equal to the aggregate of the applicable margin and EURIBOR in relation to cash advances in euro, or LIBOR in relation to all other cash advances (other than cash advances where a 'risk free rate' applies (calculated based on SOFR or SONIA (as applicable) (as each term is defined in the New Revolving Credit Facility Agreement). The initial margin under the New Revolving Credit Facility will be 3.75 per cent. Subject to certain conditions, the margin on the loans will be reduced or increased in accordance with certain Total Net Leverage ratios (as defined in the New Revolving Credit Facility Agreement) are met; the highest applicable margin being 3.75%. LIBOR and EURIBOR and (in relation to the applicable daily rate) SOFR or SONIA, shall be subject to a floor of zero.

A commitment fee will be payable on the aggregate undrawn and uncancelled amount of the New Revolving Credit Facility from (and including) the Issue Date to (and including) the last day of the availability period for the New Revolving Credit Facility at a rate of 30 per cent. of the then applicable margin for the New Revolving Credit Facility. The commitment fee will be payable quarterly in arrears, on the last day of the availability period of the New Revolving Credit Facility and on the date the New 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 Issue Date occurs.

Default interest will be calculated as an additional 1% on the overdue amount. The Issuer is also required to pay certain fees (including arrangement fees and agency fees) to the Arrangers, Agent and the Security Agent in connection with the New Revolving Credit Facility.

### *Guarantees*

The Issuer is the sole original borrower and original guarantor under the New Revolving Credit Facility Agreement. Within 15 business days of the Issue Date, each of the Guarantors will, subject to certain agreed security principles set out in the New Revolving Credit Facility Agreement and any agreed limitation language, accede to the New Revolving Credit Facility Agreement and provide a senior guarantee of all amounts payable to the Finance Parties (as defined in the New Revolving Credit Facility Agreement). The New Revolving Credit Facility Agreement provides that other members of the Group may accede as borrowers and/or guarantors in respect of the New Revolving Credit Facility Agreement in accordance with the terms and conditions set forth thereunder.

The New Revolving Credit Facility Agreement requires that (subject to agreed security principles), on (i) the date falling 120 days after the Issue Date and (ii) 120 days after the date when the Annual Financial Statements (as defined in the New Revolving Credit Facility Agreement) are required to be delivered, the aggregate earnings before interest, tax, depreciation and amortisation of the guarantors is equal to at least 80 per cent. of the Guarantor Jurisdictions EBITDA (as defined in the New Revolving Credit Facility Agreement) of the group (subject to certain exceptions and adjustments) (the "Guarantor Coverage Test").

### *Security*

The New Revolving Credit Facility (subject to certain agreed security principles set out in the New Revolving Credit Facility Agreement) will be secured by security over certain assets as further described in the section entitled "*Description of the Notes—Security*." The New Revolving Credit Facility will be secured by security interests granted over the same Collateral that secures the Notes, as well as by a special lien (*privilegio speciale*) over the Issuer's movable assets.

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 New Revolving Credit Facility in priority to the Notes.

The New Revolving Credit Facility provides that guarantees and/or security may be released in certain circumstances; including in connection with certain disposals and to facilitate an Initial Public Offering of the Company.

***Representations and Warranties***

The New Revolving Credit Facility Agreement contains certain representations and warranties, subject to certain materiality, actual knowledge and other qualification, exceptions and baskets, and with certain representations and warranties being repeated, including among others: (i) status; (ii) binding obligations; (iii) non-conflict with other obligations; (iv) power and authority; (v) validity and admissibility in evidence; and (vi) governing law and enforcement.

***Covenants***

The New 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 New Revolving Credit Facility Agreement also contains certain affirmative and negative covenants and reporting requirements. Set forth below is a brief description of such covenants, all of which are subject to materiality, actual knowledge or other qualifications, exceptions and baskets.

***Affirmative Covenants***

The affirmative covenants include, among others: (i) authorizations and consents, (ii) compliance with laws; (iii) payment of taxes; (iv) a *pari passu* covenant; (v) maintenance of intellectual property and insurance; (vi) funding of pension schemes; (vii) maintenance of Guarantor Coverage Test; (viii) anti-corruption and sanctions; and (ix) further assurance provisions.

***Negative Covenants***

The negative covenants include restrictions, among others, with respect to: (i) changing the centre of main interest of a borrower or guarantor, (ii) US margin regulations and ERISA provisions; and (iii) subject to certain exceptions: (a) segregating assets as provided in article 2447-*bis* of the Italian Civil Code, (b) entering into transactions which could qualify as a *finanziamento destinato* pursuant to article 2447-*decies* of the Italian Civil Code, or (c) issuing any class of stock or other financial instruments under Article 2447-*ter* of the Italian Civil Code. Otherwise, the negative covenants in the New 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 New Revolving Credit Facility Agreement of a Change of Control (as defined in the New Revolving Credit Facility Agreement), following which each lender under the New Revolving Credit Facility Agreement is entitled to require, by written notice to the Issuer, repayment of all outstanding amounts owed to that lender and the cancellation of that lender's commitments. Notwithstanding the foregoing, any Ancillary Lender or, as the case may be, Issuing Bank may, as between itself and the relevant member of the Group, agree to continue to provide such Ancillary Facility or, as the case may be, Letter(s) of Credit (with such arrangements continuing on a bilateral basis and not as part of, or under, the Finance Documents and the Transaction Security shall not, following release by the Security Agent, secure any such Letter(s) of Credit or Ancillary Facility in respect of any claims that arise after such cancellation).

***Mandatory Prepayment Requirements in relation to an Initial Public Offering***

The Issuer is required to notify the Agent under the New Revolving Credit Facility Agreement if (i) an Initial Public Offering has occurred and (ii) the Total Net Leverage ratio (calculated on a quarterly basis, in a manner consistent with 'Financial Covenant' below) is greater than a certain prescribed level, and the New Revolving Credit Facility Agreement provides that, in such circumstances, the New Revolving Credit Facility (and all Ancillary Outstandings) will be cancelled and become due and payable within 30 business days.

***Financial Covenant***

The New Revolving Credit Facility will require the Company to comply with a "*financial covenant*". Commencing with the quarter ended June 30, 2021 until (and including on) March 31, 2022, the New Revolving

Credit Facility will require that the Company must ensure that Liquidity (as defined in the New Revolving Credit Facility) is not less than €10,000,000 on the last business day of each quarter. For quarter dates thereafter, the "*financial covenant*" will be based on the Total Net Leverage ratio (being the ratio of the total net indebtedness to consolidated EBITDA, as defined in and calculated pursuant to the New Revolving Credit Facility Agreement) and will be tested quarterly subject to, among others, the New Revolving Credit Facility being at least utilised by a specific percentage on the relevant test date. Subject to applicable cures, non- compliance with the "*financial covenant*" will result in an event of default.

***Events of Default***

The New Revolving Credit Facility Agreement provides for some of the same events of default, with certain adjustments, as under the Notes. In addition, the New Revolving Credit Facility Agreement provides for certain events of default, all of which are subject to materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, including: (i) breach of the financial covenant under the New Revolving Credit Facility Agreement; (ii) representations or warranties found to be untrue or misleading when made or deemed repeated subject to a grace period; (iii) cross-acceleration to the Notes or Refinancing Indebtedness (as defined in the New Revolving Credit Facility Agreement) of the Notes; (iv) unlawfulness and invalidity; (v) failure to comply in any material respect with the provisions of, or the material obligations under, the Intercreditor Agreement subject to a 30 business day grace period; (vi) cessation of business; (vii) repudiation and rescission subject to a 30 business day grace period; (viii) certain insolvency events of default consistent with the insolvency events of default, with certain adjustments, as under the Notes; and (ix) certain events relating to the ERISA provisions and US insolvency law provisions (including in respect of automatic acceleration).

The New Revolving Credit Facility Agreement will also contain a clean-up period of 120 days in relation to certain events of default occurring by reason of an acquisition of a new member of the Group.

**Intercreditor Agreement**

*Intercreditor Agreement*

To establish the relative rights of the Senior Secured Creditors (as defined below), the Future Senior Subordinated Creditors (as defined below), the Issuer, the Guarantors, the Security Providers (that are members of the Group) and any future Guarantors in respect of the Senior Secured Notes and any obligor in respect of the New Revolving Credit Facility, Cash Management Facilities (as defined below), Future Pari Passu Debt (as defined below) and Future Senior Subordinated Debt (as defined below) (collectively, the "**Debtors**"), the Intragroup Lenders (as defined below) and the Shareholder Subordinated Lenders (as defined below) will enter into an intercreditor agreement dated on or about the Issue Date.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the Trustee to enter into the Intercreditor Agreement on its behalf.

The following description is a summary of certain provisions, among others, that will be contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes. Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the New Revolving Credit Facility, the Senior Secured Notes Indenture and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail.

Capitalised terms used and not defined herein shall have the meaning given to them in the Intercreditor Agreement.

*Overview*

The Intercreditor Agreement sets out, among other things:

- the relative ranking of certain debt of the Issuer and certain of its subsidiaries in respect of New Revolving Credit Facility liabilities, the Senior Secured Note liabilities, the Cash Management Facilities Liabilities (as defined below), the Future Pari Passu Debt (as defined below), the Super Senior Hedging Liabilities (as defined below), the Pari Passu Hedging Liabilities (as defined below), Future Senior Subordinated Debt (as defined below), the Intra-Group Liabilities (as defined below) and the Shareholder Debt Liabilities (as defined below);

- the relative ranking of certain security granted by certain members of the Group (as defined below);
- when payments can be made in respect of certain indebtedness of the Group;
- when enforcement action (including acceleration and/or demand for payment and certain similar actions) ("**Enforcement Action**") can be taken, including in respect of the Transaction Security (as defined below);
- provisions relating to the making of any acceleration or demand for payment in respect of the Notes;
- the terms pursuant to which certain indebtedness will be subordinated upon the occurrence of certain insolvency events;
- the requirement to turnover amounts received from enforcement of the Transaction Security and certain guarantees;
- when the Transaction Security and any guarantee(s) issued by certain Debtors will be released to permit an enforcement sale;
- the circumstances in which creditors' claims (including noteholders' claims against the Issuer) might be required to be transferred to third parties or released to assist in enforcement; and
- the order for applying proceeds from the enforcement of the Transaction Security, certain guarantees and other amounts received by the Security Agent.

*Parties*

The senior secured creditors (together the "**Senior Secured Creditors**") will include, among others, the agent under the New Revolving Credit Facility (the "**Senior Agent**"), the Security Agent, the lenders under the New Revolving Credit Facility (the "**RCF Lenders**"), issuing banks and ancillary lenders under the New Revolving Credit Facility, if applicable and following their accession to the Intercreditor Agreement, Cash Management Providers (as defined below) and the Senior Secured Notes Trustee for the holders of the Senior Secured Notes. The Intercreditor Agreement will also allow for accession by creditors of future loan or bond indebtedness incurred by, among others, Holdco and/or the Debtors (which is permitted by or not restricted under the terms of the New Revolving Credit Facility, the Senior Secured Notes, the Future Pari Passu Debt (as defined below) and the Future Senior Subordinated Debt (as defined below)), including any senior secured notes issued after the Issue Date pursuant to the Senior Secured Notes Indenture ("**Additional Senior Secured Notes**"), to share in the relevant security shared by the Senior Secured Creditors (the "**Future Pari Passu Debt**") and hedge counterparties party to interest rate or foreign exchange hedging agreements referred to below, which are secured on a super senior basis (the "**Super Senior Hedging Agreements**") (the "**Super Senior Hedging Banks**") and hedge counterparties party to interest rate hedging agreements, foreign exchange hedging agreements or commodity hedging agreements referred to below which are secured on a *pari passu* basis (the "**Pari Passu Hedging Agreements**") (the "**Pari Passu Hedging Banks**" and, together with the Super Senior Hedging Banks, the "**Hedging Banks**") and providers of the Cash Management Facilities which are secured on a *pari passu* basis (the "**Cash Management Providers**"). Holders of Future Pari Passu Debt, Cash Management Providers and such hedge counterparties are also Senior Secured Creditors.

The Intercreditor Agreement will also allow for accession by creditors of future indebtedness of Holdco and/or the Debtors (which is permitted by or not restricted under the terms of the finance documents relating to debt owing to the Senior Secured Creditors as senior secured creditors (the "**Senior Secured Debt**") and the Future Senior Subordinated Debt (as defined below)) and provided that such future indebtedness complies with agreed parameters (if any) for the relevant class of such future indebtedness. Any such future indebtedness that is subordinated to the Senior Secured Debt and complies with agreed parameters (if any) for senior subordinated debt shall be "**Future Senior Subordinated Debt**" for the purposes of the Intercreditor Agreement. Holders of Future Senior Subordinated Debt are "**Future Senior Subordinated Creditors**". There will, subject to the agreement of the Security Agent, be a single Security Agent appointed to act at all times on behalf of all Senior Secured Creditors and Future Senior Subordinated Creditors.

Neither the Issuer nor any of its Restricted Subsidiaries (each a member of the "**Group**") nor shareholder of a member of the Group which is not otherwise party to (1) a document creating security in favour of the Senior Secured Creditors or the Future Senior Subordinated Creditors or (2) the debt documents thereby secured, will be party to the Intercreditor Agreement save for (i) any shareholder of the Issuer in respect of any existing or future loan made to the Issuer or any of its Restricted Subsidiaries (each a "**Shareholder Subordinated Lender**") (and the Intercreditor Agreement will contain subordination provisions and restrictions relating to the receivables

owing from any member of the Group to any Shareholder Subordinated Lender (the "**Shareholder Debt Liabilities**")), (ii) Holdco in respect of any existing or future proceeds loan made to the Company in respect of the proceeds of any Future Senior Subordinated Liabilities of Holdco in its capacity as principal debtor ("**Shareholder (Proceed Loan) Liability**"), and (iii) certain members of the Group that lend to a Debtor (each an "**Intragroup Lender**") that will accede to the Intercreditor Agreement with respect to the loans or indebtedness owing from such Debtor to such member of the Group in respect of intra-group loans, (the "**Intra-Group Liabilities**"). The Intercreditor Agreement will contain subordination provisions relating to any Intra-Group Liabilities. However, Debtors will not be prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an acceleration event under the New Revolving Credit Facility or the Senior Secured Notes Indenture is continuing.

***Ranking and Priority***

*Priority of Indebtedness*

The Intercreditor Agreement will provide that the Liabilities, as the case may be, in respect of the New Revolving Credit Facility (the "**New Revolving Credit Facility Liabilities**"), the Senior Secured Notes (the "**Senior Secured Notes Liabilities**"), the Future Pari Passu Debt (the "**Future Pari Passu Debt Liabilities**"), the amounts owing to the Super Senior Hedging Banks under the Super Senior Hedging Agreements (the "**Super Senior Hedging Liabilities**"), the amounts owing to the Pari Passu Hedging Banks under the Pari Passu Hedging Agreements (the "**Pari Passu Hedging Liabilities**") and the liabilities under the Cash Management Facilities (the "**Cash Management Liabilities**") and certain costs and expenses of the Senior Secured Notes Trustee (the "**Senior Secured Trustee Liabilities**") will rank equally (without preference among them) in right and priority of payment and in priority to the liabilities of the Debtors, as the case may be, in respect of the Future Senior Subordinated Debt (the "**Future Senior Subordinated Debt Liabilities**"), Shareholder (Proceed Loan) Liabilities, Intra-Group Liabilities and the Shareholder Debt Liabilities (other than Shareholder (Proceed Loan) Liabilities).

The Future Senior Subordinated Debt will rank in priority to the Intra-Group Liabilities and the Shareholder Debt Liabilities. The Shareholder (Proceed Loan) Liabilities will rank in priority to the Intra-Group Liabilities and the Shareholder Debt Liabilities (other than Shareholder (Proceed Loan) Liabilities).

The Intercreditor Agreement will not rank any of liabilities and/or obligations owed by Holdco to any Creditor.

*Priority of Security*

The Intercreditor Agreement shall provide that the Transaction Security (as defined below) shall rank and secure the following liabilities in the following order (and subject to the proceeds of such security being distributed in accordance with the Payments Waterfall defined below):

- **first**, the New Revolving Credit Facility Liabilities, the Super Senior Hedging Liabilities, the Senior Secured Notes Liabilities, the Future Pari Passu Debt Liabilities, the Cash Management Liabilities, certain costs and expenses of the Senior Secured Trustee and the Pari Passu Hedging Liabilities; and
- **second**, the Future Senior Subordinated Debt Liabilities.

If security is to be granted for Future Pari Passu Debt or a Cash Management Facility then, to the extent such Future Pari Passu Debt or a Cash Management Facility cannot be secured on a *pari passu* basis with the Senior Secured Debt without existing security first being released, the Parties agree that such Future Pari Passu Debt or a Cash Management Facility will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a second- or lesser-ranking basis and such Future Pari Passu Debt or a Cash Management Facility will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security *pari passu* with Senior Secured Debt which would otherwise have the same ranking as contemplated above and any amounts to be applied towards such Future Pari Passu Debt or a Cash Management Facility shall be applied accordingly. In the event that it is not possible to permit the recreation of additional security documents as referred to above, no amendments or release of security under the existing security documents shall be permitted unless permitted under the documents thereby secured (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document), or if not so permitted under a specific document, without the consent of the required creditors under that document.

If security is to be granted for Future Senior Subordinated Debt then, to the extent such Future Senior Subordinated Debt cannot be secured on a subordinated basis with the Senior Secured Debt and/or on a *pari*

*passu* basis with other Future Senior Subordinated Debt without existing security first being released, the Parties agree that such Future Senior Subordinated Debt will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a lesser- ranking basis and such Future Senior Subordinated Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security as contemplated above and any amounts to be applied towards such Future Senior Subordinated Debt shall be applied accordingly. In the event that it is not possible to permit the recreation of additional security documents as referred to above, no amendments or release of security under the existing security documents shall be permitted unless permitted under the documents thereby secured (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document), or if not so permitted under a specific document, without the consent of the required creditors under that document.

Equivalent provisions to the two paragraphs above are included in the Intercreditor Agreement in respect of additional credit facilities that are to benefit from a similar position under the terms of the Intercreditor Agreement to that of the New Revolving Credit Facility. See the section entitled "General" below.

Any guarantees or security to be provided by (or over the shares or assets of) the Issuer or a Restricted Subsidiary of the Issuer in respect of the Future Senior Subordinated Debt shall be given on a subordinated basis and shall not be given if such entity has not also given, or does not also give, a corresponding guarantee or security in relation to the Senior Secured Debt.

*Payments and Prepayments; Subordination of the Future Senior Subordinated Debt*

The Debtors may make payments and prepayments in respect of the New Revolving Credit Facility, the Super Senior Hedging Liabilities, the Pari Passu Hedging Liabilities, the Cash Management Liabilities, the Future Pari Passu Debt and the Senior Secured Notes at any time in accordance with their terms and may prepay or acquire the Senior Secured Notes subject to compliance with any conditions relating to purchases of Senior Secured Notes described in the Senior Secured Notes Indenture and/or the New Revolving Credit Facility Agreement.

Holdco may make payments and prepayments in respect of Future Senior Subordinated Debt at any time.

Prior to the discharge of all Senior Secured Debt, neither the Issuer nor any Guarantor may make payments in respect of the Future Senior Subordinated Debt Liabilities without the consent of the Majority Super Senior Secured Creditors (as defined below) and Majority Senior Secured Creditors (as defined below) except for, among others, the following:

(1) if:

(a) the payment is of:

(i) any of the principal or interest (including capitalized interest) amount of the Future Senior Subordinated Debt Liabilities which is either (1) not prohibited from being paid by a New Revolving Credit Facility finance document, the Senior Secured Notes Indenture, the Cash Management Facility finance documents and any Future Pari Passu Debt finance document or (2) is paid on or after the final maturity of the Future Senior Subordinated Debt Liabilities (provided that such maturity is not earlier than that contained in the documents evidencing the Future Senior Subordinated Debt Liabilities as of the first date of incurrence of such Future Senior Subordinated Debt Liabilities); or

(ii) any other amount which is not an amount of principal or capitalized interest and default interest on the Future Senior Subordinated Debt Liabilities accrued due and payable in cash in accordance with the terms of the relevant debt documents for the Future Senior Subordinated Debt, additional amounts payable as a result of the tax gross up provisions relating to the Future Senior Subordinated Debt Liabilities and amount in respect of currency indemnities in the relevant debt documents for the Future Senior Subordinated Debt,

or, in each case, a corresponding amount of Shareholder (Proceed Loan) Liabilities;

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Future Senior Subordinated Debt Liabilities (a "**Payment Blockage Notice**") is outstanding; and

(c) no payment default under the New Revolving Credit Facility or a Cash Management Facility and no payment default in an amount equal to an agreed *de minimis* or more in respect of the Senior Secured Notes Liabilities or Future Pari Passu Debt Liabilities is continuing (a "**Senior Payment Default**"); or

(2) reasonable costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Future Senior Subordinated debt documents (including in relation to any reporting or listing requirements under the Future Senior Subordinated debt documents);

(3) reasonable costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Future Senior Subordinated Debt in compliance with the Intercreditor Agreement, the New Revolving Credit Facility, the Cash Management Documents, the Senior Secured Notes Indenture and any Future Pari Passu Debt document; or

(4) in respect of any Future Senior Subordinated Debt issued in the form of notes, certain costs and expenses payable to the Future Senior Subordinated Debt Representative.

Prior to the discharge of all the Senior Secured Debt, if a Senior Payment Default has occurred and is continuing payments in respect of the Future Senior Subordinated Debt Liabilities (other than certain exceptions) are suspended.

Prior to the discharge of all the Senior Secured Debt, if an event of default (other than a Senior Payment Default) under the finance documents in respect of the Senior Secured Debt (a "**Senior Default**") has occurred and is continuing and the creditor representative of the Future Senior Subordinated Creditors (the "**Future Senior Subordinated Debt Representative**") has received a Payment Blockage Notice from either the Senior Agent or the Senior Secured Notes Trustee or the representative of the Future Pari Passu Debt representing Future Pari Passu Debt or the Cash Management Providers (as the case may be) (the "**Relevant Representative**") within 60 days of the date such Relevant Representative receives notice in writing of the occurrence of such Senior Default, confirming that it is a Senior Default and specifying the relevant Senior Default; all payments in respect of the Future Senior Subordinated Debt liabilities (other than those consented to by the Majority Super Senior Creditors and Majority Senior Secured Creditors and certain specified exceptions) are suspended until the earliest of:

(i) the date on which there is a waiver, remedy or cure of such Senior Default in accordance with the relevant finance documents; or

(ii) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt;

(iii) 179 days after the receipt by the Future Senior Subordinated Debt Representative of the Payment Blockage Notice;

(iv) the repayment and discharge of all obligations in respect of the Senior Secured Debt;

(v) the date on which the Relevant Representative which issued the Payment Blockage Notice (and, if at such time an event of default is continuing in relation to the Senior Secured Debt (other than the Senior Secured Debt in respect of which the notice was given), the Relevant Representative(s) in respect of that other Senior Secured Debt) notify/ies the Future Senior Subordinated Debt Representative that the Payment Blockage Notice is cancelled;

(vi) the date on which the Security Agent or Future Senior Subordinated Debt Representative takes any Enforcement Action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement;

(vii) the date on which the relevant event of default is no longer continuing and if the Senior Secured Debt has 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

(viii) 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.

No Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Payment Blockage Notice. No Payment Blockage Notice may be served in respect of a Senior Default more than 60 days after the date that the Relevant Representative received notice of that Senior Default.

If a Payment Blockage Notice ceases to be outstanding or the relevant Senior Default or Senior Payment Default has ceased to be continuing (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 the Future Senior Subordinated Debt and if it does so promptly any event of default under the Future Senior Subordinated

Debt caused by such delayed payment shall be waived and any notice commencing a Standstill Period which may has been issued as a result of such non-payment shall be waived. A Senior Payment Default is remedied by the payment of all amounts then due.

*Restrictions on Enforcement by the Future Senior Subordinated Debt; Standstill*

Prior to the discharge of all the Senior Secured Debt, neither the Future Senior Subordinated Debt Representative nor the holders of the Future Senior Subordinated Debt may take Enforcement Action with respect to the Future Senior Subordinated Debt (including any action against the Issuer or the guarantors of the Future Senior Subordinated Debt (if any)) or direct the Security Agent to enforce or otherwise require the enforcement of any relevant Transaction Security document without the prior consent of or as required by an Instructing Group (as defined below), except if (1) an event of default has occurred under the Future Senior Subordinated Debt resulting from failure to pay principal at final maturity or (2):

(a) an event of default under the debt documents for the Future Senior Subordinated Debt is continuing;

(b) the Senior Agent and the other representatives of the Senior Secured Debt have received notice of the specified event of default from the Future Senior Subordinated Debt Representative;

(c) a Standstill Period (as defined below) has expired; and

(d) the relevant event of default is continuing at the end of the Standstill Period,

provided that no such action may be taken if the Security Agent is acting in accordance with the instructions of the Instructing Group to take steps for Enforcement and such action might reasonably likely adversely affect such Enforcement.

A "**Standstill Period**" shall mean the period starting on the date that the Future Senior Subordinated Debt Representative serves an enforcement notice on the Senior Agent, the Cash Management Providers, the Senior Secured Notes 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 take Enforcement Action (including the enforcement of any Transaction Security permitted to be enforced under the terms of the Intercreditor Agreement), provided that the Future Senior Subordinated Debt Representative and holders of Future Senior Subordinated Debt may only take the same Enforcement Action against the same entity as is taken by the Security Agent and may not take any other action against any other member of the Holdco Group;

(c) the date on which an insolvency event occurs in respect of Holdco or a particular Debtor owing any Future Senior Subordinated Debt against whom Enforcement Action is to be taken;

(d) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt; and

(e) the expiration of any other Standstill Period which was outstanding at the date that the current Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

If an Event of Default ceases to be continuing then (provided the relevant parties are made aware of such fact) any relevant enforcement process (including any requirement of consultation relating to enforcement) relying solely on that Event of Default shall cease to continue.

*Enforcement by Holders of Secured Debt*

Prior to the date upon which all amounts (actual or contingent) owing under the New Revolving Credit Facility are fully discharged and paid in full and all commitments thereunder are irrevocably cancelled (the "**RCF Discharge Date**"), the Security Agent will act on the instructions of (i) the RCF Lenders, the Super Senior Hedging Banks whose super senior credit participations represent more than a certain percentage of the aggregate super senior credit participations of all RCF Lenders, and such Super Senior Hedging Banks and their relevant representatives (the "**Majority Super Senior Creditors**") and/or (ii) the holders of the Senior Secured Notes, the Cash Management Providers, the holders of Future Pari Passu Debt and the Pari Passu Hedging Banks (collectively, the "**Pari Passu Creditors**") whose aggregate senior secured credit participations represent more than 50% of the aggregate senior secured credit participations of all such creditors (the "**Majority Senior Secured Creditors**"), in each case subject to the consultation period referred to below and provided that such instructions are consistent with the security enforcement principles set forth below.

Following the RCF Discharge Date, the Security Agent will act on the instructions of the Majority Senior Secured Creditors.

*Consultation*

Prior to giving any instructions to the Security Agent to commence enforcement of all or part of the Transaction Security and/or the requesting of a distressed disposal and/or the release or disposal of claims or Transaction Security on a distressed disposal ("**Enforcement**"), the relevant representative of the Senior Secured Debt shall notify the other Senior Secured Debt representatives 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 to enforce security given by the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors, the Security Agent shall distribute such notice to the relevant addressees promptly upon receipt, following which, the Senior Agent (acting on the instructions of the Majority Super Senior Creditors), the Senior Secured Notes Trustee and the representative of the holders of Future Pari Passu Debt 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 Holdco, the Issuer, or a borrower or a guarantor or any subsidiary that is a "**Significant Subsidiary**" or "**Material Company**" or a group of subsidiaries that combined would constitute a "**Significant Subsidiary**" or "**Material Company**" under the Senior Secured Notes Indenture or the New Revolving Credit Facility (as applicable) (each a "**Relevant Company**"); or

(b) the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors (each an "**Instructing Group**", provided that (i) with respect to any Enforcement the Instructing Group shall consist of the Majority Super Senior Creditors and the Majority Senior Secured Creditors or (in certain circumstances and subject to certain requirements set out in the Intercreditor Agreement) just the Majority Super Senior Creditors or just the Majority Senior Secured Creditors, (ii) after the Credit Facility Lender Discharge Date the Instructing Group shall be the Majority Senior Secured Creditors, (iii) after the Senior Secured Debt Discharge Date the Instructing Group shall be the Majority Future Senior Subordinated Creditors and (iv) in relation to the Credit Facility Specific Security only the Instructing Group shall be the Majority Credit Facility Lenders) determine in good faith (and notifies each other representative agent of the other creditors party to the Intercreditor Agreement) that any delay caused by such consultation could reasonably be expected to reduce the amount likely to be realised 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 or to have a material adverse effect on the ability to effect an Enforcement or a Distressed Disposal and, in each case any instructions will be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors on behalf of which the relevant Instructing Group is acting and the Security Agent shall act in accordance with the instructions first received.

If following the Consultation Period, the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors have agreed on an enforcement strategy, the Security Agent shall be instructed to implement the same.

Subject to the paragraph below, in the event that conflicting instructions (and for these purposes silence is deemed to be a conflicting instruction) are received from either Instructing Group by the end of the Consultation Period (which have not be resolved), the Security Agent shall enforce the Transaction Security and/or refrain from enforcing the Transaction Security and/or take the relevant other Enforcement Action in accordance with the instructions provided by the Majority Senior Secured Creditors, in each case provided such instructions are Qualifying Instructions and the terms of all instructions received by the Majority Super Senior Creditors during the Consultation Period shall be deemed revoked.

If prior to the RCF Discharge Date:

(a) the Super Senior Liabilities have not been repaid in full in cash within six months of the end of the Consultation Period;

(b) the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action within three months of the end of the Consultation Period; or

(c) an insolvency event has occurred with respect to a 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 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).

*Security Enforcement Principles*

Unless otherwise agreed between the Majority Super Senior Creditors and the Majority Senior Secured Creditors, enforcement of the Transaction Security must be conducted in accordance with the "Security Enforcement Principles", which are summarized as follows:

(a) It shall be the aim of any enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realisation of value from enforcement of the Transaction Security, and in a manner consistent with the Intercreditor Agreement, the recovery of the RCF Lenders, the Hedging Banks, the holders of the Senior Secured Notes, the holders of the Future Pari Passu Debt and the holders of the Future Senior Subordinated Debt (to the extent the Transaction Security is expressed to secure such debt) (in each case without prejudice to the Payment Waterfall) (the "**Security Enforcement Objective**") subject to applicable law.

(b) The Security Enforcement Principles may be amended, varied or waived with the prior written consent of Senior Secured Notes Required Holders (as defined below), the Future Pari Passu Debt Required Holders (as defined below) and the Majority Super Senior Creditors.

(c) Without prejudice to the Security Enforcement Objective the Transaction Security will, subject to applicable law, be enforced such that either (1) all proceeds of Enforcement are received by the Security Agent in cash (or substantially all cash) for distribution in accordance with the Payments Waterfall; or (2) sufficient proceeds of Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall, the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise).

(d) On (i) a proposed enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds € 5.0 million (or its equivalent); or (ii) a proposed enforcement of any of the Transaction Security over some or all of the shares in a member of the Group over which Transaction Security exists, the Security Agent shall (unless such enforcement or sale is made pursuant to a public auction, a public offering or process supervised by a court of law which makes a determination as to value or a Competitive Process (as defined below)) 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 (A) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Principles and maximize recovery, (B) that the proceeds received from enforcement is fair from a financial point of view after taking into account all relevant circumstances (provided that the provider of such opinion may limit its liability in respect of such opinion to the amount of its fees in respect of such engagement), and (C) that such sale is otherwise in accordance with the Security Enforcement Objective.

(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 or any other provision of the Intercreditor Agreement.

*Turnover*

The Intercreditor Agreement will also provide that if any Primary Creditor (as defined below) receives or recovers the proceeds of any enforcement of any Transaction Security and in addition if any Future Senior

Subordinated Debt Creditor receives or recovers any payment or distribution not permitted under the Intercreditor Agreement or applied other than in accordance with the "Application of Proceeds/Waterfall" described below that it shall (subject to certain prior actual knowledge qualifications in the case of the notes trustees):

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

In addition, the Intercreditor Agreement will also provide that if any Senior Secured Notes Creditor, Cash Management Providers, Future Pari Passu Creditor or Future Senior Subordinated Creditor receives or recovers the proceeds of any guarantee of the Senior Secured Notes, the Future Pari Passu Debt, the Cash Management Facilities and/or the Future Senior Subordinated Debt (the "**Senior Guarantee Liabilities**") except in accordance with the "Application of Guarantee Proceeds/Waterfall" described below, that it will:

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

*Application of Proceeds/Waterfall*

All amounts received or recovered by the Security Agent in connection with the realisation of all or any part of the Transaction Security (other than the special lien (*privilegio speciale*)) or on an Enforcement or Distressed Disposal or otherwise paid to the Security Agent in accordance with the Intercreditor Agreement for application in accordance with the Payments Waterfall will be paid to the Security Agent for application in accordance with the following payments waterfall (the "**Payments Waterfall**"):

- **first**, in payment of the following amounts in the following order (i) *pari passu* and *pro rata* any sums owing to the Senior Secured Notes Trustee and Security Agent (or any receiver or delegate) in respect of their costs and expenses and then (ii) *pari passu* and pro rata to each other creditor representative to the extent not included in (i) above in respect of their costs and expenses;
- **secondly**, *pari passu* and *pro rata*, in or towards payment of all costs and expenses incurred by the holders of Super Senior Liabilities in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **thirdly**, *pari passu* and *pro rata* to (i) the RCF Lenders in respect of all amounts then due and payable to the RCF Lenders at such time; and (ii) to the Super Senior Hedging Banks in respect of amounts then due and payable under any Super Senior Hedging Agreements (a) relating to hedging interest rate exposures under the Senior Secured Notes, Additional Senior Secured Notes, Future Pari Passu Debt, Future Senior Subordinated Debt or any other financial indebtedness which, in each case, is floating rate debt and (b) relating to hedging exchange rate exposures under any Future Pari Passu Debt, Future Senior Subordinated Debt or any other financial indebtedness which, in each case, is not denominated in Euros;
- **fourth**, *pari passu* and *pro rata* to the Senior Secured Notes Trustee (and/or the representative of any Future Pari Passu Creditors) for application towards any unpaid costs and expenses incurred by or on behalf of any holders of Senior Secured Notes, holders of Future Pari Passu Debt or holders of Pari Passu Hedging Liabilities in connection with any realisation 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;

- **fifth**, *pari passu* and *pro rata* to the Senior Secured Notes Trustee on behalf of the holders of the Senior Secured Notes for application towards the discharge of all Senior Secured Notes Liabilities, to the representative of the holders of Future Pari Passu Debt on behalf of such holders of Future Pari Passu Debt for application towards the discharge of all Future Pari Passu Debt Liabilities and to the Pari Passu Hedging Banks in respect of amounts then due and payable under any Pari Passu Hedging Agreements, and to each Cash Management Provider for application towards the discharge of all Cash Management Liabilities;

- **sixth**, (to the extent such Security secures such Liabilities) *pari passu* and *pro rata* in or towards payment to the Future Senior Subordinated Debt Representative of all costs and expenses incurred by the holders of Future Senior Subordinated Debt in connection with any realisation 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;

- **seventh**, (to the extent such Security secured such Liabilities) *pari passu* and *pro rata* in or towards payment to the Future Senior Subordinated Representative on behalf of the holders of Future Senior Subordinated Debt for application towards the discharge of all amounts then due and payable to the holders of Future Senior Subordinated Debt at that time; and

- **eighth**, after the final discharge date, to any relevant Debtor or such other person as may be entitled thereto.

For the avoidance of doubt (other than as provided above) payments of the proceeds of Enforcement or a Distressed Disposal (or other amounts to be applied in accordance with the Payments Waterfall) may only be made to the Senior Secured Notes Trustee for the holders of the Senior Secured Notes, if all payments then due and payable under the New Revolving Credit Facility to the RCF Lenders, ancillary lenders and issuing bank and to the Super Senior Hedging Banks in respect of the Super Senior Hedging Liabilities and the other payments referred to under "thirdly" above (together, the "**Super Senior Liabilities**") have been paid in full.

All amounts from time to time received by the Security Agent in connection with the realization or enforcement of all or any part of the special lien (*privilegio speciale*) shall be held by the Security Agent for application at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in payment to the Senior Agent for payment in accordance with the relevant debt documents.

*Application of Guarantee Proceeds/Waterfall*

All amounts from time to time received or recovered by the Security Agent in respect of Senior Guarantee Liabilities will be paid to the Security Agent for application in accordance with the following guarantee payments waterfall:

- **first**, in payment of the following amounts in the following order: (i) *pari passu* and *pro rata* any sums owing to the Senior Secured Notes Trustee and Security Agent in respect of their costs and expenses and then (ii) *pari passu* and *pro rata* to each creditor representative of the holders of the Senior Secured Notes, holders of the Future Pari Passu Debt and holders of Future Senior Subordinated Debt to the extent not included in (i) above in respect of their costs and expenses;

- **second**, *pari passu* and *pro rata* to (i) the Senior Secured Notes Trustee on behalf of the holders of the Senior Secured Notes for application towards the discharge of all Senior Secured Notes Liabilities, (ii) each Cash Management Facility Provider towards the discharge of all Cash Management Liabilities, and (iii) to each Creditor representative of the holders of Future Pari Passu Debt on behalf of such holders of Future Pari Passu Debt it represents for application towards the discharge of all Future Pari Passu Debt Liabilities;

- **third**, *pari passu* and *pro rata* to each Future Senior Subordinated Debt Representative on behalf of the holders of Future Senior Subordinated Debt it represents for application towards the discharge of all amounts then due and payable to the holders of Future Senior Subordinated Debt at that time; and

- **fourth**, after the final discharge date, to any relevant Debtor or such other person as may be entitled to it. Payments made in breach of both of the above sections will be held in trust by the relevant recipient and turned over to the Security Agent for application in accordance with this paragraph above.

*Acceleration*

If an event of default occurs under the New Revolving Credit Facility, the Senior Secured Notes, any Cash Management Facilities Document or Future Pari Passu Debt then any decision to accelerate the New Revolving Credit Facility, Senior Secured Notes, Cash Management Facilities 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 New Revolving Credit Facility or the Senior Secured Notes Indenture or in accordance with the terms of such Cash Management Facilities Document or the Future Pari Passu Debt (as applicable). The Intercreditor Agreement will contain provisions requiring each representative of any Pari Passu Creditors, the Senior Agent and the Senior Secured Notes Trustee and any relevant Cash Management Provider to notify the Security Agent of any acceleration event and the Security Agent shall, upon receiving that notification, notify each other party to the Intercreditor Agreement.

*Non-distressed Disposal*

In circumstances where a disposal or certain other specified transactions are not being effected pursuant to a Distress Event (as defined below) (a disposal effected pursuant to a Distress Event being a "**Distressed Disposal**") and are otherwise permitted by the terms of the Senior Secured Notes Indenture and the debt documents for the Future Pari Passu Debt, the applicable Cash Management Facilities Document and the Future Senior Subordinated Debt and the finance documents for the New Revolving Credit Facility, the Intercreditor Agreement will provide that the Security Agent is authorized (i) to release the Transaction Security (and in connection with such release, execute any related documents); and (ii) in respect of a disposal to a person or persons outside the Group, if the relevant asset consists of shares in the capital of an Debtor, to release the Transaction Security or any other claim in respect of the liabilities secured by the Transaction Security over the assets of that Debtor and the shares in and assets of any of its subsidiaries.

*Distressed Disposal*

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will provide that the Security Agent is authorized: (i) to release the Transaction Security, or any other claim over that asset; (ii) if the asset which is disposed of consists of shares in the capital of a Debtor, to release (a) that Debtor and any subsidiary of that Debtor from all or any part of its liabilities to the Senior Secured Creditors or Future Senior Subordinated Creditors or others or otherwise in connection with the Transactions ("**Primary Liabilities**") or other liabilities it may have to Shareholder Subordinated Lenders, Intragroup Lenders or Debtors ("**Other Liabilities**"); (b) any Transaction Security granted by: that Debtor or any subsidiary of that Debtor over any of its assets; and any holding company of that Debtor over any shares, loans, claims or other rights in or against that Debtor; and (c) any other claim of a Shareholder Subordinated Lender, Intragroup Lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor; (iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its Primary Liabilities and Other Liabilities; (b) any Transaction Security granted by: any subsidiary of that holding company over any of its assets; and any holding company of that holding company over any shares, loans, claims or other rights in or claims against that holding company; and (c) any other claim of a Shareholder Subordinated Lender, Intragroup Lender or another Debtor over the assets of any subsidiary of that holding company; and (iv) if the asset which is disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor, to provide, for (1) the transfer of liabilities to another Debtor and/or (2) at the discretion of the Security Agent (provided that it is acting in accordance with the Security Enforcement Principles) the disposal, to third parties, of creditor's claims against that Debtor or holding company (which may include claims against the Issuer).

If the Instructing Group is constituted by the Majority Senior Secured Creditors, Super Senior Liabilities may not be released or disposed of unless sufficient cash proceeds are received from the relevant Distressed Disposal and applied in discharge in full of all Super Senior Liabilities.

If before the Future Senior Subordinated Debt Discharge Date, and provided that the Issuer or any guarantor of Future Senior Subordinated Debt has outstanding Future Senior Subordinated Debt Liabilities and provided further that if any Future Senior Subordinated Debt has been incurred by Holdco the proceeds were on-lent to the Company pursuant to a Shareholder Proceed Loan, a Distressed Disposal is being effected such that Future Senior Subordinated Liabilities owed by the Issuer and/or such guarantors and security granted by or over the assets of the Issuer or any such guarantor will be released, it is a further condition to the release that either:

(i) the Future Senior Subordinated Debt Representative has approved the release on the instructions of the

Future Senior Subordinated Debt Required Holders; or

(ii) each of the following conditions are satisfied:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash);

(B) all present and future obligations owed to the senior secured creditors under the Senior Secured Debt documents by a member of the Group all of whose shares that are pledged in favor of the Senior Secured Creditors are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of or transferred concurrently with such sale or disposal (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security granted by a member of the Group in respect of the liability owed to the Senior Secured Creditors under the Senior Secured Debt documents in respect of the assets that are so sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale; and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(I) pursuant to a public auction or public offering;

(II) pursuant to a Competitive Process in which the Senior Creditors (or 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 or a representative acting on their behalf are also entitled to participate);

(III) pursuant to 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

(IV) where an internationally recognized investment bank or an internationally recognized firm of accountants selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement and the circumstances giving rise to such sale, provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

The Intercreditor Agreement may also provide for a mechanism whereby, in circumstances where such liabilities would otherwise be released, such liabilities may instead, upon notice, be transferred to Holdco or another Debtor.

For the purposes of this section, "**Competitive Process**" shall mean 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.

*Application of Proceeds of a Distressed Disposal*

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of liabilities) shall be paid to the Security Agent (as the case may be) for application in accordance with the provisions set forth under "—Application of Proceeds/Waterfall" as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred in connection with certain share sales, as if the disposal of liabilities had not occurred.

*Voting and Amendments*

Voting in respect of the New Revolving Credit Facility, the Senior Secured Notes, Cash Management Facilities 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 Issuer and subject to the paragraph below, amendments to or waivers and consents under the Intercreditor Agreement shall require the written agreement of:

(a) the Majority Super Senior Creditors;

(b) the Senior Secured Notes Required Holders and the Future Pari Passu Debt Required Holders;

(c) the Future Senior Subordinated Creditors whose aggregate senior subordinated secured credit participations represent more than 50% of the aggregate senior subordinated secured credit participations of all such creditors;

(d) the Security Agent;

(e) if a Cash Management Provider is providing one or more Cash Management Facilities to a Debtor under a Cash Management Facilities Document , that Cash Management Provider (to the extent that the amendment or waiver would materially and adversely affect the Cash Management Provider); and

(f) 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 affected class shall be required.

Notwithstanding the paragraph immediately above, 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) disposal proceeds, (vi) application of proceeds, (vii) amendments, 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 Senior Secured Notes Trustee;

(c) the representative of the holders of Future Pari Passu Debt;

(d) each Hedging Bank (to the extent that the amendment or waiver would materially and adversely affect such Hedging Bank);

(e) the Future Senior Subordinated Debt Representative (to the extent that the amendment or waiver would materially and adversely affect the Future Senior Subordinated Creditors);

(f) if a Cash Management Provider is providing one or more Cash Management Facilities to a Debtor under a Cash Management Facilities Document, that Cash Management Provider (to the extent that the amendment or waiver would materially adversely affect the Cash Management Provider); and

(g) the Issuer.

*Definitions*

The Intercreditor Agreement shall provide that:

(a) "**Cash Management Facilities Document**" means, in relation to any Cash Management Facility, any agreement between a Debtor and a Cash Management Provider evidencing a Cash Management Facility.

(b) **Cash Management Facility**" means any cash management, overdraft, current account, guarantee, bonding, documentary, stand-by letter of credit facility, short term loan facility, derivatives facility, foreign exchange facility, treasury service facility and/or any other facility or accommodation (such as cash pooling and/or other cash management services, including treasury, depository, payment or credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, BACS, ACH payments, cash pooling and other cash management arrangements) required in connection with the business of the Group provided by a Cash Management Provider which may give rise to a Cash Management Liability and which has been notified in writing by the Issuer to the Security Agent as constituting a Cash Management Facility for the purposes of the Intercreditor Agreement.

(c) "**Future Senior Subordinated Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of Future Senior Subordinated Debt holding in aggregate a principal amount of Future Senior Subordinated Debt which is not less than the principal amount of Future Senior Subordinated Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Senior Subordinated Debt;

(d) "**Future Pari Passu Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the Pari Passu Creditors holding in aggregate a principal amount of Future Pari Passu Debt which is not less than the principal amount of Future Pari Passu Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Pari Passu Debt, in accordance with the relevant Future Pari Passu Debt Documents;

(e) "**Primary Creditors**" means the Super Senior Creditors, the Senior Secured Notes Creditors, the Cash Management Providers, the Future Pari Passu Creditors and the Future Senior Subordinated Creditors;

(f) "**Senior Secured Notes Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of the Senior Secured Notes holding in aggregate a principal amount of Senior Secured Notes which is not less than the principal amount of Senior Secured Notes required to vote in favor of such direction, consent or waiver under the terms of the Senior Secured Notes Indenture or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Senior Secured Notes (as applicable);

(g) "**Transaction Security**" means the security created or expressed to be created under or pursuant to the Transaction Security Documents; and

(h) "**Transaction Security Documents**" means: (i) as defined (or equivalent term) in the New Revolving Credit Facility, any other Credit Facility (as referred to below) and/or a document governing any Future Pari Passu Debt; (ii) any other document entered into at any time by any member of the Holdco Group (or any substitute entity (if any)) creating any security in favour of the secured parties as security for any of the secured obligations; and (iii) any security granted under any covenant for further assurance in any of the documents set out in paragraphs (i) and (ii) above, which in each case, to the extent legally possible is created in favour of (A) the Security Agent as trustee or agent (or as *mandatario con rappresentanza*) for the Secured Parties in respect of their liabilities; or (B) in the case of any jurisdiction in which effective security cannot be granted in favour of the Security Agent as trustee or agent (or as *mandatario con rappresentanza*) for the secured parties, the Secured Parties in respect of their Liabilities or (other than for Security governed by Italian law) the Security Agent under a parallel debt structure for the benefit of the Secured Parties.

Prior to the discharge of all the Senior Secured Debt, the Future Senior Subordinated Debt Representative may not without the consent of the Majority Super Senior Creditors and Majority Senior Secured Creditors enter into or amend or waive the terms of the debt documents of the Future Senior Subordinated Debt to the extent that it would result in them being inconsistent with the agreed major terms for such Future Senior Subordinated Debt.

*Option to Purchase*

Following:

(a) any notice that the Transaction Security has become enforceable; or

(b) either (i) an acceleration of the New Revolving Credit Facility, the Senior Secured Notes, the Future Pari Passu Debt, the Cash Management Facilities or the Future Senior Subordinated Debt, or (ii) the enforcement of any Transaction Security (a "**Distress Event**"),

the holders of the Senior Secured Notes and Future Pari Passu Debt and each Cash Management Provider shall have an option to purchase all (but not part) of the RCF Lenders' (or their affiliates) commitments under the New Revolving Credit Facility and all their exposures in respect of any Hedging Agreement at par plus accrued interest and all other amounts owing under the New Revolving Credit Facility and Hedging Agreements, with such purchase to occur all at the same time.

Following a Distress Event, the holders of the Future Senior Subordinated Debt shall have an option to purchase all (but not part) of the Senior Secured Debt at par plus accrued interest and all other amounts owing in respect of such Senior Secured Debt, with such purchase to occur all at the same time.

*Hedging*

All payments permitted under a Hedging Agreement (other than close out payments (or payments when a scheduled payment from the hedging counterparty is due and unpaid)) are permitted payments for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement will contain provisions in relation to the circumstances in which a Hedging Bank may take Enforcement Action in relation to its hedging.

*General*

The Intercreditor Agreement will contain provisions dealing with:

(a) close-out rights for the Hedging Liabilities;

(b) permitted payments (including without limitation, the repayment of Shareholder Debt Liabilities and the payment of permitted distributions in each case to the extent permitted under the terms of the finance documents relating to the Senior Secured Debt and the Future Senior Subordinated Debt);

(c) incurrence of certain cash management facilities that will allow the relevant providers to accede to the Intercreditor Agreement and benefit from, and be subject to, the provisions of the Intercreditor Agreement and such cash management facilities will rank *pari passu* with, and will benefit from the same security of, the Senior Secured Debt;

(d) incurrence of Future Pari Passu Debt or Future Senior Subordinated Debt that will allow certain creditors and agents with respect to such Future Pari Passu Debt or Future Senior Subordinated Debt, as the case may be, to accede to the Intercreditor Agreement and benefit from, and be subject to, the provisions of the Intercreditor Agreement (including, without limitation, note trustee protections and permissions associated with the payment of note trustee amounts) so long as not prohibited under the New Revolving Credit Facility or the Senior Secured Notes Indenture and in compliance with the agreed parameters for such class of debt (if any) and the Future Senior Subordinated Debt shall be subject to the relevant subordination provisions under the Intercreditor Agreement;

(e) the ability to incur additional Credit Facilities benefiting from a similar position under the terms of the Intercreditor Agreement as the New Revolving Credit Facility (to the extent such additional Credit Facilities are allowed under the terms of the finance documents relating to Senior Secured Notes to share in the Transaction Security with the rights and obligations equivalent to that of the New Revolving Credit Facility Lenders and which is permitted by the terms of the finance documents relating to Senior Secured Notes to rank senior to the Senior Secured Notes Liabilities with respect to the proceeds of any Enforcement of the Transaction Security); and

(f) payments received by creditors which are not permitted by the Intercreditor Agreement shall be required to be held on trust for the Security Agent and provided to the Security Agent for application in accordance with the Payments Waterfall.

*Governing law*

The Intercreditor Agreement will be governed by and construed in accordance with English law.

**Intercompany Loans**

The Issuer, as lender, has granted, *inter alia*, the following unsecured intercompany loans to the Subsidiaries indicated below (the "**Intercompany Loans**"):

- an interest bearing loan, granted by the Issuer to Marcolin Nordic AB, as borrower, pursuant to an intercompany loan agreement dated February 12, 2015 and governed by Italian law. As of March 31, 2021, €0.2 million was outstanding under the Marcolin Nordic AB intercompany loan**;**
- an interest bearing proceeds loan, repayable at any time, granted by the Issuer to Marcolin USA, as borrower, pursuant to a proceeds loan agreement dated December 3, 2013, as amended from time to time, and governed by Italian law (the "**Existing Proceeds Loan**"). The Existing Proceeds Loan is a senior obligation of Marcolin USA. As of March 31, 2021, $65.0 million (translated into €55.4 million using the exchange rate of $1.1730 per €1.00 as of March 31, 2021) was outstanding under the Marcolin USA intercompany loan; and
- an interest bearing loan, granted by the Issuer to Marcolin Do Brasil—Comercio de Produtos Otìcos Ltda, as borrower, pursuant to an intercompany loan agreement dated January 2, 2020 and governed by Italian law. As of March 31, 2021, €7.4 million was outstanding under the Marcolin Do Brasil—Comercio de Produtos Otìcos Ltda intercompany loan.

In addition, Viva Eyewear UK Ltd, as lender, granted to the Issuer, as borrower, certain interest bearing intercompany loan agreements.

We expect that these Intercompany Loans will remain outstanding on the Issue Date. The Issuer's receivables under the Intercompany Loans will be pledged to secure the Notes and the New Revolving Credit Facility.

### Shareholder Loan Agreement

3Cime, as lender, granted an interest-bearing shareholder loan to the Issuer, as borrower, for an aggregate principal amount of €25.0 million (the "**3Cime Shareholder Loan**"), pursuant to a shareholder loan agreement entered into on June 24, 2020 and governed by Italian law. This shareholder loan agreement, as amended and restated on or about the Closing Date, is expected to remain outstanding following completion of the Refinancing. As of March 31, 2021, an aggregate principal amount equal to €25.0 million was outstanding under the 3Cime Shareholder Loan.

The 3Cime Shareholder Loan will mature a year following the maturity of the Notes offered hereby. Interest on the 3Cime Shareholder Loan accrues at the rate indicated thereunder, provided that no interest is required to be paid by the borrower under the 3Cime Shareholder Loan before the maturity date thereof. The 3Cime Shareholder Loan provides that the borrower shall pay to 3Cime all interest accrued on the 3Cime Shareholder Loan in one instalment on the maturity date of the 3Cime Shareholder Loan. The 3Cime Shareholder Loan is unsecured and unguaranteed.

Pursuant to the 3Cime Shareholder Loan, the Issuer shall be entitled, without premium or penalty, to prepay all or any portion of the 3Cime Shareholder Loan, together with all accrued interest on the prepayment amount and all other amounts due by the Issuer under the 3Cime Shareholder Loan, or reduce the amount of the 3Cime Shareholder Loan, in each case only to the extent such prepayment is permitted or not prohibited under, among others, the Indenture, the Super Senior Revolving Facility Agreement and the Intercreditor Agreement.

Pursuant to the Intercreditor Agreement and the 3Cime Shareholder Loan, (i) the Issuer and 3Cime agreed that all their rights under the 3Cime Shareholder Loan will be subject to the Intercreditor Agreement and that, prior to the maturity date thereof, the Issuer shall only be permitted to make a payment due under the 3Cime Shareholder Loan to the extent such payment is permitted under the Intercreditor Agreement and the applicable finance documents, (ii) the obligations of the Issuer in respect of the 3Cime Shareholder Loan are subordinated to the Notes, the New Revolving Credit Facility and certain future liabilities of the Issuer, and (iii) the 3Cime Shareholder Loan shall be subordinated to all current and future financial and non-financial liabilities of the Issuer, including with respect to trade creditors.

### Cash Pooling Arrangements

Certain Subsidiaries of the Issuer have joined, from 2015, a centralized cash pooling system made available by the Issuer and managed by means of specific bank accounts opened with Deutsche Bank pursuant to an agreement entered into by the relevant Subsidiary and the Issuer related to the carrying out of a cash pooling "zero balance" service, and an agreement entered into by the Issuer with Deutsche Bank regarding the management of the relevant bank accounts.

The following Subsidiaries of the Issuer are currently participants in the centralized cash pooling system: Marcolin Benelux S.p.r.l., Marcolin Germany, Marcolin France, Marcolin Iberica SA, Marcolin Portugal L.d.a., Marcolin UK, Marcolin (UK) Limited (Hong Kong Branch) and Marcolin USA.

### Local Facilities

The Issuer and certain subsidiaries are parties to various uncommitted local facilities and overdraft lines agreements with local banks pursuant to which certain short term working capital, export finance and general corporate purposes facilities have been obtained to finance our operations and liquidity needs (the "**Short Term Local Facilities**"). The Short Term Local Facilities are unsecured obligations of the Issuer and the relevant subsidiaries. These unsecured and uncommitted credit facilities generally relate to overdraft protection and trade credit facilities, and we utilize these lines from time to time as part of our cash management. Some of these credit facilities also provide for the ability of the relevant company to request the issuance of letters of credit (*linee di firma*) by the relevant financial institution in connection with our day-to-day operations. In addition, the banks can withdraw their commitments to provide us with the Local Facilities at any time.

In addition, the Issuer is party to a number of other unsecured local facilities agreements with local Italian banks pursuant to which we have obtained certain medium term facilities to finance our operations and liquidity needs (the "**Medium Term Local Facilities**" and together with the Short Term Local Facilities the "**Local Facilities**"). The Medium Term Local Facilities are generally unguaranteed and unsecured obligations of the Issuer, with the exception of the certain medium-long term facilities granted to the Issuer and guaranteed by SACE S.p.A.

As of March 31, 2021, €22.4 million was outstanding under the Local Facilities (of which €4.6 million as commercial borrowings and €17.7 million as financial loans).

### Factoring Operations

The Issuer and certain subsidiaries are parties to several non-recourse (*pro soluto*) factoring agreements with factoring counterparties pursuant to which we make sales of trade receivables to such counterparties. The terms and conditions of the factoring agreement, generally, include the following obligations: to administer the collections on the trade receivables, provide any information regarding the creditworthiness of the relevant debtor (customer), and make interest payments to our factoring counterparties. In return, at the time of sale of the trade receivables, our factoring counterparties pays to us an amount representing the nominal amount of the total trade receivables minus a certain discount.

As of March 31, 2021, the receivables sold under our non-recourse (*pro soluto*) factoring arrangements equaled €8.5 million. This amount is not treated as financial debt on our consolidated statement of financial position.

### Capital Leases

The Issuer is party to a number of capital and operating leases with various expiration dates through 2023 related to building and office and warehouse equipment which will remain outstanding following the Refinancing (the "**Capital Leases**"). As of March 31, 2021, €2.4 million was outstanding under the Capital Leases. We expect that these Capital Leases will remain outstanding after the Refinancing.

## 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 to Marcolin S.p.A. (not including any of its Subsidiaries) and any and all successors thereto.*

Marcolin S.p.A. (the "*Issuer*") will issue €350.0 million in aggregate principal amount of 6.125% Senior Secured Notes due 2026 (the "*Notes*") under an indenture to be dated as of May 27, 2021 (the "*Indenture*"), between, *inter alios*, the Issuer, The Law Debenture Trust Corporation p.l.c. as trustee of the holders of the Notes and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code (the "*Trustee*") and UniCredit S.p.A., as security agent and representative (*rappresentante*) of the holders of the Notes pursuant to and for the purposes set forth under Article 2414-bis, 3rd paragraph of the Italian Civil Code (the "*Security Representative*") (the "*Security Agent*").

This "*Description of the Notes*" is intended to be an overview of the material provisions of the Notes, the Guarantees and the Indenture. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Guarantees and the Indenture for complete descriptions of the obligations of the Issuer and your rights. In addition, the following description refers to the Security Documents and the Intercreditor Agreement. Copies of such documents are available from us upon request.

The Notes, the Indenture and the Guarantees thereunder will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements. The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Notes and the Guarantees. Please see "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of the material terms of the Intercreditor Agreement.

The registered holder (a "*Holder*") of a Note will be treated as the owner of it for all purposes. Only 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. In addition, the Indenture will not be subject to, incorporate by reference or otherwise include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

### Additional Notes

The Indenture will be unlimited in aggregate principal amount, of which €350.0 million aggregate principal amount of Notes will be issued on the Issue Date (the "*Initial Notes*"). After the Issue Date, the Issuer may issue an unlimited principal amount of additional Notes having substantially identical terms and conditions as the Initial Notes (the "*Additional Notes*") under the Indenture. 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*").

Any such Additional Notes shall have terms substantially identical to the applicable series of Initial Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate (as defined below) supplied to the Trustee:

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes may be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes may bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest may be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes may be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the maturity date or dates of such Additional Notes;

(7) the redemption features of such Additional Notes, and the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part, including, but not limited to, any special mandatory redemption in the event (e.g. an acquisition, investment or refinancing) that the release from any escrow into which proceeds of the issuance of such Additional Notes are deposited is conditioned upon the consummation of any acquisition, Investment, refinancing or other transaction (such redemption, a "*Special Mandatory Redemption*");

(8) the escrow of all or a portion of the proceeds of such Additional Notes and the granting of Liens described in clause (23) of the definition of "Permitted Liens" in favor of the Trustee or a security agent solely for the benefit of the holders of such Additional Notes (and not, for the avoidance of doubt, for the benefit of the holders of any other Notes, including Notes of the same series as such Additional Notes);

(9) if other than in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes may be issued and redeemed;

(10) the status of registration with the SEC of such Additional Notes or the applicable exemption from such registration pursuant to which such Additional Notes may be offered or sold; and

(11) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other Notes of the applicable series, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Unless the context otherwise requires or unless otherwise specified, for all purposes of the Indenture and this "*Description of the Notes*," references to the "*Notes*" include the Notes issued on the Issue Date under the Indenture and any Additional Notes that are actually issued from time to time thereunder.

For all purposes other than U.S. federal income tax purposes, Additional Notes shall be deemed to form one series with any corresponding series of Notes previously issued if they have terms substantially identical in all material respects to such other series of Notes; *provided* that Additional Notes will not be issued with the same CUSIP, ISIN or common code, as applicable, as any series of existing Notes unless such Additional Notes are, in the reasonable judgement of an Officer or the Board of Directors of the Issuer, fungible with such series of existing Notes for U.S. federal income tax purposes.

## General

### *The Notes*

The Notes will, on the Issue Date:

- be general senior obligations of the Issuer;
- rank *pari passu* in right of payment among themselves and with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes (including the obligations of the Issuer under the Revolving Credit Facility, certain future indebtedness permitted to be secured on the Collateral, if any and certain Hedging Obligations, if any);
- rank senior in right of payment to any future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be secured as set forth below under "*—Security*;"
- be guaranteed by the Guarantors as described under "*—The Guarantees*;"
- be effectively subordinated to any existing or future Indebtedness of the Issuer 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;
- be structurally subordinated to any existing or future Indebtedness or obligation (including obligations to trade creditors) of Subsidiaries of the Issuer that do not guarantee the Notes; and
- be represented by one or more Notes in registered global form, which in certain circumstances may be represented by Definitive Registered Notes (see "*—Methods of receiving payments on the Notes*").

Under the terms of the Intercreditor Agreement, Holders will receive proceeds from the enforcement of the Collateral only after certain obligations entitled to receive proceeds from the enforcement of the Collateral in priority to the Notes have been repaid in full, including obligations under the Revolving Credit Facility and certain Hedging Obligations, if any.

### The Guarantees

The Guarantee of each Guarantor will, at the time the relevant Guarantor grants such Guarantee:

- be a general senior obligation of the relevant Guarantor;
- rank *pari passu* in right of payment with any existing or future Indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Guarantor's Guarantee (including each Guarantor's guarantee given in favor of the Revolving Credit Facility, future indebtedness permitted to be secured on the Collateral, if any and certain Hedging Obligations, if any);
- rank senior in right of payment to any existing or future Indebtedness of that Guarantor that is expressly subordinated in right of payment to the such Guarantor's Guarantee;
- be secured as set forth below under "—*Security*;"
- be effectively subordinated to any existing or future Indebtedness of that Guarantor that is secured by property or assets that do not secure that Guarantor's Guarantee, to the extent of the value of the property or assets securing such Indebtedness;
- be structurally subordinated to any existing or future Indebtedness or obligation (including obligations to trade creditors) of the Subsidiaries of such Guarantor that do not guarantee the Notes; and
- be subject to the limitations described herein and in "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*," "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

### Terms of the Notes

The Issuer will issue €350.0 million in aggregate principal amount of Initial Notes. The Notes will mature on November 15, 2026. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest on the Notes will accrue at the rate of 6.125% per annum.

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 semi-annually in arrears on May 15 and November 15, commencing on November 15, 2021;
- be payable to the Holder of record of such Notes on the Business Day immediately preceding the related interest payment date (for Notes held in global form); and
- be computed on the basis of a 365-day year and the actual number of days elapsed.

The rights of Holders to receive the payments of interest on the Notes will be subject to applicable procedures of Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking S.A. ("*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 made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof (being the common depositary or its nominee for Euroclear and Clearstream).

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 and Registrar for the Notes*."

**Paying Agent and Registrar for the Notes**

The Issuer will maintain one or more Paying Agents for the Notes. The initial Paying Agent will be Elavon Financial Services DAC.

The Issuer will also maintain a registrar (the "*Registrar*") and a transfer agent (the "*Transfer Agent*"). The initial Registrar will be Elavon Financial Services DAC and the initial Transfer Agent will be Elavon Financial Services DAC. The Registrar will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and, together with the Transfer Agent, will facilitate transfers of Definitive Registered Notes on behalf of the Issuer.

The Issuer may change any Paying Agents, Registrar or Transfer Agent for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Official List of the Luxembourg Stock Exchange and 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 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 by the Issuer 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.

**Guarantees**

Within 15 Business Days from the Issue Date, the Notes will be initially guaranteed by the Marcolin (UK) Limited, Marcolin U.S.A. Eyewear Corp., Marcolin France S.A.S. and Marcolin (Deutschland) GmbH (collectively, the "*Initial Guarantors*"). As of and for the twelve months ended March 31, 2021, the Issuer and the Initial Guarantors generated 79.7% of the Issuer's consolidated net revenues and 77.8% of the Issuer's consolidated Adjusted EBITDA. As of March 31, 2021, the Issuer and the Initial Guarantors held 90.2% of the Issuer's consolidated total assets.

As described below under "*—Certain Covenants—Additional 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, in each case of the Issuer or a Guarantor, shall also enter into a supplemental indenture as an additional Guarantor of the Notes and accede to the Intercreditor Agreement.

For the purposes of this "*Description of Notes*," a "*Guarantor*" means the Initial Guarantors and any Restricted Subsidiary of the Issuer that may guarantee the Notes from time to time pursuant to the Indenture (in each case, together with any and all successors thereto).

The obligations of a Guarantor under its Guarantee will be limited as necessary to prevent the relevant Guarantee from constituting a fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, thin capitalization rules, retention of title claims, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might limit the amount that can be guaranteed by each relevant Guarantor. Additionally, the Guarantees will be subject to certain corporate law procedures being complied with. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability, and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*" The Guarantees will be further limited as required under the Agreed Security Principles that will apply to, and restrict the granting of guarantees and security in favor of obligations under the Revolving Credit Facility and the Notes, which will provide, among other things, that no guarantees or security will be required if any such grant would be restricted by general statutory or other legal limitations or requirements. By virtue of these limitations, a Guarantor's obligation under its Guarantee will be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee.

Not all of the Subsidiaries of the Issuer will guarantee the Notes. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of non-Guarantor Restricted Subsidiaries generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors) and minority stockholders of non-Guarantor Restricted Subsidiaries.

Although the Indenture will limit the Incurrence of Indebtedness of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

**Releases of the Guarantees**

The Guarantee of a Guarantor will terminate:

- upon a sale or other disposition (including by way of consolidation, dissolution 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 not prohibited by the Indenture;
- upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon payment in full of principal, interest and all other obligations under the Notes Documents or upon defeasance or discharge of the Notes and the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*;"
- pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*;"
- with respect to a Guarantor that is not a Significant Subsidiary, so long as no Default or 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) would not otherwise be required at the time of such release to provide a Guarantee pursuant to the covenant described under "*—Certain Covenants—Additional Guarantees*;"
- as described in the second paragraph of the covenant described below under "*—Certain Covenants—Additional Guarantees*;"
- in connection with one or more Permitted Reorganizations; or
- as a result of a transaction permitted by "*—Certain Covenants—Merger and Consolidation*."

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 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 (except to the extent required under "*—Amendments and Waivers*") or any action on the part of the Trustee.

**Transfer and Exchange**

The Notes will be issued in the form of one or more registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*").
- Notes sold to non-U.S. persons 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 Global Notes will, upon issuance, 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*") only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Subject to the foregoing, 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 the United States and 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 "*Offering and Transfer Restrictions*."

Subject to the restrictions on transfer referred to above, the 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 Registrar and Transfer Agent are not required to register the transfer or exchange of any 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, the Transfer Agent and the Registrar will be entitled to treat the Holder of a Note as the owner of it for all purposes.

**Restricted Subsidiaries and Unrestricted Subsidiaries**

As of the Issue Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries" for purposes of the Indenture.

However, in the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

**Security**

*General*

Within 15 Business Days from the Issue Date, the Notes will be secured, subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first-priority basis over the following property, rights and assets:

(1) a pledge over all of the shares of the Issuer held by 3Cime S.p.A., which will constitute (x) 90% of the share capital of the Issuer at the Issue Date or (y) in the event of the subsequent exercise by LVMH of its rights to acquire additional shares of the Issuer pursuant to the PAI/LVMH Shareholders' Agreement, no less than 82.5% (the "*Issuer Share Pledge*"),

(2) pledges over all of the shares of Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany held by the Issuer;

(3) a pledge over all of the material assets of Marcolin USA; and

(4) an assignment of the Issuer's receivables under the Intercompany Loans (collectively, the "*Initial Collateral*").

The Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the 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 Guarantees*," certain property, rights and assets (other than the Collateral described above in this section) may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. Pursuant to the Agreed Security Principles, a guarantee or security may not be given, or may be limited. The following is a summary of certain terms of the Agreed Security Principles: a guarantee or security may not be given, or may be limited, due to, among other things: general legal and statutory limitations, regulatory requirements or restrictions, financial assistance (including under Article 2358 and/or 2174 of the Italian Civil Code), corporate benefit, fraudulent preference, "thin capitalisation", "earnings stripping", "controlled foreign corporation" and "capital maintenance" rules, retention of title claims, employee consultation or approval requirements and similar principles; the applicable cost which shall not be disproportionate to the benefit to the lenders of obtaining such guarantee or security; stamp duty, notarization, registration or other applicable fees, taxes and duties where the benefit to the lenders of increasing the guaranteed or secured amount is disproportionate to the level of such fee, taxes and duties; where the giving of guarantees, the granting or perfection of security would have a material adverse effect on the ability of the security providers or relevant guarantor to conduct its operations and business in the ordinary course; assets subject to contracts, leases, licences, or other third party arrangements which may prevent those assets from being charged; or it is not within the legal capacity of the relevant entity or if it would conflict with the fiduciary duties of their directors or contravene any applicable legal or regulatory prohibition, or result in a risk of personal or criminal liability on the part of any director or officer.

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 Initial Collateral will also secure on a first-priority basis the liabilities under the Revolving Credit Facility Agreement, as well as certain Hedging Obligations (if any) 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, counterparties to certain Hedging Obligations (if any) and providers of certain future indebtedness will receive the proceeds from the enforcement of the Collateral in priority to the holders of the Notes and any Additional Notes. See "*—Priority*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Creditors under the New Revolving Credit Facility, certain hedging obligations and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes*."

In the future, the lenders under the Revolving Credit Facility Agreement and cash management facilities (if any) will be secured by a special lien (*privilegio speciale*) over the Issuer's movable assets which will not secure the secure the Notes offered hereby.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a description of such limitations, see "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability, and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*."

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 Guarantees and the Collateral—Creditors under the New Revolving Credit Facility, certain hedging obligations and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes*."

*Priority*

The relative contractual priority with respect to Security Interests among the lenders under the Revolving Credit Facility, the counterparties under certain Hedging Obligations, if any, secured by the Collateral, the Trustee, the Security Agent, the Holders of the Notes and the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, is or will be established by the terms of the Intercreditor Agreement, the Indenture, the Security Documents and the security documents relating to the Revolving Credit Facility, such Hedging Obligations, or other Indebtedness, as applicable. The Intercreditor Agreement will provide, among other things, that the obligations under the Notes will receive proceeds on enforcement of security over the Collateral only after the claims of the Revolving Credit Facility, certain Hedging Obligations, if any, 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*" and "*Description of Certain Financing Arrangements—New Revolving Credit Facility*." In addition, in connection with the Incurrence of certain Indebtedness that is permitted by the Indenture to be secured on the Collateral, the Issuer may enter into Additional Intercreditor Agreements in compliance with the Indenture on substantially the same terms as the Intercreditor Agreement. See "*—Certain Covenants—Impairment of Security Interests*" and "*—Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be bound*."

*Security Documents; Enforcement of Security Interests*

Under the Security Documents, security will be granted over the Collateral to secure the payment when due of the Issuer's payment obligations under the Notes and the Indenture. The Security Documents will be entered into by, among others, the relevant security provider, the Security Agent for itself and as agent for the secured parties (and, with respect to the Security Documents governed by Italian law, also as Security Representative 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 as common

representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code. The Security Agent will also act in the name and on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations, if any, in relation to the Security Interests in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by the Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests with respect to the Notes may be released under certain circumstances as provided under "*—Release of Liens*."

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 Interests in the name and on behalf of the Trustee and the holders of the Notes. The Security Documents will provide that the rights under the Security Documents must be exercised by the Security Agent (including in its role as Security Representative). As a consequence of such contractual provisions and since the Holders are not a party to the Security Documents, holders of the Notes will not, individually or collectively, be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Security Agent (including in its role as Security Representative) or the Trustee (as applicable) under the Indenture. To the extent permitted by the applicable laws and subject to the terms of the Intercreditor Agreement and the Indenture, holders of the Notes will, in certain circumstances, be entitled to direct the Trustee to provide instructions to the Security Agent for the enforcement of the Security Interests. The Indenture and the Intercreditor Agreement will restrict the ability of the holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility. Under the Intercreditor Agreement, the Security Agent will also act in the name and on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations, if any, in relation to the Security Interest in favor of such parties.

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*."

Subject to the terms of the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to certain Hedging Obligations (if any) secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, appointed, also for the purposes of Article 1704 (*mandato con rappresentanza*) of the Italian Civil Code, the Security Agent to act as its agent and *mandatario con rappresentanza* under the Intercreditor Agreement and the 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 to act on its behalf and as representative (*rappresentante*) pursuant to article 2414-bis of the Italian Civil Code. The creditors under the Revolving Credit Facility, the Holders of Notes, the counterparties to certain Hedging Obligations (if any) secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, authorized the Security Agent under the Indenture and/or the Intercreditor Agreement (as applicable) to: (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, confirmation, extension, renewal, replacement or discharge expressed to be executed by the Security Agent in its name and on its behalf.

*Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound*

The Indenture will provide that the Issuer and the Trustee will be authorized (without any further consent of the Holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Indenture will also provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

(1) consented and agreed to be bound by the terms of the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement entered into in compliance with the provisions described under "*—Certain Covenants—Additional Intercreditor Agreements*" (including, without limitation, the provisions providing for foreclosure and release of the Guarantees and the Security Interests, including upon an enforcement);

(2) authorized the Trustee and the Security Agent, as applicable, to act in its name and on its behalf to enter into the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement entered into in compliance with the provisions described under "*—Certain Covenants—Additional Intercreditor Agreements*" and to be bound thereby and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith;

(3) appointed and authorized the Trustee and the Security Agent to give effect to the provisions in the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement;

(4) agreed to, and accepted, the appointment of The Law Debenture Trust Corporation p.l.c. as common representative (*rappresentante comune*) of the Holders pursuant to Articles 2417 and 2418 of the Italian Civil Code;

(5) agreed to, and accepted, the appointment of UniCredit S.p.A., as representative (*rappresentante*) of the Holders for the purposes of Article 2414-*bis*, third paragraph of the Italian Civil Code; and

(6) agreed and acknowledged that the Security Agent will administer the Collateral in accordance with the Intercreditor Agreement, the Indenture and the Security Documents.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement entered into in compliance with the provisions described under "*—Certain Covenants—Additional Intercreditor Agreements*."

*Release of Liens*

Security Interests in respect of the Collateral will be released under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to (other than the Security Interest in respect of the Issuer Share Pledge) (a) a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise not prohibited by the Indenture or (b) any Restricted Subsidiary, provided that this clause (1)(b) shall not be relied upon in the case of a transfer of Capital Stock or of accounts receivable to a Restricted Subsidiary (other than in connection with a Qualified Receivables Financing) unless the relevant property and assets remain subject to, or otherwise become subject to, a Lien in favor of the Notes following such transfer, sale or disposal;

(2) in the case of a Guarantor that is released from its 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 under the Notes Documents or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes and the Indenture, 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) as permitted by "*—Certain Covenants—Impairment of Security Interests*" or (other than the Security Interest in respect of the Issuer Share Pledge) "*—Merger and Consolidation*;"

(7) and in connection with one or more Permitted Reorganizations;

(8) in the case of any Security Interests over intra-group receivables, upon partial repayment or discharge thereof, the Security Interests created over such receivables will be automatically reduced in proportion to such partial repayment or discharge and, upon full repayment or discharge thereof, the Security Interests shall be automatically and fully released and of no further effect;

(9) upon the contribution of any claim against the Issuer or any Restricted Subsidiary, which is subject to a Lien, to the equity of the Issuer or any of the Restricted Subsidiaries; *provided* that, such contribution is made in compliance with the Intercreditor Agreement;

(10) as otherwise not prohibited by the Indenture; or

(11) (i) in connection with an Initial Public Offering of the Issuer, the release, at the option of the Issuer, of all or part of the Security Interest in respect of the Issuer Share Pledge within a reasonable time prior thereto to facilitate such Initial Public Offering and (ii) following an Initial Public Offering of the Issuer, the release of any Security Interests over all or part of the Capital Stock of the Issuer that is subject to the Issuer Share Pledge in connection with issuances and/or sales of such Capital Stock within a reasonable time prior thereto to facilitate such issuance or sale; *provided* that, in each case, such Security Interests so released shall, as soon as reasonably practicable, be granted in favor of the Notes in the event that the Initial Public Offering or other sale or issuance, as the case may be, does not complete for any reason.

In addition, the Security Interests created by the Security Documents will be released in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Security Agent and the Trustee will take all necessary action required to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders (except to the extent required under clause (3) above) or any action on the part of the Trustee.

### Optional Redemption

Except as described below and except as described under "*Post tender redemption*" and "*Redemption for taxation reasons*," the Notes are not redeemable until May 15, 2023. On and after May 15, 2023, 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, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date), if redeemed during the twelve month period beginning on May 15 of the years indicated below:

| Year | Percentage |
|---|---|
| 2023 | 103.0625% |
| 2024 | 101.5313% |
| 2025 and thereafter | 100.0000% |

At any time and from time to time prior to May 15, 2023, upon not less than 10 nor more than 60 days' notice, the Issuer may redeem in the aggregate up to 40% of the aggregate principal amount of the Notes (calculated after giving effect to any issuance of Additional Notes) with an amount equal to the net cash proceeds of one or more Equity Offerings by the Issuer or any direct or indirect parent of the Issuer, to the extent (in the case of an Equity Offering by a direct or indirect parent of the Issuer) that such net cash proceeds thereof are contributed to the common equity capital of the Issuer or used to purchase Capital Stock (other than Disqualified Stock) of the Issuer through an issuance of Capital Stock by the Issuer, at a redemption price of 106.125% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date); provided that:

(1) at least 50% of the original aggregate principal amount of the Notes (including the original principal amount of any Additional Notes) remains outstanding immediately after each such redemption (except to the extent otherwise repurchased or redeemed in accordance with the terms of the Indenture concurrently with or following the Equity Offering); and

(2) the redemption occurs within 270 days after the closing of such Equity Offering.

At any time and from time to time prior to May 15, 2023, the Issuer may, at its option, during each twelve-month period commencing with the Issue Date, redeem up to 10% of the original principal amount of the Notes (including the original principal amount of any Additional Notes), upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 103% of the principal amount of the Notes so redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date).

In addition, prior to May 15, 2023, 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 a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date).

*General*

If the Issuer effects an optional redemption of the Notes, it will, for 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, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes, any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent. If such redemption is subject to satisfaction of one or more conditions precedent, the notice of redemption 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.

*Sinking Fund*

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes. The Issuer or its Affiliates may at any time and from time to time purchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such Affiliates may determine.

**Post Tender Redemption**

In connection with any tender offer for, or other offer to purchase, any series of Notes at a price no less than the open market trading price of the applicable series of Notes on the date such tender offer commences (as determined in good faith by the Board of Directors or a member of Senior Management), plus accrued and unpaid interest thereon to, but excluding, the applicable tender settlement date, if Holders of not less than 90% in aggregate principal amount of the applicable series of Notes validly tender and do not validly withdraw such series of Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the applicable series of Notes validly tendered and not validly withdrawn by such Holders, all of the Holders of the applicable series of 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 to redeem the applicable series of Notes that remain outstanding in whole, but not in part, following such purchase, at a price equal to the price offered to each other holder of the applicable series of Notes in such tender offer (provided that such price shall not be less than 100% of the principal amount), plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, such redemption date.

### Redemption at Maturity

On November 15, 2026, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date).

### Selection and Notice

If less than all of any series of Notes are to be redeemed at any time, the Paying Agent or the Registrar (as applicable) will select Notes for redemption on a pro rata basis (or, in the case of Notes issued in global form as discussed under "*Book-Entry; Delivery and Form*," based on a method that most nearly approximates a pro rata selection in accordance with the procedures of the relevant clearing system), unless otherwise required by law or applicable stock exchange, clearing system or depositary requirements. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in accordance with the prevailing rules of the Luxembourg Stock Exchange and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may instead be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) and may also be delivered in accordance with the rules and procedures of Euroclear or Clearstream, as applicable, in lieu of the aforesaid mailing.

If the Notes are to be redeemed in part only, the notice of redemption that relates to such Notes shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note 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 written 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, but not including, the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date) and all Additional Amounts, 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 laws or treaties (or any regulations, protocols, or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in position regarding the application, administration or written interpretation of such laws, treaties, regulations, protocols 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*"),

the Issuer or any Guarantor (including, in each case, any successor entity) with respect to any Guarantee, as the case may be, is, or on the next interest payment date in respect of such series of Notes would be, required to pay Additional Amounts (but in the case of any Guarantor, only if such amount payable cannot be paid by the Issuer or another Guarantor who can pay such amount without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Issuer or such Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable).

Such Change in Tax Law must not have been publicly announced before and must become effective on or after the Issue Date, (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after

the Issue Date, such later date). Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor (as defined below) would be obliged 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 Registrar, the Trustee and the relevant Paying Agent (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer or the applicable Guarantor, as the case may be, has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept 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.

**Additional Amounts**

All payments made by or on behalf of the Issuer or any of the Guarantors or a successor of the Issuer or Guarantor (each, a "*Payor*") on the Notes or any Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law or by the interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) Italy or any political subdivision or governmental Authority thereof or therein having the power to tax;

(2) any jurisdiction from or through which payment on any such Note or Guarantee is made by or on behalf of a Payor (including the jurisdiction of the Paying Agent), or any political subdivision or governmental authority thereof or therein having the power to tax; or

(3) 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), (2) and (3), 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 on any Note or Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by the Holders, after such withholding, deduction or imposition (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes, to the extent that such Taxes would not have been so imposed or withheld but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, 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) or the beneficial owner of a Note and the Relevant Taxing Jurisdiction (including, without limitation, being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note or the Indenture or any Guarantee in respect thereof;

(2) any Tax, to the extent that such Tax is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor, a Paying Agent, or other person acting as an agent for the Payor or a Paying Agent, addressed to the Holder, after reasonable notice (at least 30 days before any such withholding is payable to the Relevant Taxing Jurisdiction), 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 or reduction in the rate of deduction or withholding of all or part of such Tax;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on or with respect to the Notes or any Guarantee;

(4) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(5) any Taxes imposed in connection with a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another paying agent in a member state of the European Union;

(6) any Taxes imposed, withheld or deducted pursuant to sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (or any amended or successor version of such sections that is substantially comparable) (the "*Code*"), any current or future regulations thereunder, official interpretations thereof or agreements (including any intergovernmental agreement or any laws, rules or practices implementing such intergovernmental agreement) entered into in connection therewith or otherwise pursuant to any agreements described in Section 1471(b) of the Code;

(7) any Taxes to the extent such Taxes are for or on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("*Decree No. 239*")) and any related implementing regulations, or pursuant to Italian Legislative Decree No. 461 of November 21, 1997, as amended or supplemented from time to time ("*Decree No. 461*") and any related implementing regulations, provided that:

    (i) Additional Amounts shall be payable in circumstances where the procedures required under Legislative Decree No. 239 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, (A) no Additional Amounts shall be payable with respect to any Taxes to the extent that such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which is subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy (the "*White List*") and (B) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are for or on account of *imposta sostitutiva* if the Holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of any change in Decree No. 239 or Decree No. 461 or any change in the White List; or

(8) any combination of the items (1) through (7) above.

Such Additional Amounts will also not be payable (x) if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is required) within 30 days after the relevant payment was first made available for payment to the Holder or (y) where, had the beneficial owner of the Note been the Holder, such Tax resulting in Additional Amounts would not have been imposed or such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (7) inclusive above.

The Payor will (i) make any required withholding or deduction in the minimum amount required by laws 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 as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Paying Agent. The Payor will attach to each such certified copy of such payments a certificate stating that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date 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 are mentioned, in any context:

(1) the payment of principal,

(2) redemption prices or purchase prices in connection with a redemption or a purchase of Notes,

(3) interest, or

(4) any other amount payable on or with respect to any of the Notes or any Guarantee,

(7) 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 any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest, penalties and any other reasonable expenses with respect thereto) or any other excise, property or similar Taxes (including any related interest, penalties and any other reasonable expenses with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, issuance, delivery, registration or enforcement of any Notes, the Guarantees, the Indenture, the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement or any other document or instrument in relation thereto (other than in each case, (A) in connection with a transfer of the Notes after the Issue Date or (B) to the extent that such stamp, issue registration court or documentary taxes, or any other excise, property or similar taxes or similar charges or levies becomes payable upon a voluntary registration made by the Holder if such registration is not required by any applicable law or not necessary to enforce the rights or obligations of any Holder in relation to the Notes, any Guarantees, the Indenture, the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement or any other document or instrument in relation thereto), and the Payor agrees to indemnify the Holders for any such Taxes paid by such Holders.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, and any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, incorporated, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes or any Guarantee is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein having the power to tax.

**Change of Control**

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*—Change of Control*," each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof; provided that Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, 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 falling prior to or on the purchase date); *provided, however*, that the Issuer shall not be obliged 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 of a series of Notes and given notice of redemption 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 deliver a notice (the "*Change of Control Offer*") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date falling prior to or on the repurchase date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is delivered) (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 delivered prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the 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 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 Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date in a 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.

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 or repurchase any Notes as described under this heading "*—Change of Control*" upon a Change of Control if (1) 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 or (2) a notice of redemption with respect to each series of Notes has been given pursuant to the Indenture as defined under "*—Optional Redemption*," unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third-party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third-party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase at a price in cash equal to 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest, if any, thereon, to, but excluding the date of redemption.

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. 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, including financial resources of its Restricted Subsidiaries. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—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 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 a Holder may require the Issuer to make an offer to repurchase the Notes as described above. In addition, the definitions of "Change of Control" and "Permitted Holders" expressly permit a third party to obtain control of the Issuer in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

The provisions 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 Subsidiaries 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) for the Relevant Testing Period, the Fixed Charge Coverage Ratio for the Issuer would have been at least 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(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 (i) the greater of €50.0 million and 100% of Consolidated EBITDA, plus (ii) 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 being guaranteed is

permitted to be Incurred under the terms of the Indenture; *provided that*, if the Indebtedness being guaranteed is subordinated to the Notes or a Guarantee, then the guarantee must be subordinated to the Notes or such Guarantee to the same extent as the Indebtedness being guaranteed; or

(b) without limiting the covenant described under "—*Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that:

(a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the creditor is neither the Issuer nor a Guarantor, such Indebtedness (except in respect of intercompany liabilities Incurred in the ordinary course of business or in connection with cash pooling or cash management or tax positions of the Issuer and its Restricted Subsidiaries) is (subject to the Agreed Security Principles and if and to the extent required by the terms of the Intercreditor Agreement) unsecured and exceeds €5.0 million (if and to the extent required by the terms of the Intercreditor Agreement and only to the extent legally permitted (the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)), expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, or the applicable Guarantee, in the case of a Guarantor, pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4)

(a) (x) Indebtedness represented by the Notes (other than any Additional Notes) and the related Guarantees and any related "parallel debt" obligations under the Intercreditor Agreement and the Security Documents, and (y) any "parallel debt" obligations related to any other Indebtedness permitted to be Incurred pursuant to the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents;

(b) an amount equal to any Indebtedness of the Issuer or any Restricted Subsidiary outstanding, committed or available for borrowing or utilization as in effect on the Issue Date after giving *pro forma* effect to the Refinancing (other than Indebtedness Incurred under the Revolving Credit Facility on the Issue Date (if any) or described in clause (4)(a) of this paragraph);

(c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clause (4)(a), (4)(b), this clause (4)(c) and clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant; and

(d) Management Advances;

(5) Indebtedness of any Person (a) outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (b) Incurred to provide all or a portion of the funds utilized to consummate a transaction or series of related transactions pursuant to which (i) any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (ii) any assets are acquired and related liabilities are assumed by the Issuer or any Restricted Subsidiary; *provided, however*, that Indebtedness Incurred pursuant to this clause (5) is in an aggregate amount then outstanding not to exceed (I) the greater of €15.0 million and 26.8% of Consolidated EBITDA, plus (II) unlimited additional Indebtedness to the extent that after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, either (A) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant or (B) the Fixed Charge Coverage Ratio

for the Issuer would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(6) Indebtedness 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 a member of Senior Management);

(7) Indebtedness (a) 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, lease, rental or cost of design, construction, installment or improvement of property, plant or equipment used or useful 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 of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness or reimburses amounts used for such purposes (provided that, in each case under this clause (B), such Indebtedness exists on the date of such purchase, lease, rental, design, construction, installation or improvement, as applicable, or is created within 365 days thereafter), in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7)(a) and then outstanding, will not exceed at any time outstanding the greater of €15.0 million and 26.8% of Consolidated EBITDA; or (b) in respect of Sale and Leaseback Transactions and any Indebtedness which refinances, replaces, refunds or reimburses such Indebtedness Incurred pursuant to this sub-clause (b);

(8) Indebtedness in respect of (a) workers' compensation claims, old-age part-time arrangements, self-insurance obligations, unemployment insurance (including premiums related thereto), other types of social security, pension or partial retirement obligations, vacation pay, health, disability or other employee benefits, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax (including interest and penalties with respect thereto) or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business, (d) any Bank Products in the ordinary course of business or consistent with past practice, (e) Indebtedness representing (i) deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent, the Issuer or any of its Subsidiaries in the ordinary course of business or (ii) deferred compensation or other similar arrangements in connection with the Refinancing or any other Investment or acquisition permitted hereby and (f) irrespective of the Election Option, any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IAS 17 (Leases);

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in connection with such 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; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) (i) take-or-pay obligations and 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, (ii) Indebtedness consisting of obligations owing under any client, customer or supplier incentive, supply, license or similar agreements entered into in the ordinary course of business or consistent with past practice and (iii) any obligation, or guarantee of any obligation, of the Issuer or any Restricted Subsidiary to reimburse or indemnify a Person extending credit to customers of the Issuer or a Restricted Subsidiary Incurred in the ordinary course of business or consistent with past practice for all or any portion of the amounts payable by such customers to the Person extending such credit;

(c) client or customer deposits and advance payments received in the ordinary course of business from clients and customers;

(d) 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; and

(e) Indebtedness Incurred by the Issuer or a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case, Incurred or undertaken in the ordinary course of business or consistent with past practice;

(f) Indebtedness to a customer to finance the acquisition of any equipment necessary to perform services for such customer; *provided* that (i) the repayment of such Indebtedness is conditional upon such customer ordering a specific volume of goods and (ii) such Indebtedness does not bear interest or provide for scheduled amortization or maturity;

(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 €30.0 million and 53.6% of Consolidated EBITDA;

(12) Indebtedness Incurred (a) in a Qualified Receivables Financing or (b) pursuant to factoring financings, securitizations, asset-backed loans and financings (howsoever described or structured), receivables financings, reverse factoring financings or similar arrangements, in each case under this clause (12)(b), that are either: (x) not recourse to the Issuer or any Restricted Subsidiary other than a Securitization Subsidiary (except to the extent customary in the good faith determination of the Issuer for such type of arrangement, consistent with past practice or except for Standard Securitization Undertakings); or (y) not in excess of the greater of €15.0 million and 26.8% of Consolidated EBITDA at any time outstanding;

(13) Indebtedness of the Issuer and any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, an Excluded Contribution or Excluded Amounts) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, an Excluded Contribution or Excluded Amounts) 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 second 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 second paragraph of the covenant described below under "*—Limitation on Restricted Payments*" in reliance thereon;

(14) Indebtedness under daylight borrowing facilities Incurred in connection with the Refinancing or 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 was Incurred; and

(15) the Incurrence by the Issuer or any Restricted Subsidiary of Indebtedness consisting of local lines of credit or working capital facilities or other Credit Facilities not exceeding the greater of €10.0 million and 17.9% of Consolidated EBITDA at any time outstanding.

Notwithstanding the foregoing, the aggregate principal amount of outstanding Indebtedness (excluding any interest paid in kind) Incurred by Restricted Subsidiaries that are not Guarantors pursuant to the first paragraph of this covenant and clause (13) of the second paragraph of this covenant and, without double counting, all Refinancing Indebtedness in respect thereof Incurred by Restricted Subsidiaries that are not Guarantors shall not exceed an amount equal to the greater of €25.0 million and 44.6% of Consolidated EBITDA at the time of the Incurrence of any such Indebtedness; *provided* that Refinancing Indebtedness Incurred in respect of such Indebtedness originally permitted by this paragraph shall always be permitted hereunder.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) subject to clause (2) below, in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one (or more, if applicable) of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Issue Date under the Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and may not be reclassified;

(3) the amount of Indebtedness that may be Incurred pursuant to any provision of this covenant or secured pursuant to the covenant set forth under "*—Limitation on Liens*" shall be deemed to include all amounts necessary to renew, refund, redeem, refinance, replace, restructure, defease or discharge any such Indebtedness Incurred and/or secured pursuant to such provisions, including after giving effect to additional Indebtedness in an amount equal to the aggregate amount of fees, underwriting discounts, premia and other costs and expenses Incurred in connection with such renewal, refund, redemption, refinancing, replacement, restructuring, defeasance or discharge. Notwithstanding any other provision of this covenant or any provision of the covenant set forth in "*—Limitation on Liens*," the maximum amount that the Issuer or a Restricted Subsidiary may Incur and/or secure pursuant to this covenant and/or the covenant set forth in "*—Limitation on Liens*" shall not be deemed to be exceeded, with respect to such Incurrence or grant of Lien, due solely to the result of fluctuations in the amount of Consolidated EBITDA (and, for the avoidance of doubt, such Indebtedness and such Lien will be permitted to be refinanced or replaced notwithstanding that, after giving effect to such refinancing or replacement, such excess will continue);

(4) guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(5) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11), (13), (15) or (16) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(6) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(7) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(8) the amount of Indebtedness (a) issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS and (b) shall be the principal amount, or liquidation preference thereof, in the case of any other Indebtedness;

(9) accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness (including

interest paid in kind), the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "—*Limitation on Indebtedness*;" and

(10) in the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness or commits to Incur any Lien pursuant to clause (31) of the definition of "Permitted Liens" or any Permitted Collateral Lien, the Incurrence or issuance thereof for all purposes under the Indenture, including, without limitation, for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Net Leverage Ratio or the Consolidated Senior Secured Net Leverage Ratio, as applicable, or use of clauses (1) through (16) of the preceding paragraph 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, the Consolidated Net Leverage Ratio or the 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 "—*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 re-borrowed (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 preceding paragraph, shall be deemed to be Incurred and outstanding under such clauses) or (b) be determined on the date such amount is borrowed pursuant to any such facility or increased commitment, and, in each case, the Issuer may revoke such determination at any time and from time to time.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by such Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this "—*Limitation on Indebtedness*," the Issuer shall be in Default of this covenant).

Subject to the provisions set forth in "—*Financial Calculations*" below, for purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the euro equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower euro equivalent), in the case of Indebtedness Incurred under a revolving credit facility; provided that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the euro equivalent of the principal amount of any such Indebtedness 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. Subject to the provisions set forth in "—*Financial Calculations*" below, 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 instalment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*"));

(4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment in any Person;(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a "*Restricted Payment*"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default or Event of 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 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 by clauses (5) and (11) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next 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 immediately 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; provided that the amount taken into account pursuant to this clause (i) shall not be less than zero (0);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the last paragraph of this covenant) 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 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 (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) 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 next succeeding paragraph, (y) Excluded Contributions and (z) any Parent Debt Contribution);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the last paragraph of this covenant) 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 last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the next succeeding paragraph, (y) Excluded Contributions and (z) any Parent Debt Contribution;

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the last paragraph of this covenant) 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 (as determined in accordance with the last paragraph of this covenant) of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment;"

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary; and

(vii) €15.0 million;

*provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clause (iv), (v) or (vi), and *provided further*, that notwithstanding the foregoing, (x) any amounts (such amounts, the "*Excluded Amounts*") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clauses (ii) or (iii) of this clause (c) will be excluded to the extent (A) such amounts result from the receipt of net cash proceeds or marketable securities received by the Issuer or any Restricted Subsidiary in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control, (B) the purpose of the receipt of such net cash proceeds or marketable securities was to reduce the Consolidated Net Leverage Ratio 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 marketable securities and (C) no Change of Control Offer is made in connection with such Change of Control in accordance with the requirements of the Indenture and (y) Excluded Amounts shall be limited

to the amount of net cash proceeds or marketable securities necessary to reduce the Consolidated Net Leverage Ratio to cause the occurrence of a Specified Change of Control Event, and amounts of net cash proceeds or marketable securities received in excess thereof shall not constitute Excluded Amounts.

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 of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Excluded Amounts, a Parent Debt Contribution) of the Issuer, in each case subsequent to the Issue Date; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the last paragraph of this covenant) 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*," 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 transaction or series of transactions) 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, or redemption or repurchase consummated within, 60 days after the date of declaration or the giving of the redemption or repayment notice if at such date of declaration or notice such dividend or redemption or repayment, as the case may be, 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 or any Special Purpose Vehicle to permit any Parent or any Special Purpose Vehicle to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (in each case including any options, warrants or other rights in respect thereof), in each case from Management Investors; provided that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (a)(x) prior to the consummation of an Equity Offering of the Issuer, any IPO Entity or any Parent, the greater of €3.0 million and 5.4% of Consolidated EBITDA in any calendar year or (y) subsequent to the consummation of an Equity Offering of the Issuer, any IPO Entity or any Parent, the greater of €5.0 million and 8.9% of Consolidated EBITDA in any calendar year, *plus* (b) 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) from, or as a contribution to the equity (in each case under this clause (b), other than through the issuance of Disqualified Stock or Designated Preference Shares or as Excluded Contributions or Excluded Amounts) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof) *plus* (c) the Net Cash Proceeds of key man life insurance policies, to the extent such Net Cash Proceeds in sub-clauses (b) and (c) are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant; and *provided further* that cancellation of Indebtedness owing to the Issuer or any Restricted Subsidiary from members of management, directors or employees of any Parent, the Issuer or Restricted Subsidiaries in connection with a repurchase of Capital Stock of the Issuer or any Parent will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(7) the declaration and payment of dividends 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, repayments or distributions to any Parent or any Special Purpose Vehicle, or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(10)

(a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; and

(b) amounts constituting or to be used for purposes of making payments of (i) fees and expenses incurred in connection with the Refinancing or fees, expenses, principal, interest or other amounts disclosed in this Offering Memorandum under the section "*Use of Proceeds*" or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions*;"

(11) so long as no Default or Event of Default has occurred and is continuing (or would result immediately thereafter therefrom), the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the Capital Stock, common stock or common equity interests of the Issuer, any Parent or any IPO Entity following a Public Offering of such Capital Stock, common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received from such Public Offering or subsequent Equity Offerings by the Issuer or an IPO Entity or contributed to the 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 (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization;

(12) so long as no Default or Event of Default has occurred and is continuing (or would result immediately thereafter therefrom), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €20.0 million and 35.7% of Consolidated EBITDA; payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided,*

*however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or a member of Senior Management);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate amount of cash Excluded Contributions, or an amount equal to the fair market value of non-cash Excluded Contributions, or Restricted Payments in exchange for or using as consideration Restricted Payments previously made under this clause (13);

(14) payment of any Receivables Fees and purchases of receivables and other assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(15)

(a) 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

(b) 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 (a) and (b), 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 such Parent or Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;

(16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(17) dividends, loans, distributions, advances or other payments in amounts required for a direct or indirect Parent of the Issuer to service the substantially concurrent payment of interest amounts and premiums (excluding make-whole premiums) as and when due under or in respect of any Indebtedness of such Parent, in the case of this clause (17), the net 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*" above; *provided that*, any such Indebtedness of the Issuer or any of its Restricted Subsidiaries (including in the form of a guarantee) is subordinated in right of payment to the Notes and the Guarantees;

(18) so long as no Default or Event of Default has occurred and is continuing (or would result immediately thereafter therefrom), any Restricted Payments; provided that, on the date of such Restricted Payment, the Consolidated Net Leverage Ratio would not exceed 4.75 to 1.0 on a *pro forma* basis after giving effect thereto; and advances or loans (a) to any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement; (b) to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares); or (c) to any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent in an amount under this clause (c) not to exceed the greater of €2.5 million and 4.5% of Consolidated EBITDA in any calendar year.

If any Investment or Restricted Payment (or portion thereof) would be permitted pursuant to one or more provisions described in this covenant and/or one or more of the exceptions contained in the definition of "Permitted Payment" or "Permitted Investment" (or any other definition used in this covenant or such definitions), the Issuer may, at its sole discretion, divide and classify such Investment or Restricted Payment in

any manner that complies with this covenant or such definition and may later reclassify in whole or in part any such Investment or Restricted Payment (based on circumstances existing on the date of such reclassification) in whole or in part at any time, so long as the Investment or Restricted Payment (as so reclassified) would be permitted to be made in reliance on the applicable exception as of the date of such reclassification.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the assets or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors or an Officer acting in good faith.

*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 obligations under the Notes and the Indenture (or a Guarantee in the case of Liens of a Guarantor) are directly secured, at least equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates or (ii) otherwise as set forth under "*—Release of Liens*."

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "*Increased Amount*" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing such Indebtedness.

*Limitation on Restrictions on Distributions from Restricted Subsidiaries*

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Issuer or a Restricted Subsidiary, or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(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 or other common equity interests 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), the Indenture, the Notes, the Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents, and the security documents relating to the Revolving Credit Facility, and (b) any other agreement or instrument, in each case in effect at or entered into on the Issue Date after giving *pro forma* effect to the Refinancing;

(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 was designated as a Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary 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 (a) 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 a member of Senior Management) or (b) are customary in comparable financings and where, in the case of this sub-clause (b), the Issuer determines at the time of incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes (as determined in good faith by the Board of Directors or a member of Senior Management);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (c) of the preceding paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business, including the Thélios JVA;

(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 or any governmental licenses, concessions, franchises or permits, including restrictions or encumbrances on cash or deposits (including assets in escrow accounts) paid on property;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers, or as required by insurance, surety or bonding companies or indemnities, in each case, under agreements or policies entered into in the ordinary course of business;

(10) any encumbrance or restriction in respect of Hedging Obligations;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—*Limitation on Indebtedness*" if (A) 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, together with the Security Documents associated therewith, in each case, as in effect on the Issue Date (or, with respect to the Security Documents, the 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 (B) the Issuer determines at the time of the Incurrence of such Indebtedness that such encumbrances or restrictions 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) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or a member of Senior Management, are necessary or advisable to effect such Qualified Receivables Financing; or

(13) any encumbrance or restriction existing by reason of any Lien permitted under "—*Limitation on Liens*."

*Limitation on Sales of Assets and Subsidiary Stock*

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the Capital Stock, property or other assets subject to such Asset Disposition (as determined by the Board of Directors or an Officer); and

(2) except where the Asset Disposition is a Permitted Asset Swap, 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 Available Cash received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

   (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 or Indebtedness owed to the Issuer or a Restricted Subsidiary), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obliged 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 are 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 (4) or (6) 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 17.9% 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 paragraph (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 365 days (or 545 days in the circumstances described in clause (8) below) of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary, as applicable, to:

(1) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof; (ii) unless included in (1)(i), prepay, repay, purchase or redeem Notes or Indebtedness of the Issuer or any Guarantor that is secured by a Lien on the Collateral on a senior or *pari passu* basis with the Notes, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem (x) any Indebtedness of a Restricted Subsidiary that is not a Guarantor or (y) any Indebtedness of the Issuer or a Restricted Subsidiary that is secured on assets which do not constitute Collateral; *provided* that, the Issuer shall prepay, repay, purchase or redeem Indebtedness that is Public Debt (other than the Notes) pursuant to clause (ii) only if the Issuer either (1) reduces the aggregate principal amount of the Notes on an equal and ratable basis with any such Indebtedness by redeeming Notes in accordance with the redemption provisions of the Indenture or by purchasing Notes through open-market purchases or in privately negotiated transactions at market prices or (2) 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 the Notes outstanding bears to (y) the sum total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(2) (A) 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 to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the repurchase date), provided that to the extent the Issuer or any Restricted Subsidiary has elected to purchase any amount of the Notes at a price not less than par, to the extent Holders elect not to tender their Notes for such purchase, the Issuer will be deemed to have applied an amount of Net Available Cash equal to such amount not tendered, and such amount shall not increase the amount of Excess Proceeds, or (B) redeem any series of Notes in accordance with the redemption provisions of the Indenture;

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Available Cash pursuant to clause (1), (3), (4), (5) or (6) of this paragraph (or any combination thereof); provided that a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365 day period, if the investment has not been consummated by that date

The amount of such Net Available Cash not so used as set forth in this paragraph constitutes "*Excess Proceeds*." Pending the final application of any such Net Available Cash, the Issuer or any Restricted Subsidiary may temporarily reduce revolving credit borrowings or other Indebtedness or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Indenture.

On the 366th day after an Asset Disposition (or the 546th day if a binding commitment as described in clause (8) above has been entered into), or such earlier time as the Issuer elects, if the aggregate amount of Excess Proceeds exceeds the greater of €20.0 million and 35.7% of Consolidated EBITDA, 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 such Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest thereon and Additional Amounts, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such 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 Notes.

To the extent that the aggregate amount of Notes and such Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer or the relevant Restricted Subsidiary may use any remaining Excess Proceeds for any other purpose, 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 repurchased 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 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 or the relevant Restricted Subsidiary upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, insofar as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; provided that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any 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 €5.0 million and 8.9% of Consolidated EBITDA unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of the greater of €10.0 million and 17.9% of Consolidated EBITDA, the terms of such transaction or series of related transactions have been approved or ratified by a resolution of the majority of the Board of Directors 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 second paragraph of the covenant described under "*—Limitations on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (11) of the definition thereof);

(2) any issuance, transfer or sale of Subordinated Shareholder Funding, 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 or ratified by the Board of Directors;

(3) any Management Advances or Parent Expenses 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 or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (a) the Refinancing; (b) 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 Issue Date, including transactions with Thélios as disclosed under "*Related Party Transactions*" in the Offering Memorandum or in the ordinary course of business, as these arrangements, 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 (as determined in good faith by the senior management or the Board of Directors of the Issuer or any direct or indirect Parent of the Issuer); (c) the entry into and performance of any registration rights or other listing agreement and (d) any participation in a public tender or exchange offer for securities or debt instruments issued by, the Issuer or any of its Subsidiaries that provides for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement or payment pursuant to which the Issuer or any Affiliate of the Issuer or any of its Subsidiaries is required or permitted to file a consolidated or combined 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) (a) transactions with customers, clients, suppliers, licensors, distribution partners, Associates or purchasers or sellers of goods or services, 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, which are consistent with past practice or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party, (b) intellectual property licenses in the ordinary course of business or consistent with past practice and (c) payments to or from, and transactions with, any joint venture, including for the avoidance of doubt, the entry into, and performance of obligations and related services under, any management services agreement or any licensing agreement with regard to any existing or future joint venture, in the ordinary course of business or consistent with past practice (including any cash management activities related thereto);

(9) any transaction 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; (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; and (c) entering into of any loan or the receipt by the Issuer of other contribution of proceeds of any Incurrence of indebtedness by a Parent and any amendment or modification thereof or the pledging of such loan or any Capital Stock of the Issuer and any transactions relating thereto;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring, investor or advisory fees and related expenses and indemnities in an aggregate amount not to exceed the greater of €5.0 million and 8.9% of Consolidated EBITDA per fiscal year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities (including, in each case, related costs, taxes and expenses), including in connection with loans, capital market transactions, private placements, acquisitions or divestitures, joint ventures or other investments, which payments (or agreements providing for such payments) in respect of this clause (11)(b) are approved by a majority of the Board of Directors 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 (a) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (b) on terms not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate;

(13) any contribution to the equity of the Issuer in exchange for Capital Stock (other than Disqualified Stock and Preferred Stock) or any investments by any Permitted Holders in securities of any Restricted Subsidiary (and the payment of reasonable out-of-pocket expenses of the Permitted Holders in connection therewith);

(14) pledges of Capital Stock of Unrestricted Subsidiaries or Associates;

(15) any transaction effected as part of a Qualified Receivables Financing; and

(16) Investments by Affiliates in Indebtedness or Preferred Stock of the Issuer or any of its Subsidiaries, so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) non Affiliates were also offered the opportunity to invest in such Indebtedness or Preferred Stock on the same or more favorable terms and (iii) in the case of securities, the investment constitutes less than 5% of the issue amount of such securities, and transactions with Affiliates solely in their capacity as holders of

Indebtedness or Preferred Stock of the Issuer or any of its Subsidiaries, so long as such transaction is with all holders of such class (and there are such non Affiliate holders) and such Affiliates are treated no more favorably than all other holders of such class generally.

*Reports*

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ended December 31, 2021, annual reports containing: (i) an operating and financial review of the audited financial statements, including a discussion of the financial condition, results of operations and consolidated EBITDA and a discussion of liquidity and capital resources, material commitments and contingencies and critical accounting policies of the Issuer; (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 (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense or burden, in which case, the Issuer will provide, in the case of a material acquisition, acquired company or acquired asset perimeter financial information; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent fiscal year with comparative balance sheet information as at the end of the prior 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, all material affiliate transactions and a description of all material debt instruments; and (v) a description of material subsequent events; provided that the information described in clauses (iv) and (v) may be provided in the footnotes to the audited financial statements;

(2) within 60 days following the end of each of the first and third fiscal quarters and 75 days following the end of the second fiscal quarter in each fiscal year of the Issuer, beginning with the quarter ending June 30, 2021, 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 end 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; provided that such *pro forma* financial information will be provided only to the extent available without unreasonable expense or burden, in which case the Issuer will provide, in the case of a material acquisition, acquired company or acquired asset perimeter financial information; and (iii) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, consolidated EBITDA and material changes in liquidity and capital resources of the Issuer; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer or any Restricted Subsidiary announces publicly, a report containing a description of such event.

In addition, to the extent not satisfied by the foregoing, 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 required by clauses (1) through (3) of the first paragraph of this covenant 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 and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, copies of such reports will also be made available on the website of the Luxembourg Stock Exchange.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Issuer's Consolidated EBITDA for the

Relevant Testing Period tested after giving effect to such transaction in the case of an acquisition and prior to giving effect to such transaction in the case of a disposition.

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 the Issuer or any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. 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, would (if it were restricted) constitute 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.

In the event that (i) the Issuer or any Parent becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer or such Parent, as applicable, is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Notwithstanding the foregoing, the Issuer may comply with any requirement to provide reports or financial statements of the Issuer under this covenant by providing any financial statements or reports of any Parent, in which case references to the Issuer in clauses (1), (2) and (3) of the first paragraph hereof will be deemed to be references to such Parent, as applicable.

To the extent that material differences exist between the financial condition or results of operations of the Issuer and its Restricted Subsidiaries and any Parent that is the reporting entity, the annual and quarterly reports shall include a reasonably detailed explanation of such material differences.

If and for so long as the equity securities of the Issuer, any Parent or IPO Entity are listed on Borsa Italiana or any other internationally recognized stock exchange and the Issuer or such Parent or IPO Entity is subject to the admission and disclosure standards applicable to issuers of equity securities admitted to trading on any such internationally recognized stock exchange, for so long as it elects, the Issuer will be entitled to deliver to the Trustee such annual and quarterly reports, information, documents and other reports that the Issuer or such Parent or IPO Entity is, or would be, required to file with such internationally recognized stock exchange. Upon complying with the foregoing sentence, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs in this covenant; provided that if such internationally recognized stock exchange does not require the Issuer or such Parent or IPO Entity to prepare and file quarterly reports with such internationally recognized stock exchange, the Issuer shall additionally provide the reports set forth in paragraph (2) above.

Delivery of any reports, information and documents to the Trustee pursuant to this section will be for informational purposes only, and the Trustee's receipt thereof shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants under the Indenture or documents related thereto.

*Merger and Consolidation*

*The Issuer*

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) either the Issuer is the surviving entity or the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of a Permissible Jurisdiction, the United Kingdom, the United States of America, any State of the United States of America or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor 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) on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the Relevant Testing Period, either (a) the Issuer or the Successor Company, as applicable, would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving *pro forma* effect to such transaction; and

(4) the Issuer or the Successor Company, as applicable, shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel to the effect that such consolidation, merger or transfer and such supplemental indenture (if any is required in connection with such transaction) comply with the Indenture and that all conditions precedent provided for therein relating to such transaction have been complied with or satisfied, and that the assumption (if any) of obligations under clause (1) above constitutes the legal, valid and binding obligation of the Successor Company and that the assumption (if any) of obligations under clause (A) above constitutes the legal, valid and binding obligation of the Successor Company, *provided that*, in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact. The Trustee shall be entitled to rely conclusively on such Officer's Certificate without independent verification.

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.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "*—Merger and Consolidation—The Issuer*" 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*" or (ii) the creation of a new Subsidiary as a Restricted Subsidiary.

*Guarantors*

No Guarantor (other than a Guarantor whose Guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or 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 its assets as an entirety or substantially as an entirety, 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 becomes a Guarantor; or

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of that Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents; 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) or (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 Restricted Subsidiary that is a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Restricted Subsidiary that is a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Restricted Subsidiary that is a Guarantor; (iii) any consolidation or merger of the Issuer into any Restricted Subsidiary that is a 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, if any, to which it is a party, and clauses (1) and (4) under the heading "—*The Issuer*" shall apply to such transaction; and (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided, however*, that clauses (1), (2) and (4) under the heading "—*The Issuer*" and clause (3) (other than clause (3)(B)(2)) under the heading "—*Guarantors*," as the case may be, shall apply to any such transaction.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

*Suspension of Covenants on Achievement of Investment Grade Status*

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:

- "*—Limitation on Restricted Payments*,"
- "*—Limitation on Indebtedness*,"
- "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*,"
- "*—Limitation on Affiliate Transactions*,"
- "*—Limitation on Sales of Assets and Subsidiary Stock*,"
- the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer*,"
- "*—Impairment of Security Interests*" and
- the second, third and fourth paragraphs of the definition of "Unrestricted Subsidiary"

  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 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 and the second, third and fourth paragraphs of the definition of "Unrestricted Subsidiary" will be interpreted as if they have 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 classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*."

Furthermore, (a) any transactions prohibited by the covenant set forth under "*—Limitation on Affiliate Transactions*" entered into after the Reversion Date pursuant to an agreement entered into during any continuance of a Suspension Event shall be deemed to be permitted pursuant to clause (6)(b) of the second paragraph of the covenant set forth under "*—Limitation on Affiliate Transactions*," and (b) any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in clauses (A) through (C) of the first paragraph of the covenant described under "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*" that becomes effective during any continuance of a Suspension Event shall be deemed to be permitted pursuant to clause (1)(c) of the second paragraph of the covenant set forth under "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*."

In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after 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.

*Impairment of Security Interests*

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), 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 (1) the Issuer and its Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents for the purposes of Incurring Permitted Collateral Liens; (2) the Collateral may be discharged or released or released and retaken in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement; and (3) the applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced or released and retaken, from time to time (i) to

cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein, (ii) to comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, (iii) to add Collateral, (iv) to evidence the succession of another Person to the Issuer or any Guarantor and the assumption by such successor of the obligations under the Indenture, the Notes, the Intercreditor Agreement and the Security Documents, in each case, including in accordance with "*—Certain Covenants—Merger and Consolidation*," (v) to evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent, (vi) to effect any Permitted Reorganizations or (vii) in any manner that does not adversely affect the Holders in any material respect; *provided, however,* that, except with respect to any discharge, amendment, extension, renewal, restatement, supplement or modification, replacement, release or release and retaking 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 (including for the avoidance of doubt, clause (3) above), the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (i) a solvency opinion reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the relevant Person 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, (ii) 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 (iii) an Opinion of Counsel reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer or the relevant Restricted Subsidiary 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 Guarantees*

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall guarantee the Indebtedness of the Issuer or a Guarantor outstanding under the Revolving Credit Facility, any Credit Facility with an aggregate outstanding principal amount in excess of €15.0 million or any Public Debt, unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses. At the option of the Issuer, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Guarantees granted pursuant to this provision shall be released as set forth under "*—Releases of the Guarantees*." A 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 Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Guarantees and the security interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

*Additional Intercreditor Agreements*

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any 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 or a restatement, amendment or other modification of the existing Intercreditor Agreement (an "*Additional Intercreditor Agreement*") on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of Security Interests; provided that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement; it being understood that, for the avoidance of doubt, an increase in the amount of Indebtedness being subject to the terms of the Intercreditor Agreement or Additional Intercreditor Agreement will be deemed to be on substantially similar terms to the Intercreditor Agreement and will be deemed not to adversely affect the rights of the Holders and will be permitted by this provision if, in each case, the Incurrence of such Indebtedness (and any Lien in its favor) is permitted by the covenants described under "*—Limitation on Indebtedness*" and "*—Limitation on Liens*."

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries or Guarantors 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 or any Additional Intercreditor Agreement, except as otherwise permitted below under "*—Amendments and Waivers*," and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or the Security Agent, as applicable, 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 the offices of the Trustee.

*Financial Calculations*

When determining or calculating the availability under any basket or ratio under the Indenture in connection with any transaction (including, for the avoidance of doubt and without limitation, any Incurrence or assumption of Indebtedness (including any Reserved Indebtedness Amount) or Liens, a Change of Control, a Specified Change of Control Event, the making of any Restricted Payment, Permitted Payment or Investment, any Asset Disposition, any acquisition, merger, consolidation, amalgamation or other business combination and any other transaction requiring the testing of any basket based on the Consolidated EBITDA of the Issuer), the date of determination of such basket or ratio or the testing of any such transaction and of any Default or Event of Default shall, at the option of the Issuer, be (A) 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 the 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), or (B) the date of consummation of any such transaction. For the avoidance of doubt, (x) if any of such baskets or ratios are determined to be in compliance under sub-clause (A) above and are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Consolidated Net Income, Consolidated EBITDA of the Issuer or arising from an asset or a target company subject to such transaction) subsequent to such date of determination and at or prior to the consummation of the relevant transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transaction is permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such transaction or related transactions; provided that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement pursuant to sub-clause (A) above, 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 into 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 pursuant to sub-clause (A) above, such basket or ratio shall be deemed utilized to the same extent until the earlier of the date of consummation of such transaction or the date such transaction is terminated or expires without consummation, except that in the case of an acquisition, merger or consolidation, any calculation of Consolidated EBITDA for purposes other than Incurrences of Indebtedness or Liens or the making of Restricted Payments (not related to such acquisition, merger or consolidation) shall not reflect such transaction until it has been consummated.

For any relevant financial covenant or financial ratio or Incurrence-based permission, test, basket or threshold in the Indenture (each, an "*Applicable Metric*") set by reference to a fiscal year, a calendar year, a four-quarter period (including Relevant Testing Period) or any other similar annual period (each an "*Annual Period*"):

(i) at the option of the Issuer, the maximum amount so permitted under such Applicable Metric during such Annual Period may be increased by: (A) an amount equal to 100% of the difference (if positive) between the permitted amount in the immediately preceding Annual Period and the amount thereof actually used or applied by the Issuer during such preceding Annual Period (the "*Carry Forward Amount*"); and/or (B) an amount equal to 100% of the permitted amount in the immediately following Annual Period and the permitted amount in such immediately following Annual Period shall be reduced by such corresponding amount (the "*Carry Back Amount*"); and

(ii) to the extent that the maximum amount so permitted under such Applicable Metric during such Annual Period is increased in accordance with clause (i) above, any usage of such Applicable Metric during such Annual Period shall be deemed to be applied in the following order: (A) first, against the Carry Forward Amount; (B) second, against the maximum amount so permitted during such Annual Period prior to any increase in accordance with clause (i) above; and (C) third, against the Carry Back Amount.

**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, which continues 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 30% in principal amount of the outstanding Notes with their respective agreements contained in the Indenture (other than a default in performance or breach of a covenant or agreement which is specifically dealt with in clauses (1) or (2) above);

(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, 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 or any other applicable reporting entity under the covenant described under " *—Certain Covenants—Reports*"), 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 or any other applicable reporting entity under the covenant described under "*—Certain Covenants—Reports*"), 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 (i) in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture or (ii) caused by the action or inaction of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €20.0 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 Security Interest created thereunder shall be declared invalid or unenforceable or the Issuer or a Guarantor, as applicable, shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days; and

(8) any Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee, the Indenture, the Intercreditor Agreement or an Additional Intercreditor Agreement) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Guarantee and any such Default continues for 10 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 at least 30% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the Default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such Default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 30% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable.

Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) above has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (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 non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the applicable Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of not less than a majority in principal amount of the outstanding Notes under the Indenture by notice to the Trustee may, on behalf of all Holders, waive all past or existing Defaults or Events of Default (except with respect to non-payment of principal, premium, interest or Additional Amounts, if any, which may only be waived with the consent of Holders holding not less than 75% of the then outstanding aggregate principal amount of Notes) 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.

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 30% 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 not less than a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing of which a responsible officer of the Trustee has written notice, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the holders 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 or Event of 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 a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year (beginning with the first fiscal year ending after the Issue Date), an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*—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 provides for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

**Amendments and Waivers**

Subject to certain exceptions and subject to compliance with the provisions described in "*—Meetings of Holders of Notes*" below, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of such Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such 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, the Notes); provided that (x) if any such amendment, supplement or waiver will only affect one series of Notes (or less than all series of Notes) then outstanding under the Indenture, then only the consent of the Holders of at least a majority in principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall be required and (y) if any such amendment, supplement or waiver by its terms will affect a series of Notes in a manner that is different from and materially adverse relative to the manner in which such amendment, supplement or waiver affects other series of Notes, then the consent of the Holders of at least a majority in principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall also be required. However, without the consent of Holders holding not less than 75% of the 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 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 such Note;

(3) reduce the principal of or extend the Stated Maturity of any such Note;

(4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case, as described above under "*—Optional Redemption*;"

(5) make any such Note payable in money other than that stated in such 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 "*—Additional Amounts*" 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 of the Security Interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Indenture;

(9) waive a Default or Event of Default with respect to the non-payment of principal, premium or interest or Additional Amounts, if any, on such Notes (except pursuant to a rescission of acceleration of such 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 of the Guarantors from any of their obligations under their respective Guarantees or the Indenture, except in accordance with the terms of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence,

*provided that* (x) if any such amendment, supplement or waiver will only affect one series of Notes (or less than all series of Notes) then outstanding under the Indenture and does not or would not affect holders of the Notes generally, then only the consent of the holders of not less than 75% in principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall be required and (y) if any such amendment, supplement or waiver by its terms will affect a series of Notes in a manner that is different from and materially adverse relative to the manner in which such amendment, supplement or waiver affects other series of Notes, then the consent of the Holders of not less than 75% in principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall also be required.

Notwithstanding the foregoing, without the consent of any Holder of any series of Notes, the Issuer, any Guarantor, 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 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 a member of Senior Management) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or "*—Certain Covenants—Additional Guarantees*," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any 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 Guarantees, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, a Guarantee, the Intercreditor Agreement, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or the Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a Lien 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 Lien is required to be granted to the Security Agent, or to the extent necessary to grant a Lien in the Collateral for the benefit of any Person; provided that the granting of such Lien 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 Interests*" is complied with; or

(10) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*" or "*—Certain Covenants— Impairment of Security Interests*."

Notwithstanding anything to the contrary in the paragraph above, in order to effect an amendment pursuant to subsections (3) and (6) in respect of providing for a Guarantee, it shall only be necessary for the supplemental indenture or Guarantee of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee.

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 Official List of 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 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.

**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 Security Documents, 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, its Restricted Subsidiaries' obligations under the covenants described under "*—Certain Covenants*" (other than clauses (1) and (2) of "*—Certain Covenants—Merger and Consolidation—The Issuer*") and "*—Change of Control*" and the default provisions relating to such covenants described under "*—Events of Default*," 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*" ("*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—The Issuer*"), (4), (5) (with respect only to Significant Subsidiaries), (6), (7) or (8) under "*—Events of Default*."

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated by the Trustee for this purpose) cash in euros or euro- denominated European Government Obligations or a combination thereof in an amount sufficient 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; and

(4) 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 such Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all such Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity directed, selected or designated by the Trustee for this purpose), euro or euro- denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee, the Paying Agent or other entity directed, designated or selected by the Trustee, as applicable, to apply the funds deposited towards the payment of such Notes at Stated Maturity or on the redemption date, as the case may be; provided that, if requested by the Issuer, the Trustee, the Paying Agent or other entity directed, designated or selected by the Trustee, as applicable, may distribute any amounts deposited in trust to the Holders prior to the maturity or the redemption date, as the case may be, *provided, however*, that the Holders shall have received at least five Business Days' notice from the Issuer of such earlier repayment date (which notice may be contained in the notice of redemption); 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), (3) and (4)).

For the avoidance of doubt, the distribution and payments to Holders prior to the maturity or redemption date as set forth above will not include any negative interest, present value adjustment, break cost or any other premium on such amounts. The Trustee and the Paying Agent shall not be liable to any Person for the distribution of funds to Holders early as described in this paragraph.

**Meetings of Holders of Notes**

All meetings of Holders of each series 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 "—*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 Guarantees and the Collateral—The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes or the relevant series of Notes, as the case may be*." Any resolution duly passed at any such meeting shall be binding on all the holders 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 "—*Amendments and Waivers*." As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this "—*Meeting of Holders of Notes*" must also comply with the other provisions described under "—*Amendments and Waivers*."

**Security Representative and Noteholders' Representative**

Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of the Notes of the initial appointment as of the Issue Date of UniCredit S.p.A., as representative (*rappresentante*) pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code (the "*Security Representative*") in order to create and grant in its favor security interests and guarantees securing and guaranteeing the Notes and entitle it to exercise in the name and on behalf of the Holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to such security interests and guarantees. Pursuant to the terms of the Indenture each holder of the Notes from time to time, by accepting a Note, shall be deemed to have agreed to, and accepted, the appointment of UniCredit S.p.A., as Security Representative.

Moreover, a representative of the Holders of the Notes (*rappresentante comune*) (the "*Noteholders' Representative*") may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the Holders of the Notes in order to represent the interests of the Holders of the Notes pursuant to Article 2418 of the Italian

Civil Code as well as to give effect to resolutions passed at a meeting of the Holders of the Notes. Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of the Notes of the initial appointment as of the Issue Date of The Law Debenture Trust Corporation 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.

**No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Issuer, any Guarantor 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 of which a responsible officer of the Trustee has written notice, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than 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 losses, liabilities and 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 Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices with respect to the Notes will be published on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*). All notices to Holders of Notes will be validly given if mailed to them at their respective addresses in the register of the Holders of the Notes, if any, maintained by the Registrar. However, 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 in accordance with the rules and procedures of Euroclear and Clearstream, as applicable, in lieu of the aforesaid mailing. Such notices may instead be published by the Issuer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxembourger*

*Wort*) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; provided that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

**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 under or in connection with the Notes and the relevant Guarantees, as the case may be, 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 will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase.

For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, subject to the provisions set forth in "—*Financial Calculations*" above, 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, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower euro equivalent) or made, as the case may be.

**Enforceability of Judgments**

Since substantially all of the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

**Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Guarantees, the Issuer and each Guarantor 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. The Indenture will provide that the Issuer and each Guarantor will appoint Law Debenture Corporate Services Inc., as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees brought in any U.S. Federal or New York State court located in the City of New York.

### Governing Law

The Indenture, the Notes and the Guarantees, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales. The Security Documents will be governed by the applicable local laws of the jurisdiction under which the Liens over the Collateral are granted, which for the Initial Collateral will be Italy, the United States, England and Wales, France and Germany.

### 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 Indenture.

"*Applicable Premium*" means, with respect to any Note the greater of:

(i) 1% of the principal amount of such Note; and

(ii) the excess (to the extent positive) of:

   (A) the present value at such redemption date of (1) the redemption price of such Note at May 15, 2023 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "*—Optional Redemption*" (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such Note to and including May 15, 2023 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

   (B) the outstanding principal amount of such Note, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, the Paying Agent, the Transfer Agent or the Registrar.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of the Issuer or a Subsidiary of the Issuer (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any 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 shall be deemed not 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;

(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;

(6) an issuance or transfer 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 or ratified by the Board of Directors of the Issuer or such Restricted Subsidiary or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer) of less than the greater of €10.0 million and 17.9% of Consolidated EBITDA;

(8) any Restricted Payment that is permitted to be made, and is made, 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, leases, transfers or other dispositions to the extent the proceeds thereof are used to make Restricted Payments, Permitted Payments or Permitted Investments;

(9) the granting of Liens not prohibited under "*—Certain Covenants—Limitation on Liens*;"

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing, sub-licensing or assignment of intellectual property or other general intangibles, licenses, sub-licenses, leases, subleases or assignments of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables and related assets in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets (including personnel) to a Person who is providing services related to, or with the contribution of, 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 or a member of Senior Management shall certify that in the opinion of the Board of Directors or such member of Senior Management, as applicable, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole);

(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 not prohibited by the covenant described under "*—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 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; and

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to Sale and Leaseback Transactions, asset securitizations and other similar financings permitted by the Indenture.

In the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Disposition and would also be a Permitted Investment or an Investment permitted under " *—Certain Covenants—Limitation on Restricted Payments*," the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or such portion thereof) as an Asset 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.

"*Bank Products*" means any facilities or services related to treasury and/or cash management, cash pooling, treasury, depository, overdraft, BACS, CHAPS, payment lines, processing, credit or debit card, purchase card, returned check concentration, electronic funds transfer, daylight exposures, open credits, contingent obligation lines, letters of credit, clearing of and the collection of cheques, deposits and direct debits, account reconciliation and reporting, cash, or other cash management and cash pooling arrangements.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, 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). References to "Board of Directors" shall be construed to mean "Board of Directors" of the Issuer unless expressly stated otherwise.

"*Bund Rate*" as selected by the Issuer, 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 by the Board of Directors or a member of Senior Management in good faith)) most nearly equal to the period from the redemption date to May 15, 2023; *provided, however*, that if the period from the redemption date to May 15, 2023 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to May 15, 2023 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 Luxembourg, Milan, Italy or London, United Kingdom are authorized or required by law to close; *provided, however*, that for any payments to be made to the Holders in euro under the Indenture, such day shall also be a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open for the settlement of payments in euro.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means, in relation to any determination under the Indenture, an obligation that is required to be classified and accounted for as a finance lease or a capitalized lease for financial reporting purposes on the basis of IAS 17 (Leases), or as the case may be and subject to (as applicable) the Election Option, as lease liabilities on the balance sheet in accordance with IFRS 16 (Leases). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, subject to the Election Option, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully guaranteed or insured by the United Kingdom, the United States or Canadian governments, a Permissible Jurisdiction, the European Union, Switzerland or Norway or, in each case, any agency or instrumentality thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar 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 of issue or held by any lender party to the Revolving Credit Facility Agreement or by any bank or trust company (a) whose commercial paper is rated at least "A-3" or the equivalent thereof by S&P or at least "P-3" or the equivalent thereof by Moody's or at least "F-3" or an equivalent thereof by Fitch (or if at the time none of the foregoing is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-3" or the equivalent thereof by S&P, at least "P-3" or the equivalent thereof by Moody's or at least "F-3" or an equivalent by Fitch or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if each of the three named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by the United Kingdom, the United States, the European Union, any state of the United States of America, Canada or 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 higher from Fitch (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;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB–" or higher from S&P, "Baa3" or higher from Moody's or "BBB–" or higher from Fitch (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

(7) bills of exchange issued in the United Kingdom, 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);

(8) with respect to a jurisdiction in which (a) the Issuer or a Restricted Subsidiary conducts its business or is organized and (b) it is not commercially practicable to make investments in clauses (1), (2) or (3) of this definition, certificates of deposit, time deposits, recognized time deposits, overnight bank deposits or bankers' acceptances with any bank, trust company or similar entity, which would rank, in terms of

combined capital and surplus and undivided profits or the ratings on its long term debt, among the top five banks in such jurisdiction, in an amount not to exceed cash generated in or reasonably required for operation in such jurisdiction;

(9) interests in any investment company, money market or enhanced high yield fund at least 95% of the assets of which constitute cash or Cash Equivalents of the kinds described in any other paragraph of this definition; 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 Issue Date.

"*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 being or becoming the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders,

*provided* that, in each case, a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer becoming a direct or indirect wholly owned subsidiary of another company if (i) the direct or indirect holders of the Voting Stock of such other company immediately following that transaction are substantially the same as the holders of the Issuer's Voting Stock immediately prior to that transaction or (ii) immediately following that transaction no Person (other than (x) one or more Permitted Holders and/or (y) one or more companies satisfying the requirements of this provision) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such other company, and (b) the right to acquire Voting Stock (so long as such Person does not have the right to direct the voting of the Voting Stock subject to such right) or any veto power in connection with the acquisition or disposition of Voting Stock or other corporate actions will not cause a party to be a beneficial owner.

"*Clearstream*" means Clearstream Banking, S.A., or any successor securities clearing agency.

"*Collateral*" has the meaning ascribed to that term under "*—Security—General*."

"*Commodity Hedging Agreement*" 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.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income of the Issuer for such period, plus the following to the extent deducted or, in the case of clauses (13) and (14) below, not included, in calculating such Consolidated Net Income:

(1) Fixed Charges for such period (including (x) net losses on any Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate, currency or commodities risk, (y) bank fees and (z) costs of surety bonds in connection with financing activities), plus amounts excluded from the definition of "Consolidated Interest Expense" pursuant to clauses (i) through (iii);

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization or impairment expense, including goodwill, or provisions for bad debt;

(5) any expenses, charges 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, including earn-outs), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including any such fees, expenses or charges related to the Refinancing), in each case, as determined in good faith by the Board of Directors or a member of Senior Management;

(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, expenses, 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 non-recurring items and the amount of any restructuring charges, accruals, or reserves and any integration costs, 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 the Issuer 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 receivables in connection with any Qualified Receivables Financing or any other receivables financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period;

(12) any acquisitions, dispositions or restructuring, reorganization, outsourcing or cost saving initiatives, business optimization expenses and other restructuring charges, expenses, accruals or reserves (which shall include, without limitation, retention, severance, systems establishment cost, expenses relating to pensions including service costs and pension interest costs, contract termination costs, including future lease commitments, integration costs, transition costs, costs related to the start-up, closure, relocation or consolidation of facilities and costs to relocate employees), startup costs for new businesses and branding or re-branding of existing businesses, any costs associated with non-ordinary course tax projects and audits, signing, retention or completion bonuses, and any fees and expenses relating to any of the foregoing; and

(13) the reasonably anticipated full run rate effect of synergies, cost savings, operating expense reductions, restructuring charges and expenses (as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting) projected to result from actions taken or expected to be taken by the Issuer or its Restricted Subsidiaries within 18 months 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 (A) such synergies, cost savings, operating expense reductions, restructuring charges and expenses are reasonably identifiable and factually supportable, (B) such synergies, cost savings, operating expense reductions, restructuring charges and expenses are not duplicative of any cost savings, reductions or synergies already included for such period and (C) the aggregate amount of such synergies, cost savings, operating expense reductions, restructuring charges and expenses that may be included pursuant to this clause (13) in such calculation of Consolidated EBITDA for any Relevant Testing Period may not exceed 25% of Consolidated EBITDA (calculated after fully taking into account any adjustments to be made by the Issuer pursuant to this definition of "Consolidated EBITDA") for such Relevant Testing 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 for the Relevant Testing Period, in each case with such *pro forma* adjustments giving effect to such Indebtedness, acquisition or Investment, as applicable, since the start of such Relevant Testing Period and as are consistent with the *pro forma* adjustments set forth in the definition of "Fixed Charge Coverage Ratio" and in accordance with the provisions under "*—Financial Calculations*"; *provided* that, for any Relevant Testing Period occurring prior to the availability of

accounts for the month or fiscal quarter ending June 30, 2022, the Consolidated EBITDA of the Issuer shall be the Specified Testing EBITDA; *provided further* that the Specified Testing EBITDA shall not apply to testing in respect of the Consolidated Net Leverage Ratio pursuant to clause (18) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Restricted Payments*."

"*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 (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings;

(5) 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);

(6) 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;

(7) the consolidated interest expense that was capitalized during such period; and

(8) 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 the Issuer appearing upon the balance sheet of the Issuer solely by reason of push down accounting under IFRS, (iv) any Additional Amounts with respect to the Notes or other similar tax gross-up on any Indebtedness (including, without limitation, under any Credit Facility), which is included in interest expenses under IFRS, (v) any interest expense related to a guarantee of Indebtedness of a Parent Incurred in compliance with the Indenture to the extent that the interest expense of any proceeds loan related thereto is included in the calculation of Consolidated Interest Expense in an equal or greater amount, (vi) any capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding and (vii) any commissions, discounts, yield and other fees and charges related to factoring, receivables or securitization financings in each case on a non-recourse (*pro soluto*) basis.

"*Consolidated Leverage*" means the sum of the aggregate outstanding Indebtedness and the Reserved Indebtedness Amount of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations and excluding Indebtedness Incurred pursuant to clause (4)(b) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and any Refinancing Indebtedness in respect thereof).

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries for such period determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or which could have been distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(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 or a Guarantor that holds the equity interests in such Restricted Subsidiary 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 and the Indenture, (c) contractual restrictions in effect on the Issue Date (including pursuant to the Revolving Credit Facility Agreement and the Intercreditor Agreement) 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, and (d) restrictions permitted under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*"), except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary (including by way of a loan) during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or loan to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale, abandonment or other disposition of any asset or disposed or discontinued operations of the Issuer or any Restricted Subsidiaries (including pursuant to any Sale and Leaseback Transaction) which is not sold, abandoned or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors or a member of Senior Management);

(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 Refinancing (or any investments), acquisition costs, integration and facilities' opening costs and other business optimization costs and expenses and operating improvements, system establishment, software or information technology implementation or development costs (for the avoidance of doubt, such system establishment, software or information technology implementation or development costs shall relate to general operating costs of the business and shall not relate to costs associated with the development or provision of products or services), costs related to closure, consolidation or disruption of facilities, internal costs in respect of strategic initiatives, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events), contract terminations and professional and consulting fees Incurred with any of the foregoing;

(5) any fees and expenses (including any transaction or retention bonus or similar payment) Incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, disposition of assets or securities, issuance or repayment of Indebtedness, issuance of Capital Stock, refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to the Issue Date and any such transaction undertaken but not completed) and any charges or non-recurring merger costs Incurred during such period as a result of any such transaction, in each case whether or not successful;

(6) the cumulative effect of a change in law, regulation or accounting principles;

(7) 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*;"

(8) 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;

(9) 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;

(10) 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;

(11) 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;

(12) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Refinancing or any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries;

(13) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and

(14) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Net Leverage*" means Consolidated Leverage less the amount of cash and Cash Equivalents that is stated on the consolidated balance sheet of the Issuer as of such date in accordance with IFRS.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) the Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA of the Issuer for the Relevant Testing Period. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes, amends or reprices, replaces, exchanges or otherwise discharges any Indebtedness and Indebtedness Incurred under any revolving credit facility (unless such Indebtedness has been permanently repaid and has not been replaced) subsequent to the commencement of the Relevant Testing Period but prior to or simultaneously with the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "*CNLR Calculation Date*") or has caused any Reserved Indebtedness Amount to be deemed to be Incurred during such period, then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect to such Incurrence, deemed Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment, amendment, repricing, replacement, exchange or other discharge of Indebtedness, and the use of proceeds therefrom, as if the same had occurred at the beginning of the Relevant Testing Period; *provided, however*, that the *pro forma* calculation of Consolidated Net Leverage shall not give effect to (i) any Indebtedness Incurred on the CNLR Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the CNLR 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 each case other than for the purposes of the calculation of (x) the Consolidated Net Leverage Ratio in connection with the making of any Restricted Payment pursuant to clause (18) of the second paragraph under "*—Certain Covenants—Limitation on Restricted Payments*" and (y) the Consolidated Senior Secured Net Leverage Ratio pursuant to clause (2)(d) of the definition of "Permitted Collateral Liens").

Whenever *pro forma* effect is to be given to any transaction or calculation, the *pro forma* calculations shall be as determined in good faith by a responsible accounting or financial officer of the Issuer (and may include the reasonably anticipated full run rate effect of synergies, cost savings, operating expense reductions, restructuring charges and expenses), including, without limitation, as a result of, or that would result from any actions taken, committed to be taken or with respect to which substantial steps have been taken or any actions reasonably expected to be taken, by the Issuer or any Restricted Subsidiary within 18 months, including, without limitation, in connection with any synergies, cost savings, operating expense reductions, restructuring charges and expenses or in connection with any transaction, Investment, acquisition, disposition, restructuring, corporate reorganization or otherwise 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 (A) such synergies, cost savings, operating expense reductions, restructuring charges and expenses are reasonably identifiable and factually supportable, (B) such synergies, cost savings, operating expense reductions, restructuring charges and expenses are not duplicative of any cost savings, reductions or synergies already included for such period and (C)

the aggregate amount of such synergies, cost savings, operating expense reductions, restructuring charges and expenses that may be included pursuant to this definition of Consolidated Net Leverage Ratio in such calculation of the Consolidated Net Leverage Ratio as of any CNLR Calculation Date may not exceed 25% of Consolidated EBITDA (calculated after fully taking into account any adjustments to be made by the Issuer pursuant to the definition of "Consolidated EBITDA") for such Relevant Testing Period.

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(1) acquisitions and Investments (each, 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 Relevant Testing Period or subsequent to such Relevant Testing Period and on or prior to the CNLR Calculation Date, or that are to be made on the CNLR Calculation Date, will be given *pro forma* effect as if they had occurred on the first day of the Relevant Testing 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 Relevant Testing Period will be calculated after giving *pro forma* effect to such Purchase as if such Purchase had occurred on the first day of such Relevant Testing 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 CNLR Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of the Relevant Testing Period;

(3) any Person that is a Restricted Subsidiary on the CNLR Calculation Date will be deemed to have been a Restricted Subsidiary at all times during the Relevant Testing Period; and

(4) any Person that is not a Restricted Subsidiary on the CNLR Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during the Relevant Testing Period.

When calculating Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, *pro forma* adjustments may be taken into account in the manner set forth above, in the definition of "Fixed Charge Coverage Ratio" and in accordance with the provisions under "*—Financial Calculations*."

"*Consolidated Senior Secured Net Leverage*" means the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries less the amount of cash and Cash Equivalents that is stated on the consolidated balance sheet of the Issuer as of such date in accordance with IFRS.

"*Consolidated Senior Secured Net Leverage Ratio*" means the Consolidated Net Leverage Ratio, but calculated by excluding all Indebtedness other than Senior Secured Indebtedness and excluding the Reserved Indebtedness Amount that, upon Incurrence, would not constitute Senior Secured Indebtedness.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease (subject, as applicable, to the Election Option), dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

    (a) for the purchase or payment of any such primary obligation; or

    (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any of its Restricted Subsidiaries, one or more debt facilities, arrangements, instruments, trust deeds 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, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement or arrangement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors or an Officer) 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 would not be prohibited under "*—Certain Covenants—Limitation on Restricted Payments*." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible

or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Offering*" means (x) a sale of Capital Stock of a Parent, the Issuer or a Restricted Subsidiary (other than to the Issuer or its Subsidiaries) (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person (other than to the Issuer or its Subsidiaries), the proceeds of which are contributed as Subordinated Shareholder Funding or capital contribution or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Parent Debt Contribution) of the Issuer or any of its Restricted Subsidiaries, in each case after the Issue Date.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent 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 in accordance with the terms of the applicable escrow arrangement.

"*euro equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer, 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 a member of Senior Management) 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 or that is directly issued by an instrumentality of the European Union, for the payment of which the full faith and credit 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 the European Union as of the Issue Date.

"*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 (a) the Net Cash Proceeds or fair market value of property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer after the Issue Date, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer and not constituting Excluded Amounts and (b) an amount equivalent to the Net Cash Proceeds originally received by the Issuer in connection with the Shareholder Loan.

"*fair market value*" wherever such term is used in this "*Description of the Notes*" or the Indenture (except in relation to an enforcement action or distressed disposal 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 setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fitch*" means Fitch Ratings Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Fixed Charge Coverage Ratio*" means, with respect to any Person on any determination date, the ratio of Consolidated EBITDA of such Person to the Fixed Charges of such Person for the Relevant Testing Period. In

the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes, amends or reprices, replaces, exchanges or otherwise discharges any Indebtedness and Indebtedness Incurred under any revolving credit facility (unless such Indebtedness has been permanently repaid and has not been replaced) subsequent to the commencement of the Relevant Testing Period but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*FCCR Calculation Date*") or has caused any Reserved Indebtedness Amount to be deemed to be Incurred during such period, then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect to such Incurrence, deemed Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment, amendment, repricing, replacement, exchange or other discharge of Indebtedness, and the use of proceeds therefrom, as if the same had occurred at the beginning of the Relevant Testing Period; *provided, however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Fixed Charges attributable to Indebtedness Incurred on the FCCR Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" or (ii) Fixed Charges attributable to any Indebtedness discharged on such FCCR Calculation Date 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 each case other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder). Whenever *pro forma* effect is to be given to any transaction or calculation, the *pro forma* calculations shall be as determined in good faith by a responsible accounting or financial officer of the Issuer (and may include the full reasonably anticipated run rate effect of synergies, cost savings, operating expense reductions, restructuring charges and expenses), including, without limitation, as a result of, or that would result from any actions taken, committed to be taken or with respect to which substantial steps have been taken or any actions reasonably expected to be taken, by the Issuer or any Restricted Subsidiary within 18 months, including, without limitation, in connection with any synergies, cost savings, operating expense reductions, restructuring charges and expenses or in connection with any transaction, Investment, acquisition, disposition, restructuring, corporate reorganization or otherwise 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 (A) such synergies, cost savings, operating expense reductions, restructuring charges and expenses are reasonably identifiable and factually supportable, (B) such synergies, cost savings, operating expense reductions, restructuring charges and expenses are not duplicative of any cost savings, reductions or synergies already included for such period and (C) the aggregate amount of such synergies, cost savings, operating expense reductions, restructuring charges and expenses that may be included pursuant to this definition of Fixed Charge Coverage Ratio in such calculation of the Fixed Charge Coverage Ratio for any FCCR Calculation Date may not exceed 25% of Consolidated EBITDA (calculated after fully taking into account any adjustments to be made by the Issuer pursuant to the definition of "Consolidated EBITDA") for such Relevant Testing Period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments (each, 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 Relevant Testing Period or subsequent to such Relevant Testing Period and on or prior to the FCCR Calculation Date, or that are to be made on the FCCR Calculation Date, will be given *pro forma* effect as if they had occurred on the first day of the Relevant Testing 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 Relevant Testing Period will be calculated after giving *pro forma* effect to such Purchase as if such Purchase had occurred on the first day of such Relevant Testing 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 FCCR Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of the Relevant Testing Period;

(3) the Fixed Charges 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 FCCR Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of the Relevant Testing Period, but only to the

extent that the obligations giving rise to such Fixed Charges will not be obligations of the Issuer or any of its Restricted Subsidiaries following the FCCR Calculation Date;

(4) any Person that is a Restricted Subsidiary on the FCCR Calculation Date will be deemed to have been a Restricted Subsidiary at all times during the Relevant Testing Period;

(5) any Person that is not a Restricted Subsidiary on the FCCR Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during the Relevant Testing 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 FCCR Calculation Date had been the applicable rate for the entire Relevant Testing Period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the FCCR Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness);

(7) interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the Relevant Testing Period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Issuer may designate; and

(8) subject to the Election Option, interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by an Officer of the Issuer responsible for accounting or financial reporting to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

When calculating the Fixed Charge Coverage Ratio, *pro forma* adjustments may be taken into account in the manner set forth above and in accordance with the provisions under "—*Financial Calculations*."

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; plus

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Disqualified Stock or Preferred Stock payable to the Issuer or a Restricted Subsidiary; plus

(3) Fixed Charges that would have arisen from the Reserved Indebtedness Amount had such Reserved Indebtedness Amount been Incurred as of the date of its classification as a Reserved Indebtedness Amount.

"*guarantee*" means any guarantee or obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided, however*, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"*Guarantee*" means the guarantee by each Guarantor of any obligations of the Issuer under the Notes and the Indenture.

"*Guarantor*" means the Initial Guarantors and any other person who Guarantees the Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) 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, as in effect on the Issue Date, or, solely, with respect to the covenant described under the heading "*—Certain Covenants—Reports*," as in effect from time to time; provided that:

(1) except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS will be computed in accordance with IFRS as in effect on the Issue Date;

(2) at any time after the Issue Date, the Issuer may elect to implement any new measures or other changes to IFRS in effect on or prior to the date of such election; and

(3) notwithstanding any of the foregoing or any other provision of the Indenture, in relation to the making of any determination or calculation under the Indenture, the Issuer may elect (the "Election Option"), from time to time, either (i) to apply IFRS 16 (Leases) or (ii) to apply IAS 17 (Leases) to the making of such determination or calculation (provided that for the avoidance of doubt, in connection with any determination hereunder which is based upon the calculation of more than one component, including any determination in respect of the Fixed Charge Coverage Ratio, Consolidated Senior Secured Net Leverage Ratio and Consolidated Net Leverage Ratio, all such components shall be calculated on a consistent basis, applying the same accounting standard).

"*Incur*" means issue, create, assume, enter into any guarantee of, Incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person 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 (the amount of such Indebtedness being equal to 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) and (b) the amount of such Indebtedness of such other Persons);

(8) guarantees by such Person of the principal component of Indebtedness of other Persons to the extent guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the 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) if the Issuer elects to apply IAS 17 (Leases) pursuant to the Election Option, any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IFRS, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, or (iv) obligations under any license, permit or other approval (or guarantees given in respect of such obligations) Incurred prior to the Issuer Date, in the ordinary course of business or consistent with past practice, (v) any asset retirement obligation .

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), (8) or (9) 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. Indebtedness represented by loans, notes or other debt instruments shall not be included to the extent funded with the proceeds of Indebtedness which the Issuer or any Restricted Subsidiary has guaranteed or for which any of them is otherwise liable and which is otherwise included.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) (a) Contingent Obligations Incurred in the ordinary course of business, (b) obligations under or in respect of Qualified Receivables Financings and (c) accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(ii) 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 due and payable, the amount is paid within 30 days thereafter; or

(iii) 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 or under any Tax Sharing Agreement.

"*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 Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or Restricted Subsidiary or any successor of the Issuer or any Parent or Restricted Subsidiary (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the intercreditor agreement dated on or about the Issue Date by and among, inter alios, the Issuer, 3Cime S.p.A., 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 final paragraph of the covenant described under "*—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 a member of Senior Management.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction, the United Kingdom, the European Union, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB-" or higher from S&P, "Baa3" or higher by Moody's or "BBB-" or higher from Fitch or the equivalent of such rating by such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the 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 above.

"*Investment Grade Status*" shall occur when all of the Notes receive any two of the following: (1) a rating of "BBB-" or higher from S&P; (2) a rating of "Baa3" or higher from Moody's; and (3) a rating of "BBB-" or higher from Fitch, or the equivalent of such rating by either such rating organization or, if no rating of Moody's, S&P or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

"*IPO Entity*" has the meaning given to it in the definition of Initial Public Offering.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means May 27, 2021.

"*Italian Civil Code*" means the Italian civil code (*codice civile*), enacted by Royal Decree No. 262 of March 16, 1942, as subsequently amended and supplemented.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Advances*" means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any 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 the greater of €2.5 million and 4.5% of Consolidated EBITDA in the aggregate outstanding at any time.

"*Management Investors*" means the managers, officers, (executive and non-executive) directors, employees and other members of the management of or consultants to any Parent, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer, any Restricted Subsidiary or any Parent.

"*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) of the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment 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*" means, with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, 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 arrangements).

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Offering Memorandum*" means the offering memorandum dated May 19, 2021 relating to the Initial 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, the Chief Accounting Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an Officer for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"*PAI Investors*" means: (1) any fund or limited partnership or equivalent directly or indirectly managed or advised by PAI partners S.A.S. or any of its affiliated advisory entities; (2) the respective Affiliates or direct or indirect Subsidiaries or other entities, in respect of which any fund or partnership referred to in clause (1) of this definition individually or in the aggregate controls a majority of the issued Voting Rights, or any trust, fund, company or partnership or equivalent directly or indirectly owned, controlled, managed or advised by PAI partners S.A.S. or any of its affiliated advisory entities; or (3) any entity (a) directly or indirectly controlled by all or substantially all of the managing directors of a fund or other entity referred to in clause (1) or (2) of this definition or PAI partners S.A.S. from time to time or (b) formed pursuant to the alternative investment vehicle provisions in the PAI partners S.A.S. fund partnership documentation for PAI Strategic Partnerships SCSp and its affiliated fund vehicles, and shall, for the avoidance of doubt, include any Special Purpose Vehicle, excluding, in each case, the Issuer and its Subsidiaries and any other PAI partners S.A.S. portfolio company.

"*Parent*" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Debt Contribution*" means a contribution to the Issuer or any of its Restricted Subsidiaries in the form of equity, funding the issuance or sale of Capital Stock of the Issuer or any Restricted Subsidiary or Subordinated Shareholder Funding or otherwise on lent as a proceeds loan to the Issuer or any of its Restricted Subsidiaries pursuant to which dividends, loans, distributions, advances or other payments may be paid pursuant to clause (17) of the second paragraph under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses, audit and accounting costs) incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act or the Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person or applicable law to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees, costs and expenses payable by any Parent in connection with the Refinancing;

(5) general corporate overheads, fees, costs and expenses including (a) professional and advisory fees and expenses, regulatory costs and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries and the entering into of related shareholders' agreements and the management of indirect ownership in Associates in which the Issuer or any of its Restricted Subsidiaries has an Investment, (b) with respect to any litigation or other dispute relating to the Refinancing or the ownership of the Issuer or any of its Restricted Subsidiaries, 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, directors, officers and employees of such Parent, (d) customary salary, bonus, severance and other benefits payable to current or former directors, officers, members of management, managers, employees or consultants (or any immediate family member thereof) of any Parent plus any reasonable and customary indemnification claims made by current or former directors, officers, members of management, managers, employees or consultants of any Parent, to the extent such salary, bonuses, severance and other benefits or claims in respect of any of the foregoing are directly attributable and reasonably allocated to the ownership or operations of such Parent, (e) to reimburse reasonable out-of-pocket expenses of the Board of Directors of such Parent and (f) insurance premiums to the extent relating to such Parent, the Issuer or any of its Restricted Subsidiaries;

(6) other fees, expenses and costs relating directly or indirectly to the ownership of or to activities or management of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Refinancing or an Equity Offering 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 €2.5 million and 4.5% of Consolidated EBITDA 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 to the extent attributable to the income of such Unrestricted Subsidiaries;

(8) fees, costs and expenses (including, without limitation, in respect of underwriting, commitment or arrangement) Incurred by any Parent in connection with any actual or contemplated public offering or other sale of Capital Stock or Indebtedness: (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary, (y) 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 (z) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(9) costs and expenses equivalent to those set out in clauses (1) to (8) above with respect to a Special Purpose Vehicle.

"*Pari Passu Indebtedness*" means Indebtedness of the Issuer or any Restricted Subsidiary that is a Guarantor which does not constitute Subordinated Indebtedness and is secured by a Lien on the Collateral on a senior or *pari passu* basis with the Notes.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium and Additional Amounts, if any) or interest on any Note on behalf of the Issuer.

"*Permissible Jurisdiction*" means any member state of the European Union as of the Issue Date.

"*Permitted Asset Swap*" means the substantially concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash or Cash Equivalents or Temporary Cash Investments between the Issuer or any of its Restricted Subsidiaries and another Person; provided that any Net Cash Proceeds received by the Issuer or a Restricted Subsidiary in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*Limitation on Sales of Assets and Subsidiary Stock*" (to the extent required pursuant to such covenant).

"*Permitted Collateral Liens*" means:

(1) Liens on the Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (13), (14), (17), (18), (19), (20), (21), (23) and (24) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(2) Liens on the Collateral to secure:

(a) Indebtedness that is permitted to be Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*," *provided* that if such Lien is *pari passu* with the Liens securing the Notes or the relevant Guarantees, after giving *pro forma* effect to such Incurrence on that date and the application of proceeds therefrom, the Consolidated Senior Secured Net Leverage Ratio would have been no greater than 5.25 to 1.0;

(b) 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;

(c) 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 another clause of this definition of Permitted Collateral Liens;

(d) Indebtedness described under clause (5) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*;" *provided* that, in the case of clause (5), after giving *pro forma* effect to such Incurrence at the time of the acquisition or other transaction pursuant to which such Indebtedness was Incurred, (i) the Consolidated Senior Secured Net Leverage Ratio would have been no greater than 5.25 to 1.0 or (ii) the Consolidated Senior Secured Net Leverage Ratio would have been no greater than it was immediately prior to giving effect to such acquisition or transaction, the Incurrence of such Indebtedness and the application of the proceeds thereof on a *pro forma* basis;

(e) Indebtedness described under clauses (4)(a)(x) and 4(b) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*;"

(f) 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;

(g) Indebtedness described under clauses (7)(a) (other than with respect to Capitalized Lease Obligations), (11), (13) or (15) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*;"

(h) Indebtedness secured on a junior priority basis to the Notes and the Guarantees; and

(i) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a) to (h) and this clause (i),

*provided* that each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; provided, further that subject to the Agreed Security Principles, all property and assets (including, without limitation, the Collateral) of the Issuer or any Restricted Subsidiary securing such Indebtedness (including any Guarantees thereof) or Refinancing Indebtedness secure the Notes and related Guarantees and the Indenture on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (2)(b) and (2)(f) above;

(3) Liens 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 €5.0 million and 8.9% of Consolidated EBITDA at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Issuer's or such Restricted Subsidiary's business.

In the event that a Permitted Collateral Lien meets the criteria of more than one of the types of Permitted Collateral Liens (at the time of Incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Collateral Lien in any manner that complies with the Indenture and such Permitted Collateral Lien shall be treated as having been made pursuant only to the paragraph or paragraphs of the definition of Permitted Collateral Lien to which such Permitted Collateral Lien has been classified or reclassified.

"*Permitted Holders*" means, collectively, (1) the PAI Investors, (2) Management Investors, (3) any Related Person of any Persons specified in clause (1), (2) or (3) of this definition, (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any IPO Entity, the 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 (including 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 PAI 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 (i) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (ii) 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) that will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business, including Investments made in connection with any Qualified Receivables Financing, including Investments held in accounts permitted or required by the arrangements governing such Qualified Receivables Financing or any related Indebtedness;

(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 €3.0 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 received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*;"

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date and any extension, modification or renewal of any such Investment; provided that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) (i) Bank Products and (ii) 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 62.5% of Consolidated EBITDA and €35.0 million; provided that, if an Investment is made pursuant to this clause in a Person that is not the Issuer or a Restricted Subsidiary and such Person subsequently becomes the Issuer or a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in

accordance with the definition of "Unrestricted Subsidiary," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause (11);

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens not prohibited under "*—Certain Covenants—Limitation on Liens*;"

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of 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;

(16) Investments in loans under the Revolving Credit Facility, the Notes and any Additional Notes and any other Indebtedness of the Issuer and/or its Restricted Subsidiaries;

(17) [*Reserved*];

(18) Investments in joint ventures or Unrestricted Subsidiaries, taken together with all other Investments made pursuant to this clause (18) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €35.0 million or 62.5% of Consolidated EBITDA; provided that, if an Investment is made pursuant to this clause (18) in a Person that is not the Issuer or a Restricted Subsidiary and such Person subsequently becomes the Issuer or a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "Unrestricted Subsidiary," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause (18); and

(19) any other Investment arising in the ordinary course of business of the Issuer or a Restricted Subsidiary.

"*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;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; provided that appropriate reserves or provisions required pursuant to IFRS have been made in respect thereof;

(5) Liens (a) 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 and (b) securing obligations in respect of letters of credit, bank guaranties, surety bonds, performance bonds or similar instruments permitted to be Incurred pursuant to the second paragraph of the covenant entitled "*—Certain Covenants—Limitations on Indebtedness*;"

(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 securing Hedging Obligations permitted under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing (x) Capitalized Lease Obligations, Purchase Money Obligations and, in each case, any Indebtedness which refinances, replaces, refunds or reimburses such Indebtedness (as applicable), or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance, refinance or reimburse amounts used for the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; provided that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture 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; and (y) Indebtedness in respect of Sale and Leaseback Transactions and any Indebtedness which refinances, replaces, refunds or reimburses such Indebtedness;

(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 existing on, or provided for or required to be granted under, written agreements existing on the Issue Date after giving *pro forma* effect to the Refinancing;

(14) (i) existing on, provided for or required to be granted under written agreements existing on, the Issue Date and (ii) securing Indebtedness for borrowed money that will be repaid and discharged in connection with the Refinancing;

(15) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary), including Liens created, Incurred or assumed in connection with, or in contemplation of such acquisition or transaction; provided, that such Liens are limited to the assets, property or shares of stock acquired (including those of a Person that becomes a Restricted Subsidiary) 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;

(16) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of the Issuer or such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;

(17) 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;

(18) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(19) (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;

(20) 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;

(21) 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;

(22) Liens on receivables and other assets (a) of the type described in the definition of "Qualified Receivables Financing" Incurred in connection with a Qualified Receivables Financing and (b) in connection with Indebtedness permitted to be Incurred under clause (12)(y) of the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*;"

(23) Liens on cash proceeds (including, for the avoidance of doubt, the Escrowed Proceeds) for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or Liens on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash to prefund any interest or other costs associated with such Indebtedness;

(24) Liens (i) in connection with Bank Products or (ii) 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, and including Liens arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement or other banking or trading activities;

(25) 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;

(26) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement or deferred consideration as part of any acquisition or permitted disposal by the Issuer or a Restricted Subsidiary, (b) Liens over cash paid into an escrow account to fund an acquisition or pay related fees and expenses pending the closing of such acquisition by the Issuer or any Restricted Subsidiary and (c) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement or deferred consideration in connection with any acquisition by the Issuer or any Restricted Subsidiary;

(27) Permitted Collateral Liens;

(28) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(29) any security granted over the marketable securities portfolio described in clause (10) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(30) 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; (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes and the Guarantees; (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Revolving Credit Facility (including liens on assets or property pursuant to a *privilegio speciale* (or similar successor principles under Italian law providing for floating charges over movable assets) securing Indebtedness under the Revolving Credit Facility and cash management facilities, if any); (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement; and (d) Liens to secure Indebtedness where the granting of an equal and ratable (or prior) Lien on such property or assets to secure the Notes would be inconsistent with the Agreed Security Principles;

(31) Liens, provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (31) does not exceed the greater of €25.0 million and 44.6% of Consolidated EBITDA; and any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (31) (other than Liens described in clause (31) of this definition); provided that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets.

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 meets the criteria of more than one of the types of Permitted Liens (at the time of incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with this definition and such Permitted Lien shall be treated as having been made pursuant only to the paragraph or paragraphs of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

"*Permitted Parent Reorganization*" means a reorganization transaction on a solvent basis comprising the incorporation of a new direct Parent of the Issuer ("*New Holdco*") and the transfer of the Capital Stock and any receivables of the Issuer held by the then-current Parent 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 and any such receivables of the Issuer held by the then-current Parent and shall have entered into a confirmation deed or similar instrument confirming the first-priority pledge of such Capital Stock and any such receivables in favor of the Holders of the Notes and assuming all relevant obligations of the then-current Parent under the Indenture, any Security Document, the Intercreditor Agreement and any Additional Intercreditor Agreement and granting, if relevant, a first-priority pledge over any intercompany receivables payable by the Issuer to New Holdco, (3) New Holdco shall become a Guarantor of the Notes, (4) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default or Event of 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 as of the date of the Permitted Parent Reorganization after giving effect to the Permitted Parent Reorganization. Upon such Permitted Parent Reorganization, the then current Parent shall be released from its obligations under the Notes Documents (as applicable).

"*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 must be granted over such shares or assets of the recipient such that they form part of the Collateral, subject to the Agreed Securities Principles, (d) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default or Event of Default is continuing or would arise as a result of such Permitted Subsidiary Reorganization and (e) 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 as of the date of the Permitted Subsidiary Reorganization 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 €50.0 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary or (b) any other Person, or may grant a security interest in, any receivables (whether now existing or arising in the future) of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables, the bank accounts into which the proceeds of such receivables are collected and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations, receivable sale facilities, factoring facilities or invoice discounting facilities involving receivables.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Qualified Receivables Financing.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a wholly owned Subsidiary of the Issuer or a Restricted Subsidiary (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of 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 (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (b) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (c) subjects any property or asset of the Issuer or any 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 Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Financing) other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing*" shall have the meaning assigned to such term in this Offering Memorandum under "*Summary—The Refinancing*."

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness (x) of the Issuer and its Restricted Subsidiaries that is existing on the Issue Date after giving *pro forma* effect to the Refinancing and/or (y) 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 Stated Maturity of the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay underwriting discounts, interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or the Guarantees, such Refinancing Indebtedness is subordinated to the Notes or the Guarantees, as applicable, 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 (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not the Issuer or a Guarantor that refinances Indebtedness of the Issuer or a Guarantor. Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder or majority (or more) owned Subsidiary or partner or member of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle controlled, directly or indirectly, 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:

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:

(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 pursuant to "*—Certain Covenants—Limitation on Restricted Payments*;" or

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the sum of the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Restricted Subsidiaries and the amount actually received in cash from its Unrestricted Subsidiaries.

"*Relevant Testing Period*" means, for purposes of the calculation of any applicable financial covenant, test, basket or ratio (including, but not limited to those based on Consolidated EBITDA, Fixed Charge Coverage Ratio, Consolidated Senior Secured Net Leverage Ratio and/or Consolidated Net Leverage Ratio), the most recently completed four consecutive fiscal quarters ending on the last day of the most recent fiscal quarter (or fiscal year, if later) for which financial statements have been delivered pursuant to the "*—Certain Covenants—Reports*" covenant or, at the option of the Issuer, the most recently completed twelve consecutive months ending on the last day of a calendar month for which the Issuer has, in its sole determination, sufficient available information to be able to determine any applicable financial covenant, test, basket or ratio.

"*Replacement Assets*" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the 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 Senior Management 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 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 made available under the Revolving Credit Facility Agreement.

"*Revolving Credit Facility Agreement*" means the €46.3 million revolving credit facility agreement dated on or about the Issue Date, between, among others, the Issuer as an original borrower and the lenders named therein, as the same may be amended from time to time.

"*Sale and Leaseback Transaction*" means any arrangement providing for the leasing by the Issuer or any Restricted Subsidiary of any real or tangible personal property, which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third Person in contemplation of such leasing.

"*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, confirmed, supplemented or otherwise modified from time to time, creating the Liens in the Collateral as contemplated by the Indenture.

"*Security Interests*" means the security interests in the Collateral that is created by the Security Documents and secures obligations under the Notes or the Guarantees and the Indenture.

"*Senior Management*" means the officers, directors, and other members of senior management of the Issuer.

"*Senior Secured Indebtedness*" means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or clauses (1), (4)(a)(x), (5), (7)(a) (other than with respect to Capitalized Lease Obligations), (11), (13) or (15) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (and any Refinancing Indebtedness in respect thereof), in each case secured by a Lien on the Collateral (excluding Indebtedness to the extent secured on a junior priority basis to the Notes or any Guarantee).

"*Shareholder Loan*" means the loan from 3Cime S.p.A. to the Issuer dated June 24, 2020 (as amended and restated from time to time) in the amount of €25.0 million.

"*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 or proposed to be engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date, (b) the business management software business and (c) 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.

"*Special Purpose Vehicle*" means an entity established by any Parent for the purposes of maintaining an equity incentive or compensation plan for Management Investors.

"*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 immediately prior to the occurrence of such event and immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries would have been less than 4.5 to 1.0. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"*Specified Testing EBITDA*" means the Consolidated EBITDA of the Issuer for the year ended December 31, 2019 calculated in accordance with the Indenture.

"*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 Qualified 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 under "—Change of Control" and "*—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, 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 pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or 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 "Holdco Liabilities" or the "Shareholder Liabilities" (each as defined therein), as applicable.

"*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.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and/or any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent to enable a Parent to compensate the Issuer or such Subsidiary for losses incurred which may need to be compensated by a Parent under any profit and loss pooling agreement).

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"*Existing Proceeds Loan*" has the meaning ascribed to such term in in this Offering Memorandum, as amended, accreted or partially repaid from time to time.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in: (a) direct obligations of, or obligations guaranteed by, (i) the United Kingdom, the United States 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, "A-2" or "A" by Fitch or by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by: (a) any lender under the Revolving Credit Facility Agreement, (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (7) below, 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, "A-3" or "A" by Fitch or by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of or "A" by Fitch, Moody's or S&P then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) with respect to a jurisdiction in which (a) the Issuer or a Restricted Subsidiary conducts its business or is organized and (b) it is not commercially practicable to make investments in clause (2) of this definition, certificates of deposit, time deposits, recognized time deposits, overnight bank deposits or bankers' acceptances with any bank, trust company or similar entity, which would rank, in terms of combined capital and surplus and undivided profits or the ratings on its long term debt, among the top five banks in such jurisdiction, in an amount not to exceed cash generated in or reasonably required for operation in such jurisdiction;

(4) 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;

(5) 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);

(6) 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 Kingdom, United States, 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);

(7) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, the United Kingdom, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Cooperation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long-term debt is rated at least "A" by S&P, "A2" by Moody's or "A" by Fitch (or, in each case, the equivalent of such rating by such organization or, if no rating of Moody's, S&P or Fitch then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(9) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (8) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(10) investments in money market funds (a) 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 or (b) rated "AAA" by S&P, "Aaa" by Moody's or "AAA" by Fitch (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Moody's or Fitch then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization).

"*Thélios*" has the meaning ascribed to such term in the Offering Memorandum.

"*Thélios JVA*" has the meaning ascribed to such term in the Offering Memorandum.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code or any uniform commercial code of a State or territory of the United States.

"*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 in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors 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 or the relevant Restricted Subsidiary in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors 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 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

Certain defined terms used but not defined in this section have the meanings assigned to them in the Indenture as described in "*Description of the Notes*."

Notes sold to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Rule 144A Global Note**"). Notes sold to non-U.S. persons outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Regulation S Global Note**" and, together with the Rule 144A Global Note, the "**Global Notes**"). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the account of Euroclear and Clearstream.

Ownership of beneficial interests in the Rule 144A Global Note ("**Rule 144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Note (the "**Regulation S Book-Entry Interests**" and, together with the Rule 144A 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 and must be in accordance with applicable transfer restrictions set out in the Indenture and in any applicable securities laws of any state of the United States or of any other jurisdiction, as described under "*Offering and Transfer Restrictions*." 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.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. Except under the limited circumstances described below, owners of Book-Entry Interests will not be entitled to receive definitive Notes in registered form ("**Definitive Registered Notes**"). Instead, Euroclear and Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair 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 nominee of the common depositary for Euroclear and/or Clearstream (or its respective nominee), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

The Notes will be issued in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Neither of the Issuer nor the Trustee or any Agent will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

### Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or its respective nominee), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The 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 the 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 its participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate unless otherwise required by law or applicable stock exchange or depositary requirements; *provided*, *however*, that no Book-Entry Interest of less than €100,000 may be redeemed in part.

## Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the relevant Global Notes (including principal, premium, if any, interest and Additional Amounts, if any) to the Paying Agent. The Paying Agent will, in turn, make such payments to 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 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 and the relevant Agents will treat the registered holders of the Global Notes (*i.e.*, the nominee of the common depositary for Euroclear or Clearstream) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Agents or 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 or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depositary.

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

The principal of, premium, if any, and interest on, and all other amounts payable in respect of the Notes will be paid to holders of Book-Entry Interests in such Notes through Euroclear and/or Clearstream in euro.

Payment will be subject in all cases to any fiscal or other laws and regulations applicable thereto. Neither the Issuer nor the Trustee nor the Agents will be liable to any holder of the relevant Global Note or any other person for any commissions, costs, losses or expenses in to, or resulting from, any currency conversion.

## Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of a Note (including the presentation of Notes for exchange as described above) 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 Indenture, Euroclear and Clearstream, at the request of the holders of such Notes, reserve the right to exchange the Global Notes for Definitive Registered Notes, and to distribute such Definitive Registered Notes to their participants, as described in "*Book-Entry, Delivery and Form—Definitive Registered Notes*."

## Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of a Note requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states that require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will each bear a legend to the effect set forth under "*Offering and Transfer Restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Offering and Transfer Restrictions*."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a 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 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Offering and Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and Exchange*" if required, only if the transferor first delivers to the relevant Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Offering and Transfer Restrictions*."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

**Definitive Registered Notes**

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

(1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an "Event of Default" under and as defined in the Indenture and enforcement action is being taken in respect thereof under the Indenture.

In any such events described in clauses (1) or (2), the Issuer will issue Definitive Registered Notes, registered in the name or names of holders 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 certain certification requirements and based upon directions received from participants reflecting the beneficial ownership of the Book-Entry Interests). The Definitive Registered Notes will bear a restrictive legend with respect to certain transfer restrictions, unless that legend is not required by the Indenture governing the Notes or by applicable law.

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 or a transfer agent. 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 a Definitive Registered Note will only be issued in a denomination of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

The Issuer will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for selection of the Notes to be redeemed in part. Also, the Issuer is not required to register the transfer or exchange of any Notes selected for redemption or which the holder has tendered (and not withdrawn) for repurchase in connection with a change of control offer or asset sale offer. In the event of the transfer of any Definitive Registered Note, the Trustee may require a holder, among other things,

to furnish appropriate endorsements and transfer documents as described in the Indenture. The Issuer may require a holder to pay any transfer taxes and fees required by law and permitted by the Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such a Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated and is 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 to protect themselves, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by the Issuer in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by 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 only in accordance with the Indenture and, if required, only after the transferor first delivers to the Trustee 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 "*Offering and Transfer Restrictions*."

To the extent permitted by law, the Issuer, the Trustee and the relevant Agents will treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, 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, as applicable.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange.

**Information Concerning Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither the Issuer nor any of the Initial Purchasers, nor the Trustee or any of the relevant Agents, are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can act only 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 and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the

Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

### Global Clearance and Settlement under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee or the Agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

### Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

## TAX CONSIDERATIONS

*The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in the European Union, Italy and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.*

*Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.*

*The summaries set forth below are based upon, as applicable, European Union, Italian or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to European Union, Italian and United States tax law below only have such meanings as defined therein for such respective section. The statements regarding the Italian and United States laws and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.*

### Certain Italian Tax Considerations

The statements herein regarding certain Italian tax consequences of the purchase, holding and transfer of the Notes are based on the laws and published practice of the Italian tax authorities in effect in Italy as of the date of this Offering Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following is a summary only of the material Italian tax consequences of the purchase, ownership and disposition of the Notes for Italian resident and non-Italian resident beneficial owners, although it is not intended to be, nor should it be constructed to be, legal or tax advice. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Neither the Issuer nor any other entity belonging to the Group will update this summary to reflect changes in law or in the interpretation thereof and, if any such change occurs, the information in this summary could be superseded.

***Interest on the Notes***

*Italian Resident Noteholders*

Italian Decree No. 239, regulates the tax treatment of interest, premiums 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**") from Notes to the extent:

(i) Notes are issued by, *inter alia*, companies resident of Italy for tax purposes whose shares are listed on a regulated market or on a multilateral trading platform of EU Member States and of the States party to the EEA Agreement included the list of States allowing an adequate exchange of information with the Italian tax authorities, as indicated by the White List; or

(ii) companies resident of Italy for tax purposes whose shares are not listed, issuing notes traded (*negoziati*) upon their issuance on a qualifying regulated market or on a multilateral trading platform of EU Member States and of the States party to the EEA Agreement of the White List; or

(iii) if not traded on the aforementioned markets or multilateral trading platforms, when such notes are subscribed and held by "*qualified investors*" (as defined under Article 100 of the Italian Financial Act).

The provisions of Decree No. 239 only apply to Notes which qualify as *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Italian Presidential Decree No. 917 of December 22, 1986, as amended and supplemented ("**Decree No. 917**"). Pursuant to Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must:

(i) incorporate an unconditional obligation for the Issuer to pay at maturity (or at any earlier full redemption or repayment of the security) an amount not less than their nominal value or principal amount;

(ii) do not attribute to the holders any direct or indirect right to control or participate to the management of the Issuer or in the management of the business in respect of which the Notes have been issued; and

(iii) do 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.

*Noteholders not engaged in an entrepreneurial activity*

Where the holder and beneficial owner of the Notes (a "Noteholder") is an Italian resident and is:

(a) an individual holding Notes otherwise than in connection with entrepreneurial activity, unless he has entrusted the management of his financial assets, including the Notes, to an authorized intermediary and has opted for the application of the so-called *risparmio gestito* regimeto Article 7 of Italian Legislative Decree No. 461 of November 21, 1997, as amended ("**Decree No. 461**"), or

(b) a non-commercial partnership (*società semplice*) (other than a *societa in nome collettivo* or *societa in accomandita semplice* or similar partnerships) or a *de facto* partnership not carrying out commercial activities or professional associations, or

(c) a non-commercial private or public institution, or a trust (excluding Italian undertakings for collective investments) 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 accrued during the relevant holding period, is subject to a tax withheld at source, referred to as "*imposta sostitutiva*," levied at the rate of 26% (either when Interest is paid or obtained upon disposal of the Notes), unless the relevant Noteholder holds the Notes in a discretionary investment portfolio managed by an authorized intermediary and has validly opted for the application of the *risparmio gestito* regime under Article 7 of Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**").

Subject to certain conditions (including a minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be exempt from any income taxation (including the 26% *imposta sostitutiva*) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232 of 11 December 2016 ("**Law No. 232**"), in Article 1, paragraph 211-215 of Law No. 145 of 30 December 2018 ("**Law No. 145**"), in Article 13-bis of Law Decree No. 124 of 26 October 2019 ("**Law Decree No. 124**") and in Article 136 of Law Decree No. 34 of 19 May 2020 ("**Decree No. 34/2020**"), as amended and applicable from time to time.

*Noteholders Engaged in an Entrepreneurial Activity*

Where the resident holders of the Notes described in (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax. Interest will be included in the relevant Noteholder's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

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, together with the coupons related thereto, 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).

According to Article 1, paragraph 6-bis of Law Decree No. 201 of December 6, 2011, converted into Law No. 214 of December 22, 2011, the base upon which the "*Aiuto alla Crescita Economica*" benefit set forth in Article 1 of Law Decree No. 201 of December 6, 2011 (ACE Benefit) is computed is reduced by an amount equal to the positive difference (if any) between (i) the aggregate book value of securities (titoli e valori mobiliari), including the Notes, other than shares reported in the taxpayer's financial statements for the relevant tax year and (ii) the aggregate book value of securities (titoli e valori mobiliari) other than shares reported in the taxpayer's financial statements of the tax year that was current on December 31, 2010. The restrictive rule applies only to taxpayers different from those carrying out financial and insurance activities falling into section K of the ATECO classification of economic activities, other than non-financial holding companies and assimilated entities. Only Italian resident persons carrying on an entrepreneurial activity (and in particular Italian resident corporations) and Italian permanent establishments of non-Italian resident persons can enjoy the ACE Benefit.

*Real Estate Funds and real estate SICAFs*

Where an Italian resident Noteholder is a real estate investment fund ("**Real Estate Fund**") or an Italian real estate closed-ended investment company Società di Investimento a Capitale Fisso ("**SICAFs**") and the Notes, together with the coupon related thereto, are deposited in due time with an Intermediary (as defined below). Interest is subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate Fund or real estate SICAF. However, a withholding or substitute tax of 26% will apply, in certain circumstances, on income realized by unitholders or shareholders in the event of distributions, redemption or sale of the units or shares. Moreover, subject to certain conditions, income realized by Italian real estate investment funds or real estate SICAFs may be attributed pro rata to Italian resident unitholders or shareholders holding more than 5% of the of the Italian real estate investment fund or real estate SICAF irrespective of any actual distribution on a tax transparency basis.

*Funds, SICAVs and non-real estate SICAFs*

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 Variabile ("**SICAV**") or a non-real estate closed-ended SICAF established in Italy and either (i) the Fund, the SICAV or non-real estate SICAF or (ii) their manager is subject to the supervision of a regulatory authority and the Notes, together with the coupons related thereto, 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 non-real estate SICAF. The Fund, the SICAV or the non-real estate SICAF are subject neither to imposta sostitutiva nor to any other income tax at their level, but a withholding or substitute tax of 26% will apply, in certain circumstances, on income realized by unitholders or shareholders in the event of distribution, redemption or disposal of the units/ shares.

*Pension Funds*

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of Italian Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an Italian resident Intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva,* but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 percent substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Subject to certain conditions (including minimum holding period) and limitations, Interest relating to the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term savings account *(piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232, in Article 1, paragraph 211-215 of Law No. 145, in Article 13-bis of Law Decree No. 124, and in Article 136 of Decree No. 34/2020, as amended and applicable from time to time.

*Application of the imposta sostitutiva*

Pursuant to Decree No. 239, the *imposta sostitutiva* is levied by Italian resident banks, brokerage companies (*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, or be an entity or a company not resident in Italy, acting through a system of centralized administration of securities and directly connected with the Italian Tax Authorities (including Euroclear or Clearstream) having appointed an Italian representative for the purposes of Decree No. 239, 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 for tax purposes, without a permanent establishment in Italy to which the Notes are effectively connected, 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 the non-Italian resident Noteholder is:

(a) a beneficial owner of the payment of the Interest and resident in a State or territory included in the White List;

(b) an international body or entity set up in accordance with international agreements which has entered into force in Italy;

(c) an "institutional investor" (whether or not subject to tax) established in a State or territory included in the White List even if it does not possess the status of a taxpayer in its own State of establishment; or

(d) a central bank or entity that manages, *inter alia*, official reserves of a foreign State.

To be entitled to the exemption, non-Italian resident Noteholder must be the beneficial owner of the interest payments (or certain non–resident institutional investors) and must deposit the Notes together with any related coupons since the issue date directly or indirectly with:

(a) an Italian or non-resident bank or financial institution (there is no requirement for the bank or financial institution to be EU resident) (the "**First Level Bank**"), acting as Intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); or

(b) an Italian resident bank or brokerage company (SIM), or a permanent establishment in Italy of a non-resident bank or brokerage company (SIM), acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Department of Revenue of the Ministry of Economy and Finance (the "**Second Level Bank**"). Organizations and companies not resident of Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or permanent establishment in Italy of a non-resident bank or SIM, or a central depositary of financial instruments) for the purposes of the application of Decree No. 239. If a non-resident Noteholder deposits the Notes directly with a Second Level Bank, this is treated both as a First Level Bank and a Second Level Bank.

The exemption from *imposta sostitutiva* for a non-Italian resident Noteholder is conditional upon:

(a) the timely deposit of the Notes, since their issue date, whether directly or indirectly, with an institution that qualifies as a Second Level Bank; and

(b) the timely submission to the First Level Bank or the Second Level Bank, before Interest is paid or deemed to be paid, of a statement (*autocertificazione*) whereby the Noteholder declares, *inter alia*, that it is eligible to benefit from the withholding tax exemption.

Such statement must comply with the requirements set forth by a Ministerial Decree dated December 12, 2001, is valid until withdrawn or revoked (unless some information provided therein has changed) and does not need to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy referred to in point ii) above or Central Banks or entities also authorized to manage the official reserves of a State referred to in point iv) above. Additional requirements are provided for "institutional investors" referred to in point iii) above (in this respect see Circular No. 23/E of March 1, 2002 and No. 20/E of March 27, 2003).

The *imposta sostitutiva* will be applicable at a rate of 26% to interest paid to Noteholders who do not qualify for the foregoing exemption or do not timely and properly satisfy the requested conditions (including the procedures set forth under Decree No. 239 and in the relevant implementation rules).

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 or by any other forms approved by the respective tax authorities.

***Fungibility issues***

Pursuant to Article 11, paragraph 2 of Decree 239, where the relevant Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva,* the issue price of the new Tranche will be deemed to be the same amount as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 percent multiplied by the number of years of the duration of the Notes.

***Capital gains***

*Italian resident noteholders*

*Noteholders not engaged in en entrepreneurial activity*

Pursuant to Decree No. 461, a 26 percent capital gains tax (referred to as *"imposta sostitutiva")* is applicable to capital gains realized by Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, on any sale or transfer for consideration of the Notes or redemption thereof. Noteholders may set off any capital gain against capital losses.

In respect of the application of the *imposta sostitutiva* on capital gains, an Italian resident individual may opt for any of the three regimes described below.

*Tax declaration regime*

Under the "tax declaration regime" (*regime della dichiarazione*), which is the ordinary regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* 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 *imposta sostitutiva* 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, holders of the Notes who are Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, may elect to pay *imposta sostitutiva* separately on capital gains realized on each sale or transfer or redemption of the Notes ("*risparmio amministrato"* regime). Such separate taxation of capital gains is allowed subject to:

(a) the Notes being deposited with an Intermediary (or permanent establishment in Italy of a foreign intermediary); and

(b) an express election for the so called *risparmio amministrato* regime being made in writing in due time by the relevant holder of the Notes.

The Intermediary must account for the imposta sostitutiva in respect of capital gains realized on each sale or redemption of the Notes, net of any incurred capital loss. The Intermediary 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 of Italian resident individual Noteholders, 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% *imposta sostitutiva* on capital gains, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232, in Article 1, paragraph 211-215 of Law No. 145, in Article 13-bis of Law Decree No. 124, and in Article 136 of Decree No. 34/2020, as amended and applicable from time to time. Pursuant to Article 1, paragraphs 219-225 of Law no. 178 of 30 December 2020 ("**Law No. 178**"), it is further provided that Italian resident individuals investing, by 31 December 2021, in long-term individual savings account compliant with Article 13-bis, paragraph 2-bis of Law Decree No. 124 may benefit from a tax credit corresponding to possible capital losses, losses and negative differences realized in respect of certain qualifying financial instruments comprised in the long-term individual savings account, provided that certain conditions and requirements are met (*e.g.*, including the loss of the possibility to subsequently set off the relevant capital losses, losses and negative differences against future capital gains).

*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 subject to income tax (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 funds and real estate SICAF*

Any capital gains realized by a Noteholder that is an Italian real estate fund and real estate SICAF shall not be subject to any substitute tax nor to any income tax at the level of the real estate fund or real estate SICAF. A substitutee tax may apply in certain circumstances at the rate of 26% on income realized by unitholders or shareholders in event of distributions or redemption or disposal of the units or the shares. Moreover, subject to certain conditions, income realized by Real Estate Funds or Real Estate SICAFs may be attributed *pro rata* to Italian resident unitholders or shareholders owning more than 5% of the units or shares of the Real Estate Fund or of the Real Estate SICAF, irrespective of any actual distribution on a tax transparency basis.

*Funds, SICAVs and non-real estate SICAFs*

In the case of Notes held by investment funds, SICAVs or SICAFs, capital gains on Notes contribute to determine the increase in value of the managed assets of the funds, SICAVs or SICAFs accrued at the end of each tax year. The investment funds, SICAVs or SICAFs will not be subject to taxation on such increase, but the Collective Investment Fund Substitute Tax will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders.

*Pension funds*

Any capital gains realized by a Noteholder that is an Italian pension fund (subject to the regime provided for by Article 17 of Italian Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an Italian resident intermediary, will not be subject to *imposta sostitutiva,* but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 percent on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on

the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232, in Article 1, paragraph 211-215 of Law No. 145, in Article 13-bis of Law Decree No. 124, and in Article 136 of Decree No. 34/2020, as amended and applicable from time to time.

*Non-Italian resident noteholders*

A 26% 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 *imposta sostitutiva* on capital gains, subject to timely filing of required documentation (in particular, a self-declaration that the Noteholder is not resident in Italy for tax purposes and has no permanent establishment in Italy to which the Notes are effectively connected).

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 *imposta sostitutiva* on capital gains, provided that the Noteholder 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 the Republic of Italy;

(c) an "institutional investor," whether or not subject to tax, which is established in a country which is listed in the White List, even if it does not possess the status of a taxpayer in its own state of establishment 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.

In order to ensure gross payment, non-Italian resident Noteholders must satisfy the same conditions set forth above to benefit from the exemption from the *imposta sostitutiva* in accordance with Decree 239. See "—Tax Treatment of Interest."

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 *imposta sostitutiva* 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 State where the recipient is tax resident, subject to certain conditions to be satisfied.

Under these circumstances, if non-Italian residents Noteholder 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 for safekeeping or administration with an Intermediary, but non-Italian resident Noteholders retain the right to waive this regime.

***Inheritance and gift tax***

Pursuant to Italian Law Decree No. 262 of October 3, 2006, converted into law with amendments by Italian Law No. 286 of November 24, 2006, effective from November 29, 2006, and Italian Law No. 296 of December 27,

2006, the transfers of any valuable assets (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(i) transfers in favor of spouses and direct descendants or ancestors are subject to an inheritance and gift tax applied at a rate of 4 percent on the value of the inheritance or gift exceeding €1,000,000 (per beneficiary);

(ii) transfers in favor of brothers or sisters are subject to an inheritance and gift tax applied at a rate of 6 percent on the value of the inheritance or the gift exceeding €100,000 (per beneficiary);

(iii) transfers in favor of relatives up to the fourth degree and relatives-in-law up to the third degree are subject to an inheritance and gift tax applied at a rate of 6 percent on the entire value of the inheritance or the gift; and

(iv) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 percent on the entire value of the inheritance or the gift.

If the transfer is made in favor of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

The transfer of financial instruments as a result of death is exempt from inheritance tax when such financial instruments are included in a long-term saving account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232, in Article 1, paragraph 211-215 of Law No. 145, in Article 13-bis of Law Decree No. 124, and in Article 136 of Decree No. 34/2020, as amended and applicable from time to time.

Moreover, an anti-avoidance rule is provided for by Italian Law No. 383 of October, 2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains to the *imposta sostitutiva* provided for by Decree No. 461. In particular, if the donee sells the Notes for consideration within 5 years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift was not made.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

***Registration tax***

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds *(atti pubblici e scritture private autenticate)* executed in Italy are subject to fixed registration tax at a rate of €200; (ii) private deeds *(scritture private non autenticate)* are subject to registration tax at a rate of €200 only in the case of use, reference (*enunciazione*) in a subsequent registered deed or voluntary registration.

***Stamp duty***

Under Article 13(2*bis*-2*ter*) of Decree No. 642 of October 26, 1972, as amended from time to time, a 0.20 percent stamp duty generally applies on communications and reports that Italian financial intermediaries periodically send to their clients in relation to the financial products that are deposited with such intermediaries. Notes are included in the definition of financial products for these purposes. Communications and reports are deemed to be sent at least once a year even if the Italian financial intermediary is under no obligation to either draft or send such communications and reports. In case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

The stamp duty cannot exceed €14,000.00 per year for investors other than individuals.

The taxable base of the stamp duty is the market value or—in the lack thereof—the nominal value or the redemption amount of any financial product 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). Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty does not apply to communications and reports that the Italian financial intermediaries send to any investor who does not qualify as "client" as defined in the regulations issued by the Bank of Italy on June 20, 2012, as amended and

supplemented. Communications and reports sent to this type of investors are subject to the ordinary €2.00 stamp duty for each copy. Therefore, stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with, or administered or managed through, an Italian-based financial intermediary.

***Wealth tax on financial assets deposited abroad***

According to Article 19 of Decree No. 201/2011, recently amended by Article 1, paragraphs 710 of Law No. 160 of December 27, 2019, and Article 9 of Italian Law No. 161 of October 30, 2014, Italian resident individuals, Italian non-commercial private or public institutions and Italian non-commercial partnership (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917) holding financial assets—including the Notes—outside of the Italian territory are required to pay a wealth tax at the rate of 0.2 percent. The tax applies on the market value at the end of the relevant year or—in the absence of a market value—on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory. Pursuant to Article 134 of Law Decree No. 34 of May 19, 2020, the wealth tax cannot exceed €14,000 per year for Noteholders other than individuals. 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 lack thereof, on the nominal value or redemption value of such financial products held outside Italy or on the purchase value of any financial product (including the Notes) held abroad by Italian resident individuals.

Taxpayers may deduct from the Italian wealth tax a tax credit equal to any equivalent wealth tax paid and correctly imposed in the country where the financial products are held (up to the amount of the Italian wealth tax due).

***Tax monitoring obligations***

Pursuant to Italian Law Decree No. 167 of June 28,1990, converted by Italian Law No. 227 of August 4, 1990, as amended from time to time, Italian resident individuals, non-profit entities and certain partnerships (*societa semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy for tax purposes who financial assets abroad (including the Notes) must, in certain circumstances, disclose the aforesaid financial assets to the Italian tax authorities in section RW of their yearly income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the annual income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding €15,000.00 throughout the year). The requirement applies also where the persons above, being not the direct holder of the financial assets, are the beneficial owners thereof for the purposes of anti-money laundering provisions.

Furthermore, the above reporting requirement is not required to comply with respect to Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, upon condition that the items of income derived from the Notes and contracts have been subject to Italian withholding tax or substitute tax by the same intermediaries.

***OECD common reporting standards and EU DAC 6 reporting obligations***

The EU Savings Directive adopted on June 3, 2003, by the EU Council of Economic and Finance Ministers (as subsequently amended) on taxation of savings income in the form of interest payments has been repealed from January 1, 2016 to prevent overlap between the Savings Directive and the new automatic exchange of information regime implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU).

Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("**CRS**") to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges are expected to begin in 2017.

Italy has enacted Italian Law No. 95 of June 18, 2015 ("**Law 95/2015**"), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated December 28, 2015,

which has entered into force on January 1, 2016, implemented Law 95/2015 and provides for the exchange of information in relation to the calendar year 2016 and later.

In the event that holders of the Notes hold the Notes through an Italian financial institution (as meant in the Italian Ministerial Decree of December 28, 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

As a consequence of the OECD project on "*Base erosion and Profit Shifting*" (BEPS), the EU DAC 6 Directive ("**DAC 6**") has been adopted on May 25, 2018 by the EU Council, amending Council Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements. According to DAC 6, intermediaries and, in some circumstances, taxpayers are required to notify the competent tax authorities of each Member States any cross-border arrangements that have at least one of the so-called "hallmarks" designed by the EU legislator as "markers" of potential risk of international tax evasion or avoidance or circumvention of disclosure requirements on financial accounts (CRS).

On August 26, 2020, the Legislative Decree No. 100, July 30, 2020 (the "**DAC 6 Decree**"), implementing the said Directive, with disclosure obligations for intermediaries and taxpayers, was published. Italian Ministry of Finance issued a Ministerial Decree on November 20, 2020, clarifying certain criteria set by the Italian law that trigger the reporting obligations.

**Certain United States Federal Income Tax Considerations**

The following is a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a U.S. holder (as defined below), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the alternative minimum tax or the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities or arrangements and investors therein, U.S. holders that are resident in or have a permanent establishment in a jurisdiction outside the United States persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction, holders and beneficial owners of the Existing 2023 Notes, and persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Notes for cash at original issuance and at their "issue price" (the first price at which a substantial amount of the Notes is sold for money to investors) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment).

For purposes of this discussion, a "U.S. holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the

activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

**Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws, the U.S. federal Medicare tax on net investment income and state, local, non-U.S. or other tax laws.**

***Characterization of the Notes***

In certain circumstances (see "*Description of the Notes—Optional Redemption*," "*Description of the Notes—Additional Amounts*," and "*Description of the Notes—Change of Control*"), the Issuer may be obligated to redeem the Notes for an amount less than their stated principal amount (plus accrued and unpaid interest), or may be obligated to redeem the Notes or 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 own tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

***Payments of Stated Interest***

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary interest income at the time the interest is 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 euro interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such interest, but may recognize exchange gain or loss attributable to the actual disposition of the euro 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 euro that has accrued with respect to its Notes during an accrual period. The U.S. dollar value of such euro denominated accrued interest generally 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 interest income into U.S. dollars at the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest. The above election will apply to 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 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 euro payment received (translated at the spot rate of exchange on the date such interest is received) in respect of such accrual period and the U.S. dollar value of the 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***

Interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by or on behalf of a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the availability of foreign tax credits.

***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 (not including any amount attributable to accrued but unpaid stated interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder. The cost of a Note purchased with euro generally will 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 euro on 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 euro translated at the spot rate of exchange on the date of such taxable disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such euro by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder from year to year and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder's euro purchase price for the Note, translated at the spot rate of exchange on the date the U.S. holder disposes of the Note, and the U.S. dollar value of the U.S. holder's euro purchase price for the Note, translated at the spot rate of exchange on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder may recognize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, if any, which will be treated as discussed above under "*—Payments of Stated Interest*." However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder will recognize any foreign currency exchange gain or loss (including with respect to accrued stated interest, if any) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of euro exchange gain or loss attributable to such disposition generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

***Information Reporting and Backup Withholding***

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

***Tax Return Disclosure Requirements***

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

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 should 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.

**Tax Considerations relating to payments by a Guarantor**

If a Guarantor makes any payments in respect of interest on the Notes it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. It is not certain that such payments by a Guarantor will be eligible for all exemptions described above.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement dated May 19, 2021 (the "**Purchase Agreement**"), by and among the Issuer and the Initial Purchasers, we have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from us, together with all other Initial Purchasers, €350.0 million aggregate principal amount of Notes.

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 their counsel and our counsel. The Issuer has agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 90 days after the date the Notes are issued, to not, without having received prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any securities issued or guaranteed by the Issuer that are substantially similar to the Notes.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act. and may not be offered or sold within the United States except to "qualified institutional buyers" in reliance on Rule 144A under the U.S. Securities Act and outside the United States in reliance on Regulation S under the U.S. Securities Act (and, if investors are resident in a member state of the EEA or in the UK, they are not "retail investors" (as defined below). Resales of the Notes are restricted as described under "*Offering and Transfer Restrictions*." Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "*Offering and Transfer Restrictions*." The Initial Purchasers have agreed that they will only offer or sell the Notes (1) outside the United States in offshore transactions in reliance on Regulation S and (2) in the United States to qualified institutional buyers in reliance on Rule 144A. The terms used above have the meanings given to them by Regulation S and Rule 144A.

In addition, until 40 days after the commencement of the Offering of the Notes, an offer or sale of such Notes within the United States by a dealer that is not participating in the Offering of the Notes 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 or pursuant to another exemption from registration under the U.S. Securities Act.

Each Initial Purchaser has, severally and not jointly, represented and agreed that it will not offer, sell or otherwise make available any Notes to any "retail investor" in the European Economic Area or the United Kingdom. The expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client (with respect to the European Economic Area, as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") and, with respect to the United Kingdom, as defined in point (11) of Article 4(1) of MiFID II as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"));

(b) a customer, with respect to the European Economic Area, 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 and, with respect to the United Kingdom, within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (10) of Article 4(1) of MiFID II as it forms part of domestic law by virtue of the EUWA; or

(c) not a "qualified" investor (with respect to the European Economic Area, as defined in Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**") and with respect to the United Kingdom, as defined in the EU Prospectus Regulation as it forms part of domestic law by virtue of the EUWA).

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Notes are a new issue of securities for which there currently is no market. The Issuer will make an application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes for trading on the Euro MTF Market of the Luxembourg Stock Exchange. However, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. 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. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

In connection with the Offering of the Notes, Deutsche Bank Aktiengesellschaft (the "**Stabilizing Manager**"), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the Offering of the Notes, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers expect to make offers and sales both inside and outside the United States through their selling agents. Any offers and sales in the United States will be conducted by broker-dealers registered with the SEC.

Each of the Initial Purchasers has also agreed that (a) 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 FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States or Italy, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us, the Group or the Notes in any jurisdiction where action for the 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 purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resales of the Notes. Please see the sections entitled "*Notice to Investors*" and "*Offering and Transfer Restrictions*."

The Issuer and the Guarantors have agreed to indemnify each Initial Purchaser against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that any Initial Purchaser may be required to make in respect thereof. The Issuer will pay the Initial Purchasers a commission and pay certain fees and expenses relating to the offering of the Notes.

It is expected that delivery of the Notes will be made against payment therefor on or about the Issue Date as specified on the cover page of this Offering Memorandum, which will be the sixth business day following the date of pricing of the Notes (such settlement being herein referred to as "T+6). Under Rule 15(c)6-l under 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 trades expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next three succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+6, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Certain of the Initial Purchasers and their affiliates (including their parent companies) have from time to time performed, and in the future may perform, lending advisory, certain investment banking and/or other financial

services for us, our affiliates or our former affiliates, in the ordinary course of business to the Issuer (including its parent and group companies) for which they have received, and in the future may receive, customary fees and reimbursement of expenses. In connection with the Offering, the Initial Purchasers are not acting for anyone other than the Issuer in an arm's length transaction and will not be responsible to anyone other than the Issuer for providing the protections attached to their clients, nor for providing advice in relation to the Offering.

The Initial Purchasers will receive a portion of their agreed-upon fees and commissions from the gross proceeds of the Offering.

Furthermore, certain of the Initial Purchasers and/or their respective affiliates act as a lenders under the Existing Revolving Credit Facility, which will be repaid and cancelled in connection with the Refinancing, and certain of the Initial Purchasers and/or their affiliates will act as a lenders under the New Revolving Credit Facility. Additionally, certain of the Initial Purchasers and/or their respective affiliates act as lenders under the SACE Facility, which will be repaid in connection with the Refinancing.

Neither of Banca Akros—Gruppo Banco BPM S.p.A. nor Intesa Sanpaolo S.p.A. is a U.S. registered broker-dealer and will not effect any offers or sales of any Notes in the United States unless such sale is through one or more U.S. registered broker dealers.

## OFFERING AND TRANSFER RESTRICTIONS

*You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.*

Neither the Notes nor the Guarantees have been registered under the U.S. Securities Act or any state securities laws and may not be offered, sold or otherwise transferred 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) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, we are offering and selling the Notes only:

- to U.S. investors that we reasonably believe to be "qualified institutional buyers," commonly referred to as "QIBs," (as defined in Rule 144A under the U.S. Securities Act) in compliance with Rule 144A; and
- outside the United States, to non-U.S. persons in offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act.

We use the terms "offshore transaction", "U.S. person" and "United States" with the meanings given to them in Regulation S.

If you purchase Notes in this Offering, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

- You understand that the Notes are being offered in a transaction not involving any 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 that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying with the provisions of Rule 904 of Regulation S under the U.S. Securities Act; or (iii) to the Issuer, in each case in accordance with any applicable securities laws, and that (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in the legend below.
- You are not our "affiliate" (as defined in Rule 144 under the U.S. Securities Act), you are not acting on our behalf and you are either:
    - if you are in the United States of America, a QIB and are aware that any sale of these Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB; or
    - if you are outside of the United States of America, you are purchasing Notes in an offshore transaction in accordance with Regulation S and if you are in the EEA or the UK you not a "retail investor" (as defined in the "Plan of Distribution" section of this Offering Memorandum immediately above).
- a QIB and are aware that any sale of these Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB; or
- you are purchasing Notes in an offshore transaction in accordance with Regulation S.
- You acknowledge that none of the Issuer, the Guarantors, the Initial Purchasers or any person representing the Issuer, the Guarantors or the Initial Purchasers has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes, other than by the Issuer and the Guarantors with respect to the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Issuer, the Guarantors, the Indenture, the Notes, and the Guarantees as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Issuer, the Guarantors and the Initial Purchasers.
- You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case 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 or other securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A or any other exemption from registration available under the Securities Act, or in any transaction not subject to the U.S. Securities Act.

- You agree on your own behalf and on behalf of any investor account for which you are 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 one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act, or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to our and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will contain a legend substantially in the following form:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, PLEDGED, ENCUMBERED OR OTHERWISE TRANSFERRED 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) EXCEPT TO (A) QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A OR (B) PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

Each purchaser acknowledges that each Rule 144A Note will contain a legend substantially in the following form:

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF 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 SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY

OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(i) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth herein have been complied with.

(ii) You acknowledge that:

  (a) the Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchasers promptly in writing; and

  (b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

    (1) you have sole investment discretion; and

    (2) you have full power to make the foregoing acknowledgements, representations and agreements.

(iii) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

You understand that no action has been taken in any jurisdiction (including the United States) 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 that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

## LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND SECURITY INTERESTS AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

*The following is a summary of certain limitations on the validity and enforceability of the Guarantees and the security interests and a summary of certain insolvency law considerations in effect in (i) Italy, the jurisdiction where the Issuer is organized and (ii) the jurisdiction where the Guarantors are organized. It is a summary only, and proceedings (bankruptcy, insolvency or similar events) could be initiated in such jurisdiction and in the jurisdiction of organization of a future guarantor of the Notes. This summary is qualified in its entirety by reference to Italian, French, English and German law, as the case may be, and it does not purport to be complete. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction and law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and the security interests in the Collateral. Prospective investors should consult their own legal advisors with respect to such limitations and considerations.*

### Limitations on Validity and Enforceability of the Guarantees and the Security Interests

#### *Italy*

Under Italian law, the entry into of 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 and it is assessed and determined by a factual analysis on a case by case basis and its existence is purely a business decision to the directors and the statutory auditors, if any. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. While corporate benefit for downstream security or guarantee (*i.e.*, security or guarantee granted to secure or guarantee (as applicable) financial obligations of directly or indirectly 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 some benefits or advantages from the granting of such guarantee or security. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it. 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 (without duplication), while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. The general rule is that the risk assumed by an Italian grantor of security or 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 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 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 and 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 by an Italian company 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).

*Trust*

The Collateral will be created and perfected (to the extent required by the applicable Security Documents) in favor of the Security Agent acting in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the notes or in favor of a representative (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

In addition, as the holders of the Notes are not direct parties to the Indenture, there is the risk that the appointment of the Security Agent in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code is not upheld by an Italian court and that therefore an Italian court may determine that the holders of the Notes at the time of enforcement are not secured by the security under the Security Documents and/or that the *rappresentante* cannot exercise the rights and enforce the Collateral also in the name and on behalf of the holders of the Notes. In addition, the provisions and

the subject matter of paragraph 3 of Article 2414-*bis*, paragraph 3, of the Italian Civil Code are new and, as such, untested by Italian Courts and, therefore, even if the appointment of the *rappresentante* is upheld by an Italian Court, it cannot be excluded that an Italian Court may take a different view and interpretation and determine that, where the Collateral is only granted in favour of the *rappresentante*, the holders of the Notes at the time of enforcement are not secured by the Collateral and/or cannot enforce that Collateral.

Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

Moreover, it is uncertain and untested in the Italian courts whether, under Italian law, a security interest can be created and perfected: (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of a "trustee," since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as trustee under security interests granted over Italian assets is uncertain under Italian law.

*Certain considerations in relation to security interests*

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "*undercapitalized companies*" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a limited liability company (*società a responsabilità limitata*) will be subject to the so-called "equitable subordination" and therefore 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 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.

However, due to the COVID-19 emergency, the Italian government issued the so-called "*Decreto* Liquidità" (*i.e.*, Law Decree April 8, 2020, no. 23, published in the *Gazzetta Ufficiale* on April 8, 2020 and converted into law by the Italian parliament by Law June 5, 2020, no. 40, published in the *Gazzetta Ufficiale* on June 6, 2020, the "**Liquidity Decree**") according to which the provisions summarized above are temporarily frozen and therefore loans granted by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a limited

liability company (*società a responsabilità limitata*) during the period between April 9, 2020 and December 31, 2020 are exempted from the application of the so-called "*equitable subordination*" rule.

*Certain limitations on enforcement*

The enforcement of security interests by creditors in Italy can be complex and time consuming, especially in a liquidation scenario, given that Italian courts maintain a significant role in the enforcement process in comparison to other jurisdictions with which the holders of the Notes may be familiar. The two primary goals of the Italian law are first, to maintain employment, and second, to liquidate the debtor's assets for the satisfaction of creditors. These competing goals often have been balanced by the sale of businesses as going concerns and by ensuring that employees are transferred along with the businesses being sold.

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "*suspect period*").

For a more detailed explanation of the terms, conditions and consequences of clawback actions in an insolvency scenario, see "*Certain insolvency law considerations-Italy*" 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, among others, any obligation to pay: (i) any portion of interest exceeding the thresholds of the interest rate permitted under the Italian law no. 108 of March 7, 1996 (*i.e.*, the Italian usury law), as amended from time to time and related implementing rules and regulations; and (ii) any portion of interest deriving from any compounding of interest which does not comply with Italian law, including Article 1283 of the Italian Civil Code, according to which, accrued and unpaid interest can be capitalized only after legal proceedings to recover the debt were started or in the event the interest were unpaid and capitalized for not less than six months based on an agreement executed after the relevant maturity date 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.

***England***

*Challenges to Guarantees and Security*

Marcolin UK which will guarantee the Notes is a company organized under the laws of England and Wales (Marcolin UK, and any other English company providing a guarantee in the future, the "**English Guarantor**").

There are circumstances under English insolvency law in which the granting by a company of security and/ or guarantees can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period of the granting of the guarantee and/or security. Therefore, if during the specified period an administrator or liquidator is appointed to a company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company. The Issuer cannot be certain that, in the event of the onset of its, or a Guarantor's English law insolvency proceedings within any of the requisite time periods set forth below, the grant of any security or Guarantee will not be challenged or that a court would uphold the transaction as valid.

*Transaction at an undervalue*

Under Insolvency Act, a liquidator or administrator of an English company can apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or guarantee constituted a transaction at an undervalue. It can only be a transaction at an undervalue if at the time of the transaction or as a result of the transaction, the English company is insolvent on either a cash flow (the company being unable to pay its debts as they fall due) or on a balance sheet basis (the value of the company's assets being less than the value of its liabilities, taking into account prospective and contingent liabilities). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of two years from the date the English company grants the security interest or the guarantee. A transaction might be subject to being set aside as a transaction at an undervalue if it involves the company making a gift to a person, the company receiving no consideration or the company receiving consideration of significantly less value, in money or money's worth, than the consideration given by such company. However, a court may not make an order to set aside a transaction at an undervalue if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent unless a beneficiary of the transaction was a connected person (as defined in the Insolvency Act),

in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the company in such proceedings.

*Preference*

Under the Insolvency Act, a liquidator or administrator of an English company can apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or such guarantee constituted a preference. It can only be a preference if, at the time of the transaction or as a result of the transaction the English company was or became insolvent. The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company grants the security interest or the guarantee. A transaction may constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction was a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could include reducing payments under the Notes, the Guarantees and security interests over the Collateral (although there is protection for a third party who enters into such a transaction in good faith and without notice). However, for the court to determine that a transaction is a preference, it must be shown that the English company was influenced by a desire to produce the preferential effect. This is a subjective test. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

*Transaction defrauding creditors*

Under Insolvency Act, where it can be shown that a transaction was entered into at an undervalue and was made for the purpose of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or to otherwise prejudice the interests of a person in relation to a claim, which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used with leave of the court, by any person who is a victim prejudiced, or is capable of being prejudiced, by the transaction and is not therefore limited to liquidators or administrators or to companies that are in liquidation or administration). There is no time limit in the Insolvency Act within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction.

*Extortionate credit transaction*

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by an English Guarantor up to three years before the day on which the English Guarantor in the period entered into administration or went into liquidation. A transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

*Security over shares*

The fixed charges over shares granted by certain Guarantors are equitable charges, not legal charges. An equitable charge arises where a chargor transfers the beneficial interest in the shares to the chargee but retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or are otherwise at the discretion of the court.

*Security over bank accounts*

With respect to the charges over cash deposits (each an "**Account Charge**") granted by a Guarantor over certain of its bank accounts, the banks with which some of those accounts are held (each an "**Account Bank**") may have

reserved their right at any time (whether prior to or following a crystallization event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling arrangements with that Guarantor. As a result, the collateral constituted by any such bank accounts will be subject to the relevant Account Bank's netting and set-off rights with respect to the bank accounts charged under the relevant Account Charge.

*Challenges to floating charges*

Under English insolvency law, if a company is unable to pay its debts at the time of (or as a result of) granting the floating charge, then such floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt owed by, the relevant company at the same time as or after the creation of the floating charge (plus certain interest). The requirement for the company to be unable to pay its debts at the time of (or as a result of) granting the floating charge does not apply where the floating charge is granted to a connected person. If the floating charge is granted to a connected person then the floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt owed by, the relevant company at the same time as or after the creation of the floating charge (plus certain interest), whether the relevant company is solvent or insolvent at the time of grant. The transaction can be challenged if the relevant company granted the floating charge within a one year (if the beneficiary is not a connected person) or two year (if the beneficiary is a connected person) period ending with the onset of insolvency. However, if the floating charge qualifies as a "security financial collateral agreement" under the Financial Collateral Regulations, the floating charge will not be subject to challenge as described in this paragraph. An administrator, or a liquidator (as applicable), does not need to apply to court for an order declaring that a floating charge is invalid. Any floating charge created during the relevant time period is automatically invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt owed by, the relevant company at the same time as or after the creation of the floating charge (plus certain interest), whether the relevant company is solvent or insolvent at the time of grant.

*Challenges to fixed charges*

Under English insolvency law, there is a possibility that a court could find that the fixed security interests expressed to be created by a security document could take effect as floating charges because the description given to them as fixed charges is not determinative. Whether purported fixed security interests will be upheld as fixed rather than floating security interests will depend on, among other things, whether the chargee has the requisite degree of control over the ability of the relevant chargor to deal with the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

*Foreign currency*

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, the office-holder will convert all foreign currency denominated proofs of debt into pound sterling at a single rate for each currency determined by the office-holder by reference to the exchange rates prevailing on the relevant date. This provision overrides any agreement between the parties. If a creditor considers the rate to be unreasonable, they may apply to the court.

Accordingly, in the event that the English Guarantor goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date on which the English Guarantor goes into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled.

*Post-petition interest*

Any interest accruing under or in respect of amounts due under the Notes or the Guarantee in respect of any period after the commencement of administration or liquidation proceedings would only be recoverable by the Noteholders from any surplus remaining after payment of all other debts proved in the proceedings of the relevant English Guarantor and accrued and unpaid interest on those debts up to the date of the commencement of the proceedings provided that such interest may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries.

*Limitation on enforcement*

The grant of a Guarantee or Collateral by the English Guarantor in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that the above do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with an English Guarantor in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each English Guarantor in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the English Guarantor for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

***France***

The liabilities and obligations of the French Guarantor are subject to:

- certain exceptions, including to the extent of any obligations which would constitute prohibited financial assistance within the meaning of Article L. 225-216 of the French Commercial Code or infringement of the provisions of Articles L. 241-3, L. 242-6 or L. 244-1 of the French Commercial Code; and
- French corporate benefit rules.

Under French financial assistance rules, a company is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of the acquisition or the subscription of its own shares by a third party.

Under French corporate benefit rules, a guarantor must receive an actual and adequate benefit from the transaction involving the granting by it of the guarantee, taken as a whole. A court could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if it found that these criteria were not fulfilled. The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

Accordingly, the Guarantee by the French Guarantor and the amounts recoverable thereunder will be limited, at any time, to an amount equal to the aggregate of the proceeds of the Notes to the extent directly or indirectly on-lent by the Issuer, or used to refinance any indebtedness previously directly or indirectly on-lent, to the French Guarantor or any of its subsidiaries under intercompany loans or similar arrangements and outstanding on the date a payment is requested to be made by such French Guarantor under its Guarantee. Any payment made by the French Guarantor under its Guarantee in respect of the obligations of any other obligor shall reduce *pro tanto* the outstanding amount of the intercompany loans due by the French Guarantor or its subsidiaries under the intercompany loan arrangements referred to above. By virtue of this limitation, a French Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a French Guarantor may have effectively no obligation under its Guarantee.

No French Guarantor will be acting jointly and severally with the Issuer and/or the other Guarantors as regards its obligations.

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

Under French law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these liens. Furthermore, it should be noted that neither the Trustee nor the Security Agent shall have any obligation to take any steps or action to perfect any of these liens. In particular, pledges over the securities of French subsidiaries in the form a stock company (*société par actions*) that are governed by French law consist of pledges over a securities account (*nantissement de compte de titres financiers*) in which the relevant securities are registered. The securities account pledges will

be validly established after execution of a statement of pledge (*déclaration de nantissement de compte titres financiers*) by each security provider in favor of the Security Agent. Each statement of pledge will have to be registered in the relevant shareholder's account (*compte d'actionnaire*) and shares registry (*registre de mouvement de titres*) of the French Guarantor. In France, no lien searches are available for security interests which are not publicly registered (such as pledges over securities account), with the result that no assurance can be given on the priority of a security interest if it is not publicly registered.

*Limitations on enforcement of security interests and cash amount ("soulte")*

Security interests governed by French law may only secure a creditor up to the secured amount that is due and unpaid to it. Pledges over securities (whether in the form of a pledge over securities account or in the form of a pledge over shareholding interests (*parts sociales*)) may generally be enforced at the option of the secured creditors either (i) by way of a sale of the pledged securities in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by way of judicial foreclosure (*attribution judiciaire*) or contractual foreclosure (*pacte commissoire*) of the pledged securities to the secured creditors, following which the secured creditors become the legal owner of the pledged securities. If the secured creditors choose to enforce by way of foreclosure (whether a judicial foreclosure or contractual foreclosure), the secured liabilities would be deemed extinguished up to the value of the foreclosed securities. Such value is determined either by the court in the context of a judicial attribution or by a pre-contractually agreed expert in the context of a contractual foreclosure. If the value of the Collateral exceeds the amount of secured debt, the secured creditor may be required to pay the pledgor a cash amount (*soulte*) equal to the difference between the value of the securities as so determined and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent on-sale of the Collateral.

If the value of such securities is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such securities, and the remaining amount owed to such creditors will be unsecured in that respect.

An enforcement of the pledged securities could be undertaken through a public auction in accordance with applicable law. If enforcement is implemented through a public auction procedure, it is possible that the sale price received in any such auction might not reflect the value of the securities since the latter will not be sold pursuant to a competitive bid process and/or a private sale organized by an investment bank and controlled by the vendor on the basis of a value determined pursuant to the methods usually used for the purpose of the acquisition of companies or groups of companies.

*Parallel Debt—Trust*

The beneficial holders of interests in the Notes from time to time will not be parties to the Security Documents. In order to permit the beneficial holders of the Notes to benefit from a secured claim, there will be provided for the creation of "parallel debt" obligations in favor of the Security Agent (the "**Parallel Debt**") mirroring the obligations of the Issuer and the Guarantors (as principal obligors) towards the holders of the Notes under or in connection with the Indenture (the "**Principal Obligations**").

The Parallel Debt will at all times be in the same amount and payable at the same time as the Principal Obligations. 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. Pursuant to the Parallel Debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The pledges governed by French law will directly secure the Parallel Debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. The holders of the Notes will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent (even if they are in some instances direct beneficiaries of the security interests in the Collateral).

There is one published decision of the French Supreme Court (*Cour de cassation*) on Parallel Debt mechanisms (Cass. com. September 13, 2011 n°10-25533 *Belvédère*) relating to a bond documentation governed by New York law. Such a decision recognized the enforceability in France of certain rights (especially the filing of claims in safeguard proceedings) of a security agent benefiting from a Parallel Debt. In particular, the French Supreme Court upheld the proof of claim of the legal holders of a Parallel Debt claim, considering that it did not contravene French international public policy *(ordre public international*) rules. The ruling was made on the basis that the French debtor was not exposed to double payment or artificial liability as a result of the Parallel

Debt mechanism. Although this court decision is generally viewed by legal practitioners and academics as a recognition by French courts of Parallel Debt structures in such circumstances, there can be no assurance that such a structure will be effective in all cases before French courts. Indeed, it should be noted that the legal issue addressed by it is limited to the proof of claims. The French court was not asked to generally uphold French security interests securing a Parallel Debt. It is also fair to say that case law on this matter is scarce and based on a case-by-case analysis. Such a decision should not be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a Parallel Debt claim. There is no certainty that the Parallel Debt construction will eliminate the risk of unenforceability under French law.

To the extent that the security interests in the Collateral created to the benefit of the Security Agent as Parallel Debt Creditor under the Parallel Debt construction are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral. The holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the beneficiary of the Parallel Debt.

The Trustee has certain assigned duties and rights under the Indenture that become particularly important following Defaults or Events of Default, and acts as trustee in a fiduciary capacity in the best interests of the holders of the Notes.

The concept of "*trust*" has been recognized by the French Tax Code (*Code général des impôts*) and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (Cass. com. September 13, 2011 n°10-25533 Belvedere) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings commenced in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of "trust" has not been generally recognized under French law.

*Fraudulent conveyance*

French law contains specific "*action paulienne*" provisions dealing with fraudulent conveyance both in and outside insolvency proceedings. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which such debtor guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such debtor's or a third party's obligations, enters into additional agreements benefiting from existing security or any other legal act having similar effect) can be challenged in the context of the insolvency proceedings of the relevant debtor by the creditors' representative (*mandataire judiciaire*), the court-appointed commissioner in charge of overseeing the implementation of the safeguard or reorganisation plan (*commissaire à l'exécution du plan*), or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings. Any such legal act may be declared unenforceable against all the creditors of the relevant debtor (if the claim was lodged by the creditors' representative (*mandataire judiciaire*) or the court-appointed commissioner in charge of overseeing the implementation of the safeguard or reorganization plan (*commissaire à l'execution du plan*)) or the concerned creditor (if the claim was lodged by such creditor) if: (i) the debtor performed such act without an obligation to do so; (ii) the relevant creditor or (in the case of a claim lodged by the creditors' representative (*mandataire judiciaire*) or the court-appointed commissioner in charge of overseeing the implementation of the safeguard or reorganization plan (*commissaire à l'execution du plan*) any creditor was prejudiced in its means of recovery as a consequence of the act ; and (iii) at the time the legal act was performed, both the debtor and the counterparty to the transaction knew or should have known that one or more of such debtor's creditors (existing or future) would be prejudiced in their means of recovery (where the legal act was entered into for no consideration (*à titre gratuit*), no such knowledge of the counterparty is necessary). If a court found that the issuance of the Notes, the grant of the security interests in the Collateral, or the granting of a Guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes, the granting of the security interests in the Collateral or the granting of such Guarantee could be (i) declared unenforceable against all the creditors if the claim was lodged by the creditors' representative (*mandataire judiciaire*) or the court-appointed commissioner in charge of overseeing the implementation of the safeguard or reorganization plan (*commissaire à l'exécution du plan*) or (ii) declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not enjoy the benefit of the Notes, the Guarantee or the security interests in the Collateral and the value of any consideration that holders of the Notes received with respect to the Notes, the security interests in the Collateral or the Guarantee could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances,

holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer or the Guarantors as a result of the fraudulent conveyance.

*Recognition of intercreditor arrangements by French courts*

There is no law or published decision of the French courts of appeal or of the French Supreme Court (*Cour de cassation*) on the validity or enforceability of the obligations of an agreement such as the Intercreditor Agreement, except for Articles L. 626-30-2, L. 626-32 and L. 631-19 of the French Commercial Code pursuant to which, in the context of safeguard proceedings (namely safeguard, accelerated safeguard or accelerated safeguard proceedings) or judicial reorganization proceedings, the safeguard or reorganization plan which is put to the vote of the creditors' committees takes into consideration (*prend en compte*) the provisions of subordination agreements between creditors which were entered into prior to the commencement of the safeguard, or judicial reorganization, proceedings. As a consequence, except to the extent referred to above (which, as at the date of this offering memorandum, has received no judicial interpretation), we cannot rule out that a French court would not give effect to certain provisions of the Intercreditor Agreement.

*Recognition of validity of second or lower ranking financial securities account pledges by French courts*

The Intercreditor Agreement provides for a mechanism allowing the implementation of second or lower ranking pledges over financial securities accounts.

To our knowledge, French courts have never expressly recognized the concept of second (or lower) ranking pledge in respect of a financial securities account and, if Article 2340 of the French Civil Code does recognise the possibility to create multiple pledges in respect of the same tangible asset, this article is not expressly stated to apply to pledges over financial securities account. As a result, no assurance can be given on the priority of a pledge over a securities account in which the shares of such a company are registered. Therefore, there is a risk that the second or lower ranking pledge over the securities account in which the shares of such company are respectively registered may be held void or unenforceable by a French court, which in turn could materially adversely affect the recovery under the Notes or Guarantees (as applicable) following an enforcement event. The second or lower ranking pledge over the shares of such a company will therefore provide that the first ranking and second or lower ranking secured parties have consented to the creation of second or lower ranking pledge.

***Germany***

Marcolin Germany (the "**German Guarantor**") which will guarantee the Notes is a company organized under the laws of Germany in the form of a company with limited liability (*Gesellschaft mit beschränkter Haftung,* "**GmbH**"). Consequently, the granting of security (including guarantees) by the German Guarantor will be subject to certain German capital maintenance rules of the German Act regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) (the "**GmbHG**"). These provisions would also apply for any further Guarantors and/or security providers incorporated as a GmbH or a German limited partnership (*Kommanditgesellschaft*) with a GmbH as general partner (a "**GmbH & Co. KG**"). As a general rule, sections 30 and 31 of the GmbHG ("**Sections 30 and 31**") prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (i.e., assets less liabilities and liability reserves)—or, in case of a GmbH & Co. KG, its general partner's net assets—would fall below, or increases or would increase an existing shortfall of, the amount of its stated share capital (*Stammkapital*) (*Begründung oder Vertiefung einer Unterbilanz*). Guarantees or security interests granted by a GmbH or a GmbH & Co. KG in order to secure liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to grant guarantees and to provide security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and to limit any potential personal liability of management, it is standard market practice for credit agreements, indentures, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated in Germany in the legal form of a GmbH or a GmbH & Co. KG. Pursuant to such "limitation language", the beneficiaries of the guarantees or security interests contractually agree to enforce the guarantees and security interests against the German subsidiary only if and to the extent that such enforcement does not result in the subsidiary's—or, in case of a GmbH & Co. KG, in the general partner's—net assets falling below, or increasing an existing shortfall of, its stated share capital (*Stammkapital*) and thereby violating sections 30, 31 GmbHG. Accordingly, the Indenture and security documents, to the extent provided by a Guarantor incorporated in Germany in a relevant corporate form as described above, contain or will contain a contractual limitation language as described above. This could lead to a situation in which the respective guarantee or security interests granted by such Guarantor cannot be enforced at all or enforcement is severly restricted.

German capital maintenance rules are subject to evolving case law. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of the Guarantors constituted in the form of a GmbH or a GmbH & Co. KG, which can negatively affect the ability of the Issuer to make payment on the Notes or of the Guarantors to make payments on the related guarantee.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding section 15b para. 5 of the German Insolvency Code (*Insolvenzordnung*) (i.e., a situation where a managing director makes a payment to a direct or indirect shareholder of the GmbH which inevitably leads to the illiquidity of the GmbH) or a so-called "destructive interference" (*existenzvernichtender Eingriff*) (*i.e.*, a situation where a shareholder deprives a GmbH of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a guarantee or security interests granted by a German Guarantor. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, potentially even to zero.

According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of guarantees by any of the Guarantors. Furthermore, the beneficiary (e.g., a holder of Notes) of a transaction effecting a repayment of the stated share capital of the grantor of the guarantee and/or collateral could become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if, for example, the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee and/or collateral was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

*Accessory Security Interests/Parallel Debt*

Under German law, certain security interests such as pledges (*Pfandrechte*) are of strict accessory nature and are therefore dependent on the secured claims and require the security holder and the creditor of the secured claim to be identical. Such accessory security interests (*akzessorische Sicherungsrechte*) (i) will automatically lapse to the extent a secured claim is settled, discharged or novated, (ii) may not be assigned independently, but would automatically follow the claims they secure in case the relevant secured claim is assigned and (iii) may only be granted to the creditor of a claim to be secured by the accessory security interest.

The accessory security interests such as pledges will be granted to the Security Agent only. The Security Agent is, however, not a creditor under the Notes. The holders on the other hand are creditors under the Notes. In order to allow the holders to benefit from the pledges, such pledges will secure a so-called "parallel debt" obligation created under the Intercreditor Agreement in favor of the Security Agent (the "**Parallel Debt**") rather than secure the holders' claims under the Notes directly; the holders of the Notes will not have direct security interest and will not be entitled to take enforcement action in respect of such security interest (except through the Security Agent). The Parallel Debt is in the same amount and payable at the same time as the obligations of the Issuer and the Guarantors under the Notes and the Guarantee (the "**Principal Obligations**"), and any payment in respect of the Principal Obligations will discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the Parallel Debt, a claim against the Issuer and the Guarantors in respect of the Principal Obligations, the legal concept of creating parallel debt obligations has not yet been tested before a German court. Therefore, it cannot be ruled out that such concept will not be recognized by German courts and that German courts will not render security interest securing the Parallel Debt invalid or unenforceable. Therefore, the ability of the Security Agent to enforce the collateral may be restricted or enforcement may not be possible at all.

Moreover, should the Security Agent become subject to German insolvency proceedings, the insolvency administrator over the insolvency estate of the Security Agent may successfully claim that there is no separation right (*Aussonderungsrecht*) of the holders with respect to the secured claims. As a consequence, the secured claims (including the Parallel Debt) and the accessory security rights would remain with the (then insolvent) Security Agent. The holders of the Notes will bear the risk associated with an insolvency, bankruptcy moratorium or reorganization (including any pre-insolvency scheme) of the Security Agent or a breach of its obligations as Security Agent vis-à-vis the secured creditors.

Since German law does not generally permit for an appropriation of pledged assets by the pledgee upon the occurrence of an enforcement event, an enforcement of a share pledge governed by German law usually requires the sale of the relevant collateral through a formal disposal process involving a public auction. Certain waiting periods and notice requirements may apply in respect of such disposal process.

## Certain Insolvency Law Considerations

### *European Union*

*Insolvency Regulation*

The Issuer and several of the Guarantors are organized under the laws of Member States of the European Union.

Regulation No. 2015/848 of the European Parliament and of the Council of May 20, 2015 on Insolvency Proceedings (recast) (the "**Insolvency Regulation**"), as amended, in particular by Regulation (EU) 2018/046 of the European Parliament and of the Council of July 4, 2018, was published in the Official Gazette of the European Union on June 2015 and applies to insolvencies which commence after June 26, 2017 (subject to certain exceptions).

The Insolvency Regulation applies within the European Union (other than Denmark), to public collective insolvency proceedings as defined therein and listed in its Annex A.

Pursuant to Article 3(1) of the Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the EU Member State (other than Denmark) where the company concerned has its "**centre of main interests**" or "**COMI**". The determination of where a company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Furthermore, "centre of main interests" is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition. In the case of a company or legal person, the centre of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another Member State within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the centre of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in another Member State than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual centre of management and supervision and the centre of the management of its interests is located in that other Member State. Under the previous insolvency regulation ((EC) 1346/2000), which defined the COMI in similar terms, the courts have taken into consideration when determining the centre of main interests a number of factors, in particular 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 company, 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 main insolvency proceedings in respect of that company under the Insolvency Regulation. The types of insolvency proceedings which may be opened as main proceedings in the relevant jurisdiction are listed in Annex A to the Insolvency Regulation.

If the centre of main interests of a company is in one Member State (other than Denmark), under Article 3(2) of the Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction (subject to certain exceptions) to open secondary and territorial insolvency proceedings against that company only if such company has an "establishment" (within the meaning and as defined in Article 2(10) of the Insolvency Regulation) in the territory of such other Member State or had an establishment in such EU Member State in the 3-month period prior to the request for commencement of main insolvency proceedings. An "establishment" is defined to mean any place of operations where the company carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. Secondary and territorial proceedings may be any insolvency proceeding listed in Annex A of the Insolvency Regulation. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company which are situated in such other Member State.

Where main proceedings have been commenced in the Member State in which the debtor has its centre of main interests, any proceedings commenced subsequently in another Member State in which the debtor has an establishment shall be secondary insolvency proceedings. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings.

Pursuant to Article 3(4) of the Insolvency Regulation, where main proceedings in the Member State in which the company has its centre of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment and either: (a) insolvency proceedings cannot be opened in the Member State in which the company's centre of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of (i) a creditor whose claim arises from or is in connection with the operation of the establishment situated within the territory of the Member State where the commencement of territorial proceedings is requested or (ii) a public authority that has the right to request the opening of such proceedings under the law of the Member State in which the establishment is located. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will always, subject to certain exemptions, be governed by the *Lex fori concursus*, that is, the local insolvency law of the court that has assumed jurisdiction for the insolvency proceedings of the debtor. Furthermore, pursuant to Article 6 of the EU Insolvency Regulation, the courts of the Member State within the territory of which insolvency proceedings have been opened in accordance with Article 3 shall have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with, such as avoidance actions.

The opening of insolvency proceedings in a Member State pursuant to the EU Insolvency Regulation shall not affect the rights *in rem* of creditors or third parties in respect of tangible or intangible, moveable or immoveable assets, both specific assets and collections of indefinite assets as a whole that change from time to time, belonging to the debtor that are situated within the territory of another Member State at the time of the opening of proceedings. Rights *in rem* include:

- the right to dispose of assets or have them disposed of and to obtain satisfaction from the proceeds of or income from those assets, in particular by virtue of a lien or a mortgage;
- the exclusive right to have a claim met, in particular a right guaranteed by a lien in respect of the claim or by assignment of the claim by way of a guarantee;
- the right to demand assets from, and/or to require restitution by, anyone having possession or use of them contrary to the wishes of the party so entitled;
- a right *in rem* to the beneficial use of assets.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening main proceedings (subject to any public policy exceptions) and give the same effect to the order in the other relevant Member State so long as no secondary proceedings have been opened there. Pursuant to Article 21 of the Insolvency Regulation, the insolvency officeholder appointed by a court in a Member State that has jurisdiction to open main proceedings (because the debtor's COMI is located there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

However, under Article 36 of the EU Insolvency Regulation, the insolvency practitioner in the main insolvency proceedings may attempt to avoid the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened that the distribution of those assets or of the proceeds received as a result of their realization, will comply with the distribution and priority rights that would apply under the relevant national law if secondary insolvency proceedings were opened in such other Member State. Such undertaking must be made in writing and is subject to approval by a qualified majority of known local creditors, determined in accordance with the local law of such other Member State. If approved, the undertaking is binding on the insolvency estate and if a court is requested to open secondary insolvency proceedings, it shall, at the request of the insolvency practitioner in the main insolvency proceedings, refuse to open such proceedings if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Additionally, under Article 38 of the Insolvency Regulation, where a temporary stay of individual enforcement proceedings has been granted in order to allow for negotiations between a company and its creditors, the court, at

the request of the company or of the insolvency practitioner in the main insolvency proceedings, may stay the opening of secondary insolvency proceedings for a period not exceeding three months, provided that suitable measures are in place to protect the interests of local creditors.

Under Article 46 of the Insolvency Regulation, the court that opened the secondary insolvency proceedings will also stay the process of realization of assets in whole or in part upon receipt of a request from the insolvency practitioner in the main insolvency proceedings, for a period of up to three months, unless such a request is manifestly of no interest to the creditors in the main insolvency proceedings. Such stay may be continued or renewed for similar periods. Where the court stays the process of realization of the assets, the court may require the insolvency practitioner in the main insolvency proceedings to take any suitable measure to guarantee the interests of the creditors in the secondary insolvency proceedings and of individual classes of creditors.

The Insolvency Regulation also provides for rules to coordinate main, secondary and territorial insolvency proceedings (Articles 41 et seq.), as well as to coordinate cross-border group insolvencies (Article 56 et seq.). In the event that insolvency proceedings concerning two or more members of a group are opened, insolvency practitioners and courts shall cooperate with any other insolvency practitioner and any other court involved in insolvency proceedings of another member of the group (Articles 56 and 57).

The Insolvency Regulation has created a treatment for groups of companies experiencing difficulties by the commencement of group coordination proceedings and the appointment of an insolvency practitioner in order to facilitate the effective administration of the insolvency proceedings of our group's members.

In addition, the concept of "group coordination proceedings" has been introduced in the Insolvency Regulation with the aim of bolstering communication and efficiency in the insolvency of several members of a group of companies in one or more Member States (other than Denmark). Under Article 61 of the Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group. Participation in group proceedings and adherence to the coordinating insolvency practitioner's recommendations or plan however is voluntary.

In the event that the Issuer or the Guarantors experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer and the Guarantors.

The United Kingdom ceased to be a member of the EU on January 31, 2020, 11.00 p.m. ("exit day") and therefore is no longer a Member State. The EUWA (as amended by the European Union (Withdrawal Agreement) Act 2020) provides that direct EU legislation (which term includes any EU regulation as it had effect in EU law immediately before exit day (subject to certain exceptions)) converts directly applicable EU law (which includes regulations) as it stood at the end of the transition period into UK domestic law. However, while direct EU legislation may continue to form a part of domestic law of the United Kingdom after the end of the transition period, it may be subject to a number of amendments. The Insolvency (Amendment) (EU Exit) Regulations 2019 (SI 2019/146) sets out a number of amendments to be made to the Insolvency Regulation, as it will apply in the United Kingdom after the end of the transition period. On December 30, 2020 the European Union and the United Kingdom formally signed the EU UK Trade and Cooperation Agreement. This agreement provisionally applies from January 1, 2021, but is still subject to formal approval by the European Parliament. At this stage, there remains considerable political, legislative and regulatory uncertainty throughout the region and the extent to which Brexit could adversely affect business activity, restrict the movement of capital and the mobility of personnel and goods, and otherwise impair political stability and economic conditions in the United Kingdom, the Eurozone, the EU and elsewhere. Any of these developments could have a material adverse effect on business activity in the United Kingdom, the Eurozone, or the EU. Further, the Trade and Cooperation Agreement (the "**Withdrawal Agreement**") does not include a replacement for the current automatic recognition of UK insolvency procedures across the EU and vice versa. In the absence of an agreement allowing automatic recognition, it will be harder for UK office holders and UK restructuring and insolvency proceedings to be recognised in EU member states and to effectively deal with assets located in EU member states. Much will then depend upon the private international law rules in the particular EU member state and the need may well arise to open parallel proceedings, increasing the element of risk. In particular in cases where the appointment of a UK office holder has been made in reliance on a UK domestic approach rather than the COMI rules, it is much less certain that there will be recognition in the relevant EU member state.

*EU Directive on preventive restructuring frameworks*

The EU directive 2019/1023 of the European Parliament and the Council of June 20, 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency) (the "**EU Restructuring Directive**") was published on June 26, 2019.

The objectives of the EU Restructuring Directive are to ensure that (i) viable enterprises and entrepreneurs that are in financial difficulties have access to effective national preventive restructuring frameworks that enable them to continue operating, (ii) honest insolvent or over-indebted entrepreneurs (*i.e.*, individuals) can benefit from a full discharge of debt after a reasonable period of time, thereby affording them a second chance and (iii) the effectiveness of procedures concerning restructuring, insolvency and discharge of debt is improved, in particular with a view to shortening their length.

The EU Restructuring Directive aims to achieve a higher degree of harmonization in the field of restructuring, insolvency, discharge of debt and disqualifications by establishing substantive minimum standards for preventive restructuring procedures as well as for procedures leading to a discharge of debt for entrepreneurs in order to promote a culture that encourages early preventive restructuring to address financial difficulties at an early stage, when it appears likely that insolvency can be prevented and the viability of the business can be ensured. Most notably, the Restructuring Directive provides for a framework pursuant to which (a) a stay of individual enforcement actions by creditors against debtors must be introduced by Member States national legislation, (b) all creditor claims shall be grouped into separate classes each of which shall reflect a commonality of interests (at a minimum, creditors of secured and unsecured claims shall be treated in separate classes) , (c) creditor claims may be restructured in a restructuring plan by majority vote with a majority of not more than 75% of the amount of the claims in each class and, where the Member State so requires, a majority in number of affected parties in each class and (d) a cross-class cram-down is introduced whereby a restructuring plan may, under certain conditions, be adopted and bind dissenting creditors even if the creditors of one or more classes do not consent to the restructuring plan with the required majority. In order to be adopted the plan will have to be confirmed by a judicial or administrative authority that will in particular ensure the protection of each type of creditors' rights and compliance with the priority rules governing the adoption of the plan. The transposition of the Restructuring Directive into national legislation shall protect new financing and interim financing and may also provide priority ranking to new or interim financing granted in the context of the restructuring.

The EU Restructuring Directive shall be transposed into national laws or regulations by Member States by July 17, 2021 (with the exception of the provisions relating to the use of electronic means of communication for which the time period for the transposition expires in certain respects on July 17, 2024 or, in others, on July 17, 2026), subject to a maximum 1 year extension of the transposition period for Member States encountering particular difficulties in implementing the EU Restructuring Directive.

***Italy***

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where public companies are involved.

Insolvency laws and regulations have recently been substantially reviewed and significant amendments are expected in the near future. In particular, the Italian government approved on January 12, 2019 the Legislative Decree No. 14 of January 12, 2019 implementing the guidelines contained in Law No. 155 dated October 19, 2017 contending the scheme of a new comprehensive legal framework in order to regulate, inter alia, insolvency matters (the "**Legislative Decree**"), which enacts a new comprehensive legal framework in order to regulate, inter alia, insolvency matters (so called "Code of Business Crisis and Insolvency", hereinafter the "**Insolvency Code**"). The Legislative Decree was published in the Gazzetta Ufficiale on February 14, 2019 no. 38—Suppl. Ordinario no. 6. The main innovations introduced by the Insolvency Code include: (i) the elimination of the term

"bankrupt" (*fallito*) due to its negative connotation and the replacement of bankruptcy proceedings (*fallimento*) with a judicial liquidation (*liquidazione giudiziale*); (ii) a new definition of "state of crisis"; (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different judicial insolvency proceedings provided for by the same Insolvency Code; (iv) the adoption of definition of debtor's "center of main interest" as provided in the new set of rules concerning group restructurings; (v) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favor going concern proceedings; (vi) a new preventive alert and mediation phase to avoid insolvency; (vii) jurisdiction of specialized courts over proceedings involving large debtors; (viii) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the reform.

The main provisions set out in the Insolvency Code were expected to come into force 18 months after its publication in the *Gazzetta Ufficiale* (*i.e.*, on August 15, 2020). However, in response to the COVID-19 pandemic, such entry into force of the Insolvency Code has been currently postponed to September 1, 2021, according to Article 5 of the Liquidity Decree. Until that date, insolvency proceedings will continue to be governed by Italian Royal Decree No. 267 of March 16, 1942 as amended (the "**Italian Bankruptcy Law**"), as in force before. Therefore, the main provisions set out in the Insolvency Code are not yet in force and practical consequences of its implementation and its potential impact on the existing insolvency proceedings cannot be foreseen. In addition, 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 27, 2015 through a Law Decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the "**Decree 83/2015**") which entered into force in June 2015 and has been converted into law by the Italian Law No. 132/2015 ("**Law 132/2015**"), 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 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 by Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent and not a temporary status of insolvency in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible of being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

The following debt restructuring and bankruptcy 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 out-of-court arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions, and may trigger liabilities in the event of a subsequent bankruptcy. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

*Out-of-court reorganization plans (piani di risanamento attestato) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law*

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

Out-of-court debt restructuring arrangements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Out-of-court debt restructuring arrangements are not required to be approved and consented to by a specific majority of all outstanding claims.

The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out and/or security interest granted for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions (pursuant to Article 217-*bis* of the Italian Bankruptcy Law). 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 certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

*Debt restructuring agreements with creditors pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di ristrutturazione dei debiti)*

The debtor may negotiate debt restructuring agreements with creditors holding at least 60% of the total amount of claims or debts outstanding, subject to the 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 (*omologazione*), in the case of debts which are due and payable to the non-participating creditors as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court; and (b) 120 days from the date on which the relevant debts fall due or, in case of debts which are not yet due and payable to the non-participating creditors as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a situation of "financial distress" (*i.e.*, facing financial crisis which does not yet amount to insolvency) can initiate this process and request the court's approval (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and becomes effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any conservative or enforcement actions over the assets of the debtor in relation to pre-existing receivables and cannot obtain any security interest (unless agreed) in relation to pre-existing debts. The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among other things, 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 the fulfillment of certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the publication and orders the debtor to supply the creditors with the relevant documentation in relation to the

moratorium. At such hearing, creditors and other interested parties may file an opposition to the agreement and the court decides upon any opposition and assesses whether the conditions for granting such 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 of 60 days, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

The Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182-*septies* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative and that all creditors (adhering and non-adhering) have been informed about the negotiations and have been allowed to take part in them in good faith. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness would also bind the non-participating financial creditors, provided that (i) they have been informed of the ongoing negotiations and have been allowed to participate to such negotiations in good faith and (ii) an independent expert meeting the requirements provided under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law certifies that the non-consenting financial creditors have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the moratorium arrangement. The purpose is to prevent banks with modest credits from blocking 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, through the filing of an objection (*opposizione*) within 30 days of receipt of the application.

In no case may the debt restructuring agreement provided for under article 182-*septies* of the Italian Bankruptcy Law or the moratorium arrangement impose on the non-adhering creditors, *inter alia*, the performance of new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize the existing facilities or the utilization of new facilities.

Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (*e.g.*, trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised Pre-Bankruptcy Composition with Creditors) (*concordato preventivo*) enjoys priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80 percent of such financing). Financing granted "in view of" (*i.e.*, before) presentation of a petition for the sanctioning (*omologazione*) of a debt restructuring agreement or a court-supervised Pre-Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority 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 *concordato preventivo*. The same provisions apply to financings granted by shareholders up to 80% of their amount.

Moreover, pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1, of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law

(in relation to the court supervised pre-bankruptcy 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 via *in rem* security (*garanzie reali*) or by assigning claims, provided that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares that the new financial indebtedness aims to provide 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. Pre-existing creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-*bis* of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the concordato preventivo may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Italian Law Decree No. 69/2013 as converted into Italian Law No. 98/2013

("**Law Decree 69/2013**")). The debtor company may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension (*giustificati motivi*). Nevertheless, in response to the COVID-19 pandemic, Article 9 of the Liquidity Decree, provides that the debtor company which has been granted such extension by the court, can, before the deadline, request for a further extension of up to 90 days, even if it has filed an appeal for a declaration of bankruptcy. The petition requesting the extension provides for the reasons that make it necessary to grant the extension with specific reference to the events that have occurred as a result of the COVID-19 pandemic. The petition may be filed by the debtor who has been granted the hearing referred to in Article 182-*bis*, paragraph 7, of the Italian Bankruptcy Law. The court, in closed session, after having obtained the opinion of the judicial commissioner (if appointed) and without following the requirements set out in Article 182-*bis,* paragraph 7 of the Italian Bankruptcy Law, grants the extension when it considers that the application is based on reasonable grounds and that the conditions for reaching a debt restructuring agreement with the majorities referred to in Article 182-*bis*, paragraph 1, of the Italian Bankruptcy Law are satisfied . 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 oversee 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 non-existent 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, guarantees 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 arises out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding-up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its corporate bodies (usually its board of directors), but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business). The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transactions may be carried out without authorization. Third-party claims, related to the interim acts legally carried out by the debtor, are super-senior (so called prededucibili) pursuant to Article 111 of the Italian Bankruptcy Law.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The Composition with Creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132/2015 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. In relation to voting by the holder of the Notes in the *concordato* proceedings, the interactions between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies are largely untested in the Italian courts (recent case law has however affirmed the right of noteholders whose vote may be tainted by conflict of interest—as could be the case of disenfranchised noteholders—to be computed for the purposes of relevant quora and be admitted to vote, albeit in a specific class). Secured creditors are not entitled to vote on the proposal of the *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 does 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 prebankruptcy agreement proposal with a 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 of a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Pursuant to Article 169-*bis* of the Italian Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*), except for certain agreements which are excluded from the scope of the above provision (*e.g.*, employment agreements (*rapporti di lavoro subordinato*), residential real estate preliminary sale agreements (*contratti preliminari di vendita aventi ad oggetto immobili ad uso abitativo*) and real estate lease agreements (*contratti di locazione di immobili*)). The request may be filed with the competent court at the time of the filing of the application for the *concordato preventivo* or to the judge (*giudice delegato*), if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid prior to and outside of the admission to the pre-bankruptcy composition.

In response to the COVID-19 pandemic, according to Article 9 of the Liquidity Decree extended by six months the deadlines for the fulfilment of *concordati preventivi* and the ratified debt restructuring agreements (*accordi di ristrutturazione omologati*) expiring after February 23, 2020. In the procedures for the sanctioning (*omologazione*) of a *concordato preventivo* and of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*), that are still pending before the court on February 23, 2020, the debtor may submit, until the hearing, a petition for the grant of an extension up to 90 days for the deposit of a new plan and a new proposal for a *concordato* in accordance with Article 161 of the Italian Bankruptcy Law or a new debt restructuring agreement pursuant to Article 182-*bis* of the Italian Bankruptcy Law. The period starts from the date of the decree by which the court assigns the term, and it shall not be extended. The request is inadmissible if submitted in the context of a *concordato preventivo* in the course of which a meeting of creditors was already held but for which the majorities according to Article 177 of the Italian Bankruptcy Law were not reached.

*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 are stayed and creditors must file claims within a defined period;

- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. In case the sale price is not high enough to determine a full satisfaction of their credits, any outstanding balance will be considered unsecured and rank pari passu with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;
- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*);
- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors;
- any act (including payments, pledges and issuance of guarantees) made by the debtor after (and in certain cases even before, for a limited period of time) the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors; and
- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over.

Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of the creditors and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority rights. 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 liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The petition may provide that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also 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. Pursuant to Article 111 of the Italian Bankruptcy Law proceeds of liquidation shall be allocated according to the following order: (i) for payments of "predeductible" claims (*i.e.*, claims

originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including, *inter alia*, a claim whose priority is legally acquired (*i.e.*, repayment of rescue or interim financing), claims of the Italian tax authorities and social security administrators, and the claims for employee wages. Under certain circumstances, claims of preferential creditors might include claims of certain entities and/or financial institutions (including, among others, SACE S.p.A.) providing credit support for economic development of companies in the form of, among others, financial guarantees to facilitate companies' access to credit, due to Italian law provisions providing that, subject to certain conditions and save for certain exceptions, should a guarantee issued by certain guarantee's providers (including, among others, SACE S.p.A.) be enforced by the companies' direct creditors and the relevant guarantee's provider exercise its right of subrogation arising therefrom, the claims of such guarantee's provider towards the company may be given a preference in payment (including in respect of proceeds from enforcement of security interest); applicable Italian law provisions relating to the possible preferential treatment of the abovementioned claims are largely untested in the Italian courts and, therefore, it is uncertain whether and to what extent any priority would be assigned by a court to such claims. 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 indeed creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset. In particular, article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "predeductible" claims (*i.e.*, claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims.

- ***Avoidance powers in insolvency***. Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments or to the granting of guarantees or security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions. In the context of extraordinary administration procedures (as described below), the claw-back period may last up to three or five years in certain circumstances. The Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner.

(a) ***Acts ineffective by operation of law.***

(i) Under Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without need to wait until the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and

(ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective *vis-à-vis* creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

(b) ***Acts that may be avoided at the request of the bankruptcy receiver/court commissioner.***

(i) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) *vis-à-vis* the bankruptcy as provided for by article 67 of the Italian

Bankruptcy Law and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

- onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;
- payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;
- pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which were not yet due at the time the new security was granted; and
- pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time the new security was granted.

(ii) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be avoided and declared ineffective if the bankruptcy receiver proves that the non-insolvent party knew that the bankrupt entity was insolvent at the time of the act or the transaction:

- 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
- granting of security interest for debts incurred in the six months prior to the insolvency declaration.

(iii) The following transactions are exempt from claw-back actions:

- payments for goods or services made in the ordinary course of business according to market practice;
- a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;
- 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;
- transactions entered into and payments made with respect to the bankrupt entity's goods, provided that they concern the implementation of a *piano di risanamento attestato*;
- transactions entered into, payments made and guarantees and security interests granted by the debtor pursuant to a plan (*piano attestato*) under Article 67 of the Italian Bankruptcy Law;
- a transaction entered into, payment made or guarantee or security 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 and transactions entered into, and payments made after the filing of the application for a *concordato preventivo*;
- remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and
- payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared ineffective within the ordinary claw-back period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code. Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective

with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design). The burden of proof is entirely with the receiver.

Law 132/2015 also introduced new Article 2929-*bis* to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (*e.g.*, gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale* or "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third party purchaser.

Finally, the Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

*Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)*

The extraordinary administration procedure applies 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 submits 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.

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.

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 an arrangement with creditors (*concordato*). The plan must be approved by the Ministry within 30 days from the submission by the extraordinary commissioner(s). 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. 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.

*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 arising 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 other things, the relevant debtor's declaration that interim finance is urgently needed and that the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of the Decree 83/2015, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if: (i) an expert certified that such financing is functional to the overall restructuring process; or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

*Hardening period/clawback and fraudulent transfer*

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six-months in certain circumstances). In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the debtor are declared ineffective within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*).

Under Italian law, in the event that the relevant guarantor and/or security provider enters into insolvency proceedings, the security interests created under the documents entered into to secure the Collateral and any future security interests or guarantees could be subject to potential challenges by an insolvency administrator or by other creditors of such guarantor and/or security provider under the rules of avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during a certain legally specified period (the "suspect period"). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (*i.e.*, to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (*e.g.*, payment in kind) or new guarantee or security granted with respect to pre-existing debts not yet due at the time the guarantee or 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, guarantee or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. The transactions potentially subject to avoidance also include those contemplated by a Guarantor's 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 or guarantee is voided, holders of the Notes could lose the benefit of the security interest and the guarantee and may not be able to recover any amounts under the related Security Documents and the Guarantee.

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, as well as within the United Kingdom with respect to insolvency proceedings opened before December 31, 2020, the end of the "implementation period" under the terms of the Withdrawal Agreement signed on January 24, 2020 between the United Kingdom and the European Union.

***England***

Any insolvency proceedings by or against the English Guarantor would likely be based on English insolvency laws. English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar. In the event that the Issuer or an English Guarantor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

The English Guarantor's obligations under the Notes are secured by security interests over the Collateral. English insolvency laws and other limitations could limit the enforceability of a Guarantee against an English Guarantor and the enforceability of security interests over the Collateral.

The principal sources of English insolvency laws are the Insolvency Act 1986 as amended ("**Insolvency Act**") and the Insolvency (England and Wales) Rules 2016. In addition, the Companies Act 2006 sets out statutory procedures which can be utilized to effect a compromise, or other arrangement, between a company and its creditors and/or members. Recent reforms to the English insolvency and restructuring regime were introduced by the Corporate Insolvency and Governance Act ("**CIG Act**"), which came into force on June 26, 2020.

The following is a brief description of certain aspects of English insolvency and restructuring laws relating to certain limitations on the UK guarantee and the security interests over the Collateral granted by the Issuer and the English Guarantors. The application of these laws could adversely affect investors, their ability to enforce their rights under the UK guarantee and/or the Collateral securing the Notes and the UK guarantee and therefore may limit the amounts that investors may receive in an insolvency of the Issuer or an English Guarantor.

*Fixed versus floating charges*

The Notes, the Indenture and the Guarantees benefit from fixed and floating charge security over certain Collateral owned by the English Guarantor.

There are a number of ways in which fixed charge security has advantages over floating charge security.

Until floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge.

On an insolvency of a charging company: (a) a fixed charge, even if created after the date of a floating charge, may have priority as against a floating charge over the same charged assets (provided that the floating charge has not crystallized at the time the fixed charge was granted and there were no restrictions on the creation of such security which the fixed charge holder was aware of); (b) general costs and expenses (including the remuneration of insolvency office-holders and the costs of continuing to operate the business of the charging company while in administration) properly incurred in an insolvency process are generally payable out of the assets of the charging company (including the assets (including cash) that are the subject of the floating charge) and insolvency office-holders appointed to a charging company can convert floating charge assets to cash and use such cash to meet such general costs and expenses in priority to the claims of the floating charge holder to the extent that the value of the charging company's unsecured assets is not sufficient to cover such costs and expenses in full; (c) an administrator may dispose of or take action relating to property subject to a floating charge without the prior consent of the charge holder or court, although the floating charge holder retains the same priority in respect of the proceeds from the disposal of the assets subject to the floating charge; (d) where the floating charge is not created or otherwise arising under a "financial collateral arrangement" (generally, a charge over cash or financial instruments such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended) (the "**Financial Collateral Regulations**"), assets subject to floating charge security are subject to the claims of certain preferential creditors and the ring-fencing of the Prescribed Part for unsecured creditors (see "*Prescribed Part*" below); and (e) there are particular insolvency "clawback" risks in relation to floating charge security.

There is a possibility under English law that a court could find that fixed security interests expressed to be created by a security document governed by English law properly take effect as floating charges as the description given to them as fixed charges is not determinative. Whether the purported fixed security interests will be upheld as fixed security interests rather than recharacterized as floating security interests will depend, among other things, on whether the secured party has the requisite degree of control over the charging company's ability to deal with the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the security holder in practice. Where the charging company is free to deal with the assets that are the subject of a purported fixed charge in its discretion and without the consent of the chargee, the court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

*Administration*

English insolvency laws empower English courts to make an administration order in respect of an English company in certain circumstances. An administrator can be appointed out of court by the company, its directors or the holder of a qualifying floating charge, and different procedures apply according to the identity of the appointer. Alternatively the court may make an administration order upon an application to the court by the company, its directors or one or more creditors if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" and that the administration order is reasonably likely to achieve the purpose of administration.

A company is deemed unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due) or if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities). Such insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 for a period of 3 weeks after receipt of the statutory demand at the company's registered office or to satisfy in full a judgment debt (or similar court order).

The purpose of an administration is comprised of three objectives that must be looked at successively: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the

company's creditors as a whole than if the company went into an immediate liquidation or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property to make a distribution to secured or preferential creditors.

During the administration, a statutory moratorium is imposed such that in general no proceedings or other legal process may be commenced or continued against the debtor and no security interest over any of the company's property (save for eligible arrangements under the Financial Collateral Regulations) may be enforced, except with leave of the court or consent of the administrator. However, certain creditors of a company in administration may, in certain defined circumstances, be able to realize their security over certain of that company's property notwithstanding the statutory moratorium by virtue of the disapplication of the moratorium in relation to any security interest created or otherwise arising under a "financial collateral arrangement" under the Financial Collateral Regulations.

An administrator is given wide powers to conduct the business of the company to which they are appointed and, subject to certain requirements under the Insolvency Act, dispose of the property of a company in administration (including property subject to a floating charge). A set proportion of the proceeds of the realization of any property subject to a floating charge will need to be set aside for satisfaction of the claims of preferential creditors and the ring-fencing of the Prescribed Part (see "*Prescribed Part*" below). An administrator may also, with prior approval by the court, deal with assets subject to a fixed charge, provided that disposing of the property is likely to promote the purpose of the administration and the administrator applies the net proceeds from the disposal towards discharging the obligations of the company to the fixed charge holder.

*Qualifying floating charge*

If an English Guarantor grants a "qualifying floating charge" to a party for the purposes of English insolvency law, that party will be able to appoint an administrative receiver (see "*Administrative Receivership*" below) or an administrator out of court (see "*Administration*" above) and, in the case of the ability to appoint an administrative receiver, the qualifying floating charge must, unless the security document pre-dates September 15, 2003, fall within one of the exceptions under the Insolvency Act as amended by the Enterprise Act 2002 to the prohibition on the appointment of administrative receivers. In order to constitute a "qualifying floating charge", the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it; (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the Insolvency Act. A party will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with other forms of security, relates to the whole or substantially the whole of the property of the relevant English company and at least one such security interest is a qualifying floating charge. Please note that it is a matter of fact whether the extent of the security granted relates to 'the whole or substantially the whole' of the property of a company and there is no statutory guidance as to what percentage of a company's assets should be charged to satisfy this test.

*Administrative receivership*

As noted above, administrative receivership as a creditor remedy has been largely abolished and is only available in very limited circumstances. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the Insolvency Act), which may apply if the issue of the Notes (a) is or forms part of a "capital market arrangement" (which is defined in the Insolvency Act), (b) creates a debt of at least £50.0 million for the relevant company under the arrangement and (c) the arrangement involves the issue of a "capital market investment" (which is defined in the Insolvency Act, and includes rated, listed or traded debt instruments, and debt instruments designed to be rated, listed or traded).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying charge using the out-of-court procedure), and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is invalid. If an administrator is appointed, any administrative receiver will vacate office, and any receiver of part of the company's property must resign if required to do so by the administrator.

*Fixed charge receivership*

A fixed charge receiver (as opposed to an administrative receiver, who is appointed under certain floating charges—see "*Administrative receivership*" above) may be appointed over some or all of the assets secured by a

fixed charge in accordance with the terms of a security document creating a fixed charge or (in limited circumstances) pursuant to statute.

If appointed under the terms of a security agreement, grounds for appointment under the terms of the charge (such as a default) must exist and the charging company must have failed to satisfy the demand made for an appointment to take place. A fixed charge receiver can be appointed in parallel to a liquidator. An administrator may require a fixed charge receiver to vacate office unless that fixed charge receiver was appointed under a charge created or otherwise arising under a financial collateral arrangement, as per Regulation 8(4) of the Financial Collateral Regulations (see "*Administration*" above).

The primary duty of a fixed charge receiver is to realize the assets over which (s)he is appointed, meaning (s)he owes an over-riding duty of care to the appointor. This contrasts with the duty of an administrator, who performs his/her duties in the interests of a company's creditors as a whole. In other words, receivership is a proprietary remedy whereas administration is a collective procedure. In realizing the charged assets, the receiver will need to take reasonable care to obtain the best price obtainable in the circumstances. In doing so, the fixed charge receiver will be entitled to a statutory indemnity in respect of any liabilities from the realizations made of the assets of the company (and may also have the benefit of a contractual indemnity from the appointor).

To the extent the receiver has been appointed under a crystallized floating charge, amounts will be deducted from the proceeds of the realization of the charged assets to pay the Prescribed Part and any preferential creditors (see "*Prescribed Part*" below).

*Liquidation/winding up*

Liquidation is a company dissolution procedure under which the assets of a company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act (see "*Priority on insolvency*" below). There are two forms of winding-up: (a) compulsory liquidation, by order of the court; and (b) members' voluntary liquidation or creditors' voluntary liquidation, in each case by resolution of the company's members. The difference between the two voluntary proceedings is the solvency of the company in question; in a members' voluntary liquidation, the directors of the company swear a statutory declaration as to the company's solvency over the following 12 months whereas the primary ground for the creditors' voluntary liquidation of an insolvent company is that it is unable to pay its debts (see "*Administration*" above).

The effect of a compulsory winding-up differs in a number of respects from that of a voluntary winding-up. In a compulsory winding-up, under Section 127 of the Insolvency Act any disposition of the relevant company's property made after the commencement of the winding-up is, unless sanctioned by the court, void. However, this will not apply to any property or security interest subject to a disposition or created or otherwise arising under a "financial collateral arrangement" under the Financial Collateral Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms. Subject to certain exceptions, when an order is made for the winding-up of a company by the court, it is deemed to have commenced at the time of the presentation of the winding-up petition. Once a winding-up order is made by the court a stay of all proceedings against the company will be imposed. No legal action may be continued or commenced against the company without leave of the court and subject to such terms as the court may impose.

In the context of a voluntary winding-up, however, there is no equivalent to the retrospective effect of a winding-up order; the winding-up commences on the passing of the resolution to wind up. As a result, there is no equivalent of Section 127 of the Insolvency Act. There is also no automatic stay in the case of a voluntary winding-up—it is for the liquidator, or any creditor or contributory of the company, to apply for a stay to prevent the continuation of legal proceedings and enforcement of security.

In light of the COVID-19 pandemic, legislation has been introduced which temporarily restricts the ability of creditors to present winding-up petitions and of courts to grant winding-up orders. While these measures remain in place, (a) winding-up petitions on the basis of a company's inability to satisfy a statutory demands alone are void if the relevant statutory demands were served between March 1, 2020 and March 31, 2021, and (b) where winding-up petitions are presented between April 27, 2020 and March 31, 2021 based on other grounds, the petitioning creditor must show that it had reasonable grounds to believe that coronavirus has not had a financial effect on the company or that the company's inability to pay its debts would have arisen even if coronavirus had not had such effect on the company. Between April 27, 2020 and March 31, 2021, a court may similarly only grant a winding-up order in circumstances where a company is deemed unable to pay its debts and it appears to the court that coronavirus has had a financial effect on the company before the presentation of the petition if the

court is satisfied that the company's insolvency would have arisen even if coronavirus had not had such effect on the company.

*Scheme of arrangement*

Although not an insolvency proceeding, pursuant to Part 26 of the Companies Act 2006 the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise of a company's liabilities between a company and its creditors (or any class of its creditors). Before the court considers the sanction of a scheme of arrangement, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Such compromise can be proposed by the company or its creditors. If a majority in number representing 75% or more by value of those creditors present and voting at the meeting(s) of each class of creditors vote in favor of the proposed scheme, irrespective of the terms and approval thresholds contained in the finance documents, then that scheme will (subject to the sanction of the court) be binding on all affected creditors, including those affected creditors who did not participate in the vote and those who voted against the scheme. The scheme then needs to be sanctioned by the court at a sanction hearing where the court will review the fairness of the scheme and consider whether it is reasonable. The court has discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made or reject the scheme.

Unlike an administration proceeding, the commencement of a scheme of arrangement does not trigger a moratorium of claims or proceedings.

*Restructuring plan*

The CIG Act has introduced a new restructuring plan procedure under Part 26A of the Companies Act 2006 which is intended broadly to follow the process for a scheme of arrangement. A company can propose a restructuring plan to its creditors (and/or its shareholders). Creditors will be divided into classes based on the similarity or otherwise of their rights prior to the restructuring plan and following implementation of the plan. The court must approve the class formation and the convening of restructuring plan meetings. Each class will then vote on whether they accept the plan and provided that sufficient creditors approve the plan and the court considers it a proper exercise of its discretion to sanction the plan, then the plan will be binding on all creditors regardless of whether they, individually or as a class, approved the plan.

There are two additional conditions a company must meet in order to use a restructuring plan: (a) the company must have encountered or be likely to encounter financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern; and (b) a compromise or arrangement must be proposed between the company and its creditors (or any class of them) and the purpose of such compromise or arrangement must be to eliminate, reduce, prevent or mitigate the effect of any of the financial difficulties the company is facing.

Before the court considers the sanction of a restructuring plan, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed restructuring plan and any new rights that such creditors are given under the restructuring plan. Creditors whose rights are affected by the compromise or arrangement must be permitted to participate in the meeting and vote on the plan but there is no need to include creditors whose rights are not affected. Furthermore, a court may exclude even a creditor whose rights are affected where it is satisfied that none of the members of that class has a genuine economic interest in the company.

In respect of a consensual restructuring plan (*i.e.*, one where each class votes in favor) to be capable of being sanctioned by the court, 75% in value of creditors present and voting (in person or by proxy) in each class must agree to the compromise or arrangement. In respect of a "cram-down" restructuring plan (*i.e.*, a restructuring plan where there is a dissenting class of creditors, the court may still sanction a plan, provided that (a) the court is satisfied that none of the dissenting classes are any worse off under the plan than they would be in the event of the "relevant alternative" (referred to below); and (b) the plan has been agreed by a number representing 75% in value of a class of creditors, present and voting (in person or by proxy) who would receive a payment, or have a genuine economic interest in the company, in the event of the relevant alternative. The relevant alternative is whatever the court considers would be most likely to occur in relation to the company if the compromise or arrangement were not sanctioned by the court.

The restructuring plan must then be sanctioned by the court at a sanction hearing where the court will review the fairness of the restructuring plan and consider whether it is reasonable. The court has discretion as to whether to sanction the restructuring plan as approved, make an order conditional upon modifications being made or reject the restructuring plan.

Unlike an administration proceeding, the commencement of a restructuring plan does not trigger a moratorium on claims or proceedings.

*Priority on insolvency*

One of the primary functions of winding-up (and, where the company cannot be rescued as a going concern, one of the possible functions of administration) under English law is to realize the assets of the company in question and distribute the proceeds from those assets to the company's creditors.

In accordance with the Insolvency Act and the Insolvency (England and Wales) Rules 2016, creditors are placed into different classes, with the proceeds from the realization of the insolvent company's property applied in descending order of priority, as set out below. With the exception of the Prescribed Part (as defined below), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been paid in full. Unless creditors have agreed otherwise with the company, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

Contractual setting-off arrangements entered into after a company enters liquidation or administration are only respected to the extent they fall within the definition of "mutual dealing" as applied by the mandatory insolvency set-off regime. This regime sees an account being taken of what is due from each party to the other in respect of their mutual dealings, and only the resulting net balance is either provable by the creditor in the administration or liquidation of the company (if amounts remain due to the creditor) or, conversely, is payable by the creditor to the company (if amounts remain due to the company).

The general priority on insolvency is as follows (in descending order of priority):

i. *First ranking*: holders of fixed charge security (but only to the extent the value of the secured assets covers that indebtedness);

ii. *Second ranking*: expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);

iii. *Third ranking*: ordinary and secondary preferential creditors:

    a. ordinary preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the date of insolvency. As between one another, ordinary preferential debts rank equally; and

    b. secondary preferential debts rank for payment after the discharge of ordinary preferential debts. Secondary preferential debts include claims by the revenue in respect of taxes including VAT, PAYE income tax (including student loan repayments), employee NI contributions and Construction Industry Scheme deductions (but excluding corporation tax and employer NI contributions) which are held by the company on behalf of employees and customers. As between one another, secondary preferential debts rank equally;

iv. *Fourth ranking*: holders of floating charge security, according to the priority of their security. This would include any security interest that was stated to be a fixed charge in the document that created it but which, on proper interpretation by the court, was rendered a floating charge. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must, subject to certain exceptions, be set aside for distribution to unsecured creditors;

v. *Fifth ranking*:

    a. firstly, provable debts of unsecured creditors. and (to the extent of any unsecured shortfall) secured creditors, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. To pay the secured creditors any unsecured shortfall, the insolvency officeholder can only use realizations from unsecured assets as secured creditors are not entitled to any distribution from the Prescribed Part unless the Prescribed Part is sufficient to pay out all unsecured creditors;

b. secondly, interest on the company's debts (at the higher of the applicable contractual rate and the rate determined in accordance with the Judgments Act 1838 (currently 8% per annum)) in respect of any period after the commencement of liquidation, or after the commencement of an administration which has been converted into a distributing administration; and

c. thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully repaid; and

vi. *Sixth ranking:* shareholders. If, after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Subject to the above order of priority, subordinated creditors are ranked according to the terms of the subordination language in the relevant documentation.

*Prescribed Part*

An insolvency practitioner of the company (*e.g.*, an administrator or liquidator) will generally be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (after making full provision for preferential creditors and expenses out of floating charge realizations) (the "**Prescribed Part**"). This ring-fence applies to (a) 50% of the first £10,000 of the company's net property and (b) 20% of the remainder of the company's net property over £10,000, with a maximum aggregate cap of £800,000 (except where the company's net property is available to be distributed to the holder of a first-ranking floating charge created before April 6, 2020, in which case the maximum aggregate cap is £600,000). The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors.

***France***

*Insolvency*

Marcolin France (the "**French Guarantor**") is organized under the laws of France and, to the extent that the registered office of the French Guarantor or its main centre of interests within the meaning of Article R. 600-1 of the French Commercial Code is deemed to be in France, it could be subject to French court-assisted proceedings affecting creditors, *i.e.*, *mandat ad hoc* or *conciliation* proceedings (which do not fall within the scope of the Insolvency Regulation). In addition, to the extent that (i) its COMI is deemed to be in France or it has an establishment in France or (ii), in cases where the Insolvency Regulation does not apply, its registered office or its main centre of interests within the meaning of Article R. 600-1 of the French Commercial Code, is deemed to be in France, it could also be subject to French court-administered proceedings affecting creditors, *i.e.*, either safeguard proceedings, accelerated safeguard proceedings or accelerated financial safeguard proceedings (*sauvegarde*, *sauvegarde accélérée* or *sauvegarde financière accélérée*), judicial reorganization proceedings (*redressement judiciaire*) or judicial liquidation proceedings (*liquidation judiciaire*).

Annex A of the Insolvency Regulation lists safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization and judicial liquidation proceedings as insolvency proceedings within the meaning of the Insolvency Regulation. Any company of our group having its COMI in France would be subject to French main insolvency proceedings within the meaning of the Insolvency Regulation and any company of our group having an establishment in France and its COMI in another EU Member State (other than Denmark) could be subject to French secondary insolvency proceedings within the meaning of the Insolvency Regulation.

Specialized courts exist for (i) conciliation or court-administered proceedings with respect to debtors that meet or exceed (on a stand-alone basis or together with the companies under their control) (x) €20 million in turnover and 250 employees or (y) €40 million in turnover, (ii) commencement of proceedings with respect to which the court's international jurisdiction results from the application of the Insolvency Regulation or (iii) in cases where the Insolvency Regulation does not apply, from the debtor having its main centre of interests within the jurisdiction of such specialized courts.

In addition, the French court that commences insolvency proceedings with respect to the member of a corporate group has jurisdiction over all the other members of the group (subject to French courts having international jurisdiction with respect to such entities, in accordance with the rules outlined above and to specific control thresholds); accordingly, a court can supervise the insolvency proceedings of the whole group and may, for this purpose, appoint the same administrator and creditors' representative (*mandataire judiciaire*) for all proceedings in respect of members of the group.

In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights under the Notes and/or the Guarantee granted by the French Guarantor and corresponding security interests in the Collateral. This is even more relevant within the temporary framework to amend Book VI of the French Commercial Code enacted by the French government in the context of the COVID-19 crisis.

The following is a general discussion of preventive and insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes. Such proceedings will likely be amended in the context of the transposition of the EU Restructuring Directive into French law with respect to which French statute n° 2019-486 dated May 22, 2019 ("*Loi Pacte*") grants the French government twenty-four months to enact appropriate measures through ordinances for the transposition of the EU Restructuring Directive.

Although which proceedings will be affected by the transposition of the EU Restructuring Directive into French law has not yet been determined, safeguard, accelerated safeguard, accelerated financial safeguard and judicial reorganization proceedings (each as described further below) are expected to be substantially amended to take into consideration the provisions of the EU Restructuring Directive.

The major differences between the EU Restructuring Directive and current French insolvency law lie in:

- the introduction of classes of "affected parties" (i.e., including notably creditors and therefore the Noteholders) into French law which shall be formed in such a way that each class comprises claims or interests with rights that reflect a sufficient commonality of interest based on verifiable criteria (as a minimum, secured and unsecured claims shall be treated in separate classes for the purpose of adopting a restructuring plan), as opposed to the current classification of creditors in accordance with the nature of their contractual relationship with the debtor and irrespective of their actual chances of repayment, *i.e.*, as credit institutions, main suppliers or bondholders; and
- the possibility to set up shareholders as one specific class when their rights may be impaired, allowing other classes of creditors to impose a plan on shareholders, which can only occur in very restrictive circumstances under current French law;
- the possibility to have the restructuring plan being confirmed by a judicial or administrative authority by applying a cross-class cram-down, providing notably that:
  - creditors that share enough commonality of interest within a class benefit from equality of treatment and are treated in proportion to their claim;
  - the plan has been notified to all affected parties;
  - the plan complies with the best interest of creditors test (i.e., no dissenting creditor would be worse off under the restructuring plan than they would be in the event of liquidation, whether piecemeal or sale as a going concern or in the event of the next-best-alternative scenario if the restructuring plan were not to be confirmed);
  - as the case may be, any new financing necessary to implement the restructuring plan does not unfairly prejudice the interest of creditors;
  - the plan has a reasonable prospect of preventing the insolvency of the debtor or ensuring the viability of the business;
  - the plan has been approved:
    - by a majority of the voting classes of affected parties, provided that at least one of those classes is a secured creditors class or is senior to the ordinary unsecured creditors class; or, failing that,
    - by at least one of the voting classes of affected parties or, where so provided under national law, impaired parties, other than an equity-holders class or any other class which, upon a valuation of the debtor as company as a going-concern, would not receive any payment or keep any interest, or, where so provided under national law, which could be reasonably presumed not to receive any payment or keep any interest, if the normal ranking of liquidation priorities were applied under national law; it is specified that member states may increase the minimum number of voting classes of affected parties or, where so provided under national law, of impaired parties;

- the plan complies with the relative priority rule (i.e., dissenting voting classes of affected creditors are treated at least as favorably as any other class of the same rank and more favorably than any junior class). By way of derogation, Member States may instead provide that the plan shall comply with the absolute priority rule (i.e., a dissenting voting class of creditors must be satisfied in full before a more junior class may receive any distribution or keep any interest under the restructuring plan); and
- no class of affected parties can, under the restructuring plan, receive or keep more than the full amount of its claims or interests.

Member States may maintain or introduce provisions derogating from the conditions above when necessary in order to achieve the aims of the restructuring plan and where the restructuring plan does not unfairly prejudice the rights or interests of any affected parties.

*Temporary measures in the context of the COVID-19 pandemic*

Due to the COVID-19 pandemic, certain temporary measures have recently been enacted by the French Government to adapt French insolvency law to the health crisis (Ordinance No. 2020-596 dated May 20, 2020, Ordinance No. 2020-1443 dated November 25, 2020 and Law n°2020-1525 dated December 7, 2020 (see article 124)).

In particular, until December 31, 2021, pursuant to Article 1 of Ordinance n°2020-1443 dated November 25, 2020, in force as from November 26, 2020, at the request of the conciliator, the duration of conciliation proceedings may be extended one or more times, by a reasoned decision of the president of the court, up to a maximum of ten months (see "*—Conciliation Proceedings*" below).

In addition, Article 124 of Law n°2020-1525 dated December 7, 2020, in force as from December 8, 2020 extends until December 31, 2021 the following measures that were initially adopted by Ordinance n°2020-596 dated May 20, 2020, in force as from May 21, 2020 that were due to expire on December 31, 2020:

- additional specific measures aimed at protecting debtors and an adaptation of the provisions governing grace periods in the context of conciliation proceedings (see "*—Conciliation Proceedings*" and "*—Grace Periods*" below);
- the loosening of the conditions for eligibility to accelerated safeguard proceedings and accelerated financial safeguard proceedings (see "*—Accelerated Safeguard Proceedings*" below);
- the supervising judge's right, at the request of the court-appointed administrator or the creditors' representative, to reduce from 30 to 15 days of receipt of the debt settlement proposal the deadline during which creditors can respond to a debt settlement proposal in the context of a standard consultation for the approval of a safeguard or reorganization plan (see "*—Adoption of the Safeguard or Reorganization Plan*" below);
- the possible up to two year extension of the duration of the safeguard or reorganization plan, as a result of which such a plan can now last up to 12 years (see "*—Adoption of the Safeguard or Reorganization Plan*" below); and
- the grant of a special privilege for creditors that make new cash contributions to the debtor during the safeguard proceedings, the accelerated safeguard proceedings, the accelerated financial safeguard proceedings or the reorganization Proceedings in order to ensure the continuation of the company's business and its survival and for those who undertake to make such contribution for the execution of the safeguard or reorganization plan ordered or modified by the court (the "**S/R Lien**").

Due to the COVID-19 pandemic, these rules may be further adapted and additional measures may be put in place within the following weeks or months, which may have an impact on French insolvency law.

*Grace periods*

In addition to insolvency laws discussed below, you could, like any other creditors, be subject to Article 1343-5 of the French Civil Code (*Code civil*).

Pursuant to the provisions of this article, French courts may, in any civil or commercial proceedings involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and

the creditor's needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate, as published semi-annually by the French government) or that payments made shall first be allocated to repayment of principal. A court order made under Article 1343-5 of the French Civil Code will suspend any pending enforcement measures, and any contractual default interest or penalty for late payment will not accrue or be due during the grace periods ordered by the relevant judge.

If the debtor is engaged in conciliation proceedings or has reached a conciliation agreement that is in the course of being executed, special rules apply to the grant of grace periods (see "—*Court-assisted Proceedings*" below).

*Warning procedure (procédure d'alerte)*

In order to anticipate a debtor's difficulties to the extent possible, French law provides for certain warning procedures, which take place in stages. If a company is incorporated as a *société anonyme*, when there are elements which the statutory auditor of the company believes place the company's existence as a going concern in jeopardy, it must request company management to provide an explanation for the situation (Stage 1 of the warning procedure). Failing satisfactory explanations or corrective measures by management within 15 days following the request, the statutory auditor must request that the board of directors (or the equivalent body) be convened and may request to be heard by the president of the relevant commercial court (Stage 2 of the warning procedure). The minutes of the board of directors' meeting are sent to the employee representatives during Stage 2, as Stage 1 proceedings are confidential.

If, despite of the statutory auditor's request, the board of directors (or an equivalent body) has not been convened, if the statutory auditor has not been summoned to the meeting of the board, or if the statutory auditor concludes that in the context of this meeting satisfactory explanations have not been given and appropriate corrective measures have not been not taken by management, then management must convene a shareholders' meeting at which the auditors present a special report on the state of the company. This report is also sent to the employee representatives (Stage 3 of the warning procedure). In practice, the statutory auditor commonly invites the management to convene a shareholders' meeting. If management fails to act, then the statutory auditor convenes the shareholders' meeting himself/herself and sets the agenda. If the statutory auditor considers that decisions made by the shareholders during the shareholders' meeting do not ensure the company's existence as a going concern, he or she must inform the president of the relevant commercial court of the warning procedure and may also request to be heard on the matter (Stage 4 of the warning procedure).

Similar warning procedures exist for companies not registered as a *société anonyme*, with minor differences in technical details of the procedure.

Shareholders representing at least 5% of the share capital and the workers' committee, or, in their absence, the employees' representatives have similar rights.

The president of the relevant commercial court can also summon the management to provide explanations on elements which he or she believes put the company's existence as a going concern in jeopardy, or when the company has not filed its financial statements within the statutory timeframe, despite his injunction.

Due to the COVID-19 pandemic and the public health state of emergency that was imposed by the French government, Ordinance n° 2020-341 of March 27, 2020 and Ordinance n° 2020-596 dated May 20, 2020, as amended by Law No. 2020-1525 dated December 7, 2020 (see article 124), have amended the warning procedure to provide that, until and including December 31, 2021, if the statutory auditor considers the state of the relevant company to require immediate action, and has determined that the director is refusing to take such action or is taking insufficient measures, the statutory auditors may inform the president of the relevant commercial court concurrently with his or her initial report made to the director, the chairman of the board of directors (*conseil d'administration*) or of the supervisory board (*conseil de surveillance*), as the case may be.

In such case, the statutory auditor may communicate by any means and without delay to the president of the court his or her findings and proceedings, and may produce copies of any relevant documents. The statutory auditor is released from his or her obligation of professional secrecy towards the president of the relevant commercial court under these circumstances.

This exceptional procedure does not preclude the application of the ordinary warning procedure detailed above.

*Insolvency test*

Under French law, a debtor is considered to be insolvent (*en état de cessation des paiements*) when it is unable to pay its due debts (*passif exigible*) with its immediately available assets (*actif disponible*) taking into account available credit lines, existing debt rescheduling agreements and moratoria.

The date of insolvency (*état de cessation des paiements*) is generally deemed to be the date of the court order commencing the judicial reorganization or judicial liquidation proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such court order. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings. The date of insolvency marks the beginning of the hardening period (see below).

*Court-assisted Proceedings*

A French debtor facing difficulties may in certain conditions request the commencement of court-assisted proceedings (*mandat ad hoc* or *conciliation*), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders e.g. an agreement to reduce or reschedule its indebtedness.

*Mandat ad hoc* proceedings may only be initiated by the debtor itself, in its sole discretion. In practice, *mandat ad hoc* proceedings are used by debtors that are facing any type of difficulties but are not insolvent (see "*—Insolvency test*" above). The proceedings are informal and confidential by law (save for the disclosure of the court decision appointing the *mandataire ad hoc* to the statutory auditors, if any). They are carried out under the aegis of a court-appointed officer (*mandataire ad hoc*), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings are not limited in time. The duties of the *mandataire ad hoc* are determined by the competent court (usually the commercial court) that appoints such officer, usually to facilitate negotiations with creditors. Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. *Mandat ad hoc* proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so for their duration. In any event, the debtor retains the right to petition the relevant judge for a grace period under Article 1343-5 of the French Civil Code (see "*—Grace periods*" above). The agreement reached is reported to the president of the court but is not formally approved by it.

*Conciliation* proceedings may only be initiated by the debtor itself if it faces actual or foreseeable difficulties of a legal, economic or financial nature and is not insolvent (see "*—Insolvency test*" above) or has not been insolvent for more than 45 calendar days. The proceedings are confidential by law (save for the disclosure of the court decision commencing the proceedings to the statutory auditors, if any). They are carried out under the aegis of a court-appointed conciliator (*conciliateur*), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings may last up to five months (after an initial period of a maximum of four months, upon request of the conciliator, the court may extend the conciliation period up to the absolute maximum of five months). In case the debtor intends to have the conciliation agreement approved (*homologué*) or acknowledged (*constaté*), its request must be filed by the end of this five-month period, even though the hearing can take place afterwards, in which case the conciliation period will be extended until the decision of the president of the court or the court itself.

Pursuant to Article 1 of Ordinance n°2020-1443 dated November 25, 2020 adopted in the context of the COVID-19 pandemic, in force as from November 26, 2020, until December 31, 2021, at the request of the conciliator, the duration of conciliation proceedings commenced up to and including December 31, 2021 may be extended, one or more times, by a reasoned decision of the president of the court up to a maximum of ten months.

The duties of the conciliator are to assist the debtor in negotiating an agreement with all or part of its creditors and/or other stakeholders that puts an end to its difficulties, e.g. providing for the restructuring of its indebtedness. Any agreement between the debtor and its creditors/stakeholders will be negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. *Conciliation* proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so, and creditors may not request the opening of insolvency

proceedings (*redressement judiciaire* or *liquidation judiciaire*) against the debtor, for the duration of the conciliation proceedings. Pursuant to Article L. 611-7 of the French Commercial Code, during the proceedings, the debtor retains the right to petition the judge that commenced them for a grace period in accordance with Article 1343-5 of the French Civil Code (see "*Grace periods*" above) provided that a creditor has formally put the debtor on notice to pay, or is suing for payment; the judge will take its decision after having heard the conciliator and may condition the duration of the measures it orders to reaching an agreement in the conciliation proceedings.

Due to the COVID-19 epidemic and state of health emergency that was imposed by the French government, Ordinance n° 2020-341 of March 27, 2020, Ordinance n° 2020-596 of May 20, 2020, Ordinance n° 2020-1443 of November 25, 2020 and Law n° 2020-1525 dated December 7, 2020 (see article 124) have, in addition to their duration (see above), further modified conciliation proceedings to provide that, until December 31, 2021:

- if a creditor does not accept, by the deadline set by the conciliator, a request made by the conciliator to defer payment of such creditor's claim for the duration of the conciliation proceedings, the debtor may request from the President of the Commercial Court in ex-parte proceedings, for the duration of the conciliation proceedings:
  - the stay or prohibition of any legal action for payment or for termination of a contract for a payment default;
  - the stay or prohibition of any judicial enforcement measure against the debtor's movable or immovable property as well as any judicial procedure relating to the distribution of the debtor's assets that would not have already transferred ownership away from the debtor; or
  - the deferral or rescheduling of the creditor's claim for the duration of conciliation proceedings;
- the debtor may petition the judge that commenced conciliation proceedings for a grace period in accordance with Article 1343-5 of the French Civil Code (see "—*Grace periods*" above) even before the creditor sends any notice to pay or initiates any suit for payment if a creditor does not accept, by the deadline set by the conciliator, a request made by the conciliator to suspend payment of such creditor's claim.

The conciliation agreement reached between the parties may be acknowledged (*constaté*) by the president of the Commercial Court at the request of the parties, which makes the agreement binding upon them (in particular, performance of the conciliation agreement prevents any action by the creditors party thereto against the debtor to obtain payment of claims governed by the conciliation agreement) and enforceable without further recourse to a judge (*force exécutoire)*, but the conciliation proceedings remain confidential.

Alternatively, the conciliation agreement may be approved (*homologué*) by the Commercial Court at the request of the debtor following a hearing held for that purpose to which the works council or employee representatives, as the case may be, must be convened if (i) the debtor is not insolvent or the conciliation agreement has the effect of putting an end to the debtor's insolvency, (ii) the conciliation agreement effectively ensures that the company will survive as a going concern and (iii) the conciliation agreement does not impair the rights of the non-signatory creditors. Such approval will have the same effect as its acknowledgement (*constatation*) as described above and, in addition:

- the decision of approval by the relevant Civil or Commercial Court, which should only disclose the amount of any New Money Lien (see below) and the guarantees and security interests granted to secure the same, will be public but the agreement itself should otherwise remain confidential except vis-à-vis the works council or employee representatives that are informed of the content of the conciliation agreement and may have access to the full conciliation agreement at the clerk's office (*greffe*) of the Court;
- creditors that, in the context of the conciliation proceedings, provide new money, goods or services designed to ensure the continuation of the business of the debtor (other than shareholders providing new equity in the context of a capital increase) will enjoy a priority of payment over all pre-commencement and post-commencement claims (except with respect to certain pre-commencement or post-commencement employment claims and procedural costs) (the "**New Money Lien**"), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings;
- in the event of subsequent safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization or judicial liquidation proceedings, the claims benefiting from the New Money Lien

may not, without their holders' consent, be rescheduled to a date later than the date on which the safeguard or reorganization plan is adopted nor written off, not even by the creditors' committees (the powers of the bondholders general meeting in this respect are the subject of debate);

- when the debtor is submitted to statutory auditing, the conciliation agreement is communicated to its statutory auditors; and
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of insolvency (see "—*Insolvency test*" above), and therefore the starting date of the hardening period (as defined below under "—*The "hardening period" (période suspecte) in judicial reorganization and liquidation proceedings*"), cannot be set by the court as of a date earlier than the date of the approval (*homologation*) of the agreement by the court (except in case of fraud).

Whether the conciliation agreement is acknowledged or approved, the court may, at the request of the debtor, appoint the conciliator to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution and, while the agreement is in force:

- interest accruing on the claims that are the subject to the conciliation agreement may not be compounded;
- in accordance with Article L. 611-10-1 of the French Commercial Code, the debtor retains the right to petition the judge that commenced the conciliation proceedings to impose grace periods on creditors who were asked to participate in the conciliation proceedings (other than the tax and social security administrations) and have formally put the debtor on notice to pay or are suing for payment of claims that were not dealt with in the conciliation agreement, such decision being taken after hearing the conciliator if he/she has been appointed to monitor the implementation of the agreement and , taking into account the conditions of its performance; and
- a joint-debtor and a third party that had previously granted credit support (a guarantee or security interest) with respect to the debtor's obligations may benefit from the provisions of the conciliation agreement as well as from grace periods granted to the debtor in the context of conciliation proceedings.

If the debtor breaches the terms of the conciliation agreement, any party to it may petition the president of the court or the court (depending on whether the agreement was acknowledged or approved) for its termination. If such termination is granted, grace periods granted in relation to the conciliation proceedings may be revoked. Conversely, provided the conciliation agreement is duly performed, any individual proceedings by creditors with respect to obtaining payment of the claims dealt with by the conciliation agreement are suspended and/or prohibited. The commencement of subsequent safeguard or insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims (decreased by the payments already received) and pre-existing security interests or guarantees.

Conciliation proceedings in which a draft plan is supported by a large majority of creditors that is likely to meet the threshold requirements for creditors' consent in safeguard is a mandatory preliminary step of accelerated safeguard proceedings or accelerated financial safeguard proceedings, as described below.

At the request of the debtor and after the creditors taking part in the proceedings have been consulted on the matter, *mandat ad hoc* and conciliation proceedings may also be used to organize the partial or total sale of the debtor, in particular through a "plan for the disposal of the business" (Prepack sale—*plan de cession*) that could be implemented in the context of subsequent safeguard, judicial reorganization or liquidation proceedings. Provided that they comply with certain requirements, any offers received in this context by the *mandataire ad hoc* or the conciliator may be directly considered by the court in the context of safeguard, judicial reorganization or judicial liquidation proceedings after consultation of the State prosecutor.

As a matter of law, any contractual provision that (i) modifies the conditions for the continuation of an ongoing contract by reducing the debtors' rights or increasing its obligations simply by reason of the designation of a *mandataire ad hoc* or of the commencement of conciliation proceedings or of a request submitted to this end or (ii) requires the debtor to bear, by reason only of the appointment of a *mandataire ad hoc* or of the commencement of conciliation proceedings, more than three-quarters of the fees of the professional advisers retained by creditors in connection with these proceedings, is deemed null and void.

Where the maximum time period allotted to court-assisted proceedings expires without an agreement being reached, the proceedings will end. The termination of such proceedings does not, in and of itself entail any

specific legal consequences for the debtor, in particular it does not result in the automatic commencement of insolvency proceedings. New conciliation proceedings cannot be commenced before 3 months have elapsed as from the end of the previous ones.

*Court-administered Proceedings—Safeguard*

A debtor that experiences difficulties that it is not able to overcome may, in its sole discretion, initiate safeguard proceedings (*procédure de sauvegarde*) with respect to itself, provided that it is not insolvent (see "*—Insolvency test*" above). Creditors of the debtor are not notified of, nor invited to attend the hearing before the court at which the commencement of safeguard proceedings is requested. However, they may still challenge the opening judgment provided certain criteria are met. Following the commencement of safeguard proceedings, a court-appointed administrator (*administrateur judiciaire*) is appointed (except for small companies where the court considers that such appointment is not necessary) to investigate the business of the debtor during an "observation period" (being the period starting on the date of the court decision commencing the proceedings and ending on the date on which the court takes a decision on the outcome of the proceedings), which may last up to 18 months. The role of the court-appointed administrator is also to assist the debtor in preparing a draft safeguard plan (*projet de plan de sauvegarde*) that it will circularize to its creditors that may include a partial sale of the business. Creditors do not have effective control over the proceedings, which remain in the hands of the debtor assisted by the court-appointed administrator. The court-appointed administrator will, in accordance with the terms of the judgment appointing such administrator, exercise *ex post facto* control over decisions made by the debtor (*mission de surveillance*) or assist the debtor to make all or some of the management decisions (*mission d'assistance*), all under the supervision of the court. A supervisory judge (*juge-commissaire*) and a creditors' representative (*mandataire judiciaire*) are also appointed at the beginning of the proceedings, alongside the court-appointed administrator. Management decisions that fall outside the scope of the ordinary course of business require the prior approval of the supervisory judge. Granting security interests or settling disputes also require the prior approval of the supervisory judge.

If, after commencement of the proceedings, it appears that the debtor was insolvent (*en état de cessation des paiements*) before their commencement, at the request of the debtor, the administrator, the creditors' representative or the Public Prosecutor but, in any event, after having heard the debtor, the court may convert the safeguard proceedings into judicial reorganization proceedings.

In addition, pursuant to Article L. 622-10 of the French Commercial Code, the court may convert safeguard proceedings into (i) judicial reorganization proceedings (a) at any time during the observation period if the debtor is insolvent or, (b) if the approval of a safeguard plan is manifestly impossible and if the company would shortly become insolvent should safeguard proceedings end or (ii) judicial liquidation proceedings at any time during the observation period if the debtor is insolvent and its recovery is manifestly impossible. In all such cases:

- the court may decide at the request of the debtor, the court-appointed administrator, the creditors' representative or the Public Prosecutor except in the case of (i) (b);
- the court may not act upon its own initiative, except in the case of (i) (b); and
- the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the creditors of the debtor appointed by the court as controller ("***contrôleurs***") (if any), the State prosecutor and the workers' representatives (if any) .

In case of (i)(b) only, the court would decide the conversion (i) at the request of the court-appointed administrator, the creditors' representative or the State Prosecutor if the draft plan was not approved by the relevant creditors' committees and, if any, the bondholders' general meeting or (ii) at the sole request of the debtor in all other circumstances.As soon as safeguard proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

Due to the COVID-19 epidemic and state of health emergency that was imposed by the French government, Ordinance n° 2020-596 dated May 20, 2020 and Law n° 2020-1525 dated December 7, 2020 (see article 124) modified safeguard proceedings to provide that:

- as an incentive for new financings granted to debtors in the context of safeguard or reorganization proceedings a new safeguard or reorganization privilege is created , applicable exclusively to proceedings commenced between May 22, 2020 and December 31, 2021. The S/R Lien is distinct from the existing statutory preference enjoyed by financing granted, with the approval of the supervisory judge, after commencement of the proceedings, for the needs of the proceedings or of the observation period.

- The S/R Lien applies to all new cash contributions made, with the exception of those made through a share capital increase, by any person:
  - during the observation period, in order to ensure the continuity of debtor's business and its sustainability, in which case such cash contributions must be authorized by the supervisory judge, or
  - for the implementation of the safeguard or reorganization plan, i.e., within the plan as approved or modified by the court, and for the purposes of its execution, it being specified that the judgment must mention all claims benefiting from the privilege, as well as the relevant amounts.
- Claims benefiting from the S/R Lien enjoy a priority of payment over pre-commencement and post-commencement claims except with respect to (i) employees' super-privilege claims, (ii) procedural costs and the New Money Lien, (iii) pre-commencement claims secured by real estate security interest (in judicial liquidation proceedings only) and (iv) post-commencement wages claims not advanced by the French wages fund under provisions of article L.3253-8 to article L.3253-13 of the French Labor Code, in the event of on-going or subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings.
- Such claims may not be termed-out or written-off without the consent of the relevant creditors.

Once safeguard proceedings have been ordered, there will be and automatic stay applicable to certain claims. Payment by the debtor of any debts incurred (i) prior to the commencement of the proceedings or (ii) after the commencement of the proceedings if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered/goods delivered to the debtor, is prohibited, subject to very limited exceptions. For example, the supervisory judge can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the debtor's business or to recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*).

Creditors must be consulted on the manner in which the debtor's liabilities will be settled under the safeguard plan (debt write-offs, payment terms or debt-for-equity-swaps) prior to the plan being approved by the court. The rules governing consultation will vary depending on the size of the business.

Standard consultation: this applies in respect of debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant or, if they are, who have 150 employees or less or a turnover of €20 million or less unless, upon their or the administrator's request and with the consent of the court, they are subject to the committee-based consultation (see below).

In such case, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who seeks the agreement of each creditor who filed a claim, regarding the debt write-offs and payment schedules proposed.

French law does not state whether the debt settlement proposals can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at this consultation stage. According to legal commentaries and established practice, differing treatment as between creditors is possible, *provided* that it is justified by the difference in situation of the creditors and approved by the court-appointed creditors' representative. In practice, it is also possible at the consultation stage to make a proposal for a partial payment of claims over a shorter time period instead of a full payment of such claims over the length of the plan (ten years maximum except for agricultural businesses where the maximum is fifteen years).

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved are not required to be consulted.

Creditors that do not respond within 30 days of their receipt of the debt settlement proposal (other than debt-for-equity-swap) made to them are deemed to have accepted it. The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the court-appointed administrator and the controllers.

*Pursuant to Article 4 of Ordinance No. 2020-596 dated May 20, 2020 adopted in the context of the COVID-19 pandemic, in force from May 21, 2021 and Law n° 2020-1525 dated December 7, 2020, until December 31, 2021, the abovementioned 30-day delay may be reduced to 15 days, at the request of the court-appointed administrator or the court-appointed creditors' representative.*

Within the framework of a standard consultation, the court that approves the safeguard plan (*plan de sauvegarde*) can impose a uniform rescheduling of the claims of creditors having refused the proposals that were submitted to them (subject to specific regimes such as the one applicable to claims benefiting from the New Money Lien or the S/R Lien) over a maximum period of ten years (except for agricultural businesses where the maximum is fifteen years and for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same), but no write-off of any claim or debt-for-equity swap may be imposed without the relevant creditor's individual acceptance.

Following a court imposed rescheduling, the first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual instalment must be of at least 5% of the amount of each debt claim (except for agricultural businesses)) or on the first payment date following the initial maturity of the claim if it is later than the first payment date provided for by the plan, in which case the amount of such first payment is equal to what the creditor would have received had he been paid in accordance with the uniform payment rescheduling applying to the other creditors.

Pursuant to Article 5 of Ordinance No. 2020-596 dated May 20, 2020 adopted in the context of the COVID-19 pandemic, in force from May 21, 2021 and Law n° 2020-1525 dated December 7, 2020 until December 31, 2021, the maximum length of a plan can be extended to 12 years, or 17 years for agricultural businesses:

- this extension does not require to go through the process of the substantial modification of the plan (*modification substantielle du plan*); and
- the payment instalment deadlines initially set by the president of the court or the court would be adapted to the duration of the plan so extended, with possible deviation from the provisions of Article L. 626-8 (including the obligation to pay an annual instalment of 5% minimum as from year 3) and application of grace periods provisions within the limit of the new term of the plan so extended.

Committee-based consultation: This applies to large companies, whose accounts are certified by a statutory auditor (*commissaire aux comptes)* or established by a chartered-accountant (*expert-comptable)* and with more than 150 employees or a turnover greater than €20 million), or upon the debtor's or the administrator's request and with the consent of the court in the case of debtors that do not meet the aforementioned thresholds.

The consultation involves the submission of a proposed safeguard plan for consideration by two creditors' committees that are established by the court-appointed administrator on the basis of the claims that arose prior to the judgment commencing the proceedings:

- one for credit institutions or assimilated institutions and entities having granted credit or advances in favor of the debtor (or their successors or assignees of a claim acquired from a supplier) (the "credit institutions committee"); and
- the other one for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers and other suppliers invited to participate in such committee by the court-appointed administrator (the "major suppliers committee").

If there are any outstanding debt securities in the form of *obligations* (such as bonds or notes and including capital market debt instruments such as the Notes), a single general meeting of all holders of such debt securities will be established (the "bondholders general meeting"), in which all such holders are to take part irrespective of whether or not there are different issuances or of the governing law(s) of those *obligations*.

As a general matter, only the legal owner of the debt claim will be invited onto the committee or the bondholders general meeting. Accordingly, a person holding only an economic interest therein will not itself be a member of the committee or the bondholders general meeting.

The proposed plan:

- must "take into account" subordination agreements entered into by the creditors before the commencement of the proceedings;
- may treat creditors differently if it is justified by their differences in situation; and
- may, *inter alia*, include a rescheduling or cancellation of debts (subject to the specific regime of claims benefiting from the New Money Lien or the S/R Lien), and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

If the plan provides for a share capital increase, the shareholders may subscribe to such share capital increase by way of a set-off against their claims against the debtor (as reduced according to the provisions of the plan, where applicable).

The creditors' committees and the bondholders general meeting will be consulted on the safeguard plan drafted by the debtor's management together with the judicial administrator during the observation period. Creditors that are members of the credit institutions committee or of the major suppliers committee may also prepare alternative safeguard plans in accordance with the above principles that will also be put to the vote of the committees and of the general bondholders meeting, it being specified that approval of any such alternative plan is subject to the same two-thirds majority vote in each committee and in the bondholders general meeting and gives rise to a report by the court-appointed administrator (*administrateur judiciaire*). Bondholders are not permitted to present their own alternative plan. The committees must approve or reject the safeguard plan within 20 to 30 days of its submission. The period may be extended or shortened but may never be shorter than 15 days. The plan must be approved by a majority vote of each committee (two-thirds of the outstanding claims of the creditors casting a vote).

Each member of a creditors committee or of the bondholders general meeting must, if applicable, inform the court-appointed administrator of the existence of any agreement relating to (i) the exercise of its vote or (ii) the full or total payment of its claim by a third party as well as of any subordination agreement. The court-appointed administrator shall then submit to such person a proposal for the computation of its voting rights in the creditors committee/bondholders general meeting. In the event of disagreement, the matter may be ruled upon by the president of the Commercial Court in summary proceedings at the request of the creditor or of the court-appointed administrator. Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders general meeting at the same two-thirds majority vote. The same rules as set forth in the paragraph above apply to the bondholders general meeting.

Creditors whose repayment schedule is not modified by the plan, or for which the plan provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted do not take part in the vote at the creditors committees or the bondholders general meeting.

The rescheduling of the claims of creditors that are not members of the committees or bondholders shall be determined in accordance with the standard consultation process referred to above.. Creditors secured by a trust (*fiducie*) granted by a debtor are not members of the creditors' committees and are consulted in accordance with such standard consultation process.

Once the treatment of the creditors has been determined, the plan has to be approved (*arrêté*) by the court. The court must verify that the interests of all creditors are "sufficiently protected" and that required shareholder consent (if applicable) has been obtained. Once so approved by the relevant court, the safeguard plan will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan).

If the debtor's proposed plan is not approved by both committees and the bondholders general meeting within the first six months of the observation period (either because they do not vote on the plan or because they reject it), this six month period may be extended by the court at the request of the court-appointed administrator for a period not exceeding the duration of the observation period, in order for the plan to be approved through the committee-based consultation process. Absent such extension, the court can still adopt a safeguard plan within the time remaining until the end of the observation period. In such a case, the rules are the same as the ones applicable for the standard consultation process described above.

If the draft plan provides for a modification of the share capital or the by-laws, the court may decide that the shareholders general meeting and, as the case may be, the general meetings of the holders of securities giving access to the share capital of the company shall vote, the first time the relevant meeting is convened, at a simple majority of the votes of the shareholders attending, or represented at, the meeting, provided that they hold at least half of the shares with voting rights. The second time the meeting is convened, the usual provisions relating to quorum and majority shall apply.

If the court adopts a safeguard plan, it can set a time-period during which the assets that it deems to be essential to the continuation of the business of the debtor may not be sold without its consent.

*Specific case—Creditors that are public institutions*: public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt write-offs under conditions that are similar

to those that would be granted under normal market conditions by a private economic operator placed in a similar position. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors examine possible debt write-offs within the framework of a local administrative committee (*Commission des Chefs de Services Financiers*). The tax authorities may grant relief from all direct taxes. As regards indirect taxes, relief may only be granted from default interest, adjustments, penalties or fines.

*Court-administered Proceedings—Accelerated Safeguard and Accelerated Financial Safeguard*

A debtor that is engaged in conciliation proceedings which is able to reach a conciliation agreement (supported by creditors representing a significant amount of its claims without being able to reach an unanimous agreement) may request the commencement of accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) or accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*) enabling it to implement a restructuring plan in an expedite fashion through the vote of its creditors gathered in creditors' committees and the bondholders' general meeting (where applicable) at a two-third majority.

The accelerated safeguard proceedings and accelerated financial safeguard proceedings have been designed to "fast-track" the treatment of difficulties faced by large companies, *i.e.*, those:

- that publish consolidated accounts in accordance with Article L. 233-16 of the French Commercial Code; or
- whose accounts are certified by a statutory auditor or established by a certified public accountant and who have (i) more than 20 employees or (ii) a turnover greater than €3 million (excluding VAT) or (iii) whose aggregate balance sheet exceeds €1.5 million.

However, Ordinance n° 2020-596 dated May 20, 2020 and Law n° 2020-1525 dated December 7, 2020 provide that these thresholds will no longer be required for proceedings commenced between May 22, 2020 and December 31, 2021.

If the debtor does not meet the conditions that require creditors' committees (see above) to be constituted, the court shall authorize such constitution in the opening decision.

To be eligible to accelerated safeguard proceedings or accelerated financial safeguard proceedings, the debtor must fulfil the following conditions:

- the debtor must not have been insolvent for more than 45 days when it initially applies for commencement of conciliation proceedings;
- the debtor must be subject to ongoing conciliation proceedings when it applies for the commencement of the proceedings;
- as is the case for regular safeguard proceedings, the debtor must face difficulties that it is not in a position to overcome; and
- the debtor must have prepared a draft safeguard plan ensuring the continuation of its business as a going concern that is supported by enough of its creditors involved in the proceedings to render likely its adoption by the relevant committees (credit institutions' committee only for financial accelerated safeguard proceedings) and bondholders general meeting, if any, within a maximum of three months following the commencement of accelerated safeguard proceedings, or within a maximum of two months following the commencement of accelerated financial safeguard proceedings.

While accelerated safeguard proceedings apply to all creditors (except employees), accelerated financial safeguard proceedings apply only to "financial creditors" (*i.e.*, creditors that belong to the credit institutions committee and bondholders general meeting), the payment of whose debt is suspended until adoption of a plan through accelerated financial safeguard proceedings. The debtor will be prohibited from paying, to any creditor to whom the accelerated safeguard or accelerated financial safeguard proceedings (as the case may be) apply, any amounts (including interest) in respect of debts incurred (i) prior to the commencement of the proceedings or (ii) after the commencement of the proceedings if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered/goods delivered to the debtor (post-commencement non-privileged debts). Such amounts may be paid only after the judgment of the court approving the safeguard plan and in accordance with its terms. Creditors other than financial creditors (such as public creditors, the tax or social security administration and suppliers) are not directly impacted by accelerated financial safeguard proceedings. Their debts will continue to be due and payable in the ordinary course of business according to their contractual or legal terms.

The regime applicable to standard safeguard proceedings is broadly applicable to accelerated safeguard or accelerated financial safeguard proceedings (for example, creditors will be consulted by way of a committee-based consultation on, as the case may be, a draft accelerated safeguard plan (*projet de plan de sauvegarde accélérée*) or a draft accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) and creditors that are members of the credit institutions committee or the major suppliers committee, but not bondholders, may also prepare alternative draft plans as described above), to the extent compatible with the accelerated timing, since the maximum duration of accelerated safeguard proceedings is three months and the maximum duration of accelerated financial safeguard proceedings is two months (provided the court has decided to extend the initial one month period). In particular, the creditors' committees and the bondholders general meeting are required to vote on the proposed safeguard plan within a minimum period of 15 days of its being notified to them in the case of accelerated safeguard proceedings, or within eight days in the case of accelerated financial safeguard proceedings.

However, certain provisions relating to ongoing contracts and to the recovery of assets by their owners do not apply in accelerated safeguard or accelerated financial safeguard proceedings.

The plan in the context of accelerated safeguard proceedings or accelerated financial safeguard proceedings is adopted following the same majority rules as in standard safeguard proceedings and may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital of the debtor (debt-for-equity swaps requiring relevant shareholder consent). No debt rescheduling or cancellation may be imposed, without their consent, on creditors that do not belong to one of the committees or are not bondholders.

If a plan is not adopted by the creditors and approved by the court within the applicable deadline, the court shall terminate the proceedings. The court cannot reschedule amounts owed to the creditors outside of the committee process. Ordinance n° 2020-596 dated May 20, 2020 and Law n° 2020-1525 dated December 7, 2020 provide that for proceedings commenced between May 22, 2020 and December 31, 2021, if a plan is not adopted by the creditors and approved by the court within the applicable deadline the debtor, the judicial administrator, the creditors representative or the public prosecutor may request, without any delay, that reorganization or liquidation proceedings (as the case may be) be opened.

The list of claims of creditors party to the conciliation proceedings certified by the statutory auditor shall be deemed to constitute the filing of such claims for the purpose of accelerated safeguard proceedings or, as applicable, accelerated financial safeguard proceedings unless the creditors otherwise elect to make such a filing (see below).

*Court-administered Proceedings—Judicial Reorganization or Liquidation Proceedings*

Judicial reorganization (*redressement judiciaire*) or liquidation (*liquidation judiciaire*) proceedings may be initiated against or by a debtor only if it is insolvent and, in the case of liquidation proceedings only, if the debtor's recovery is manifestly impossible. The debtor is required to petition for judicial reorganization or liquidation proceedings, within 45 days of becoming insolvent if it does not file for conciliation proceedings (as discussed above); *de jure* managers (including directors) and, as the case may be, *de facto* managers that would have failed to file such a petition within the deadline are exposed to civil liability.

Where the debtor requested the commencement of judicial reorganization proceedings and the court, after having heard the debtor, considers that judicial liquidation proceedings would be more appropriate, it may order the commencement of the proceedings that it determines to be most appropriate. The same would apply if the debtor requested the commencement of judicial liquidation proceedings and the court considered that judicial reorganization proceedings would be more appropriate. In addition, at any time during the observation period, upon request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), a controller, the State prosecutor or upon its own initiative, the court may convert the judicial reorganization proceedings into judicial liquidation proceedings if it appears that the debtor's recovery is manifestly impossible. The court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the controllers, the State prosecutor and the workers' representatives (if any) .

The objectives of judicial reorganization proceedings are the sustainability of the business, the preservation of employment and the payment of creditors, in that order.

As soon as judicial reorganization or judicial liquidation proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

In the event of judicial reorganization proceedings, an administrator (*administrateur judiciaire*) is usually appointed by the court to investigate the business of the debtor during an observation period, which may last up to 18 months, and make proposals either for the reorganization of the debtor (by helping the debtor to elaborate a draft judicial reorganization plan, which is similar to a draft safeguard plan and may include a partial sale of the business), the partial or total sale of the business or the liquidation of the debtor. The court-appointed administrator will assist the debtor in making management decisions (*mission d'assistance*) or may be empowered by the court to take over the management and control of the debtor (*mission d'administration*). Judicial reorganization proceedings broadly take place in a manner that is similar to safeguard proceedings (see above), subject to certain specificities.

In particular, the rules relating to creditor consultation, especially the powers of the court adopting the judicial reorganization plan (*plan de redressement)* in the event of rejection by the creditors of proposals made to them, are the same (see above). At any time during the observation period, the court can, at the request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), the State prosecutor or at its own initiative, order the partial stop of the activity (*cessation partielle de l'activité*) or order the liquidation of the debtor if its recovery is manifestly impossible. At the end of the observation period, the outcome of the proceedings is decided by the court.

In addition, Ordinance n° 2020-596 dated 20 May 2020 modified the judicial reorganization proceedings to provide for the new S/R Lien (as defined and detailed above see "*—Court-administered Proceedings—Safeguard*").

In judicial reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity to a level equal to at least one half of the share capital as required by Article L. 626-3 of the French Commercial Code, the administrator may appoint a court officer (*mandataire de justice*) to convene a shareholders' meeting and to vote the restoration of the shareholders' equity up to the amount proposed by the court-appointed administrator on behalf of the shareholders that refuse to vote in favour of such a resolution if the draft restructuring plan provides for a modification of the equity to the benefit of a third party(ies) undertaking to comply with the reorganization plan.

If the proposed reorganization plans are manifestly not likely to ensure that the debtor will recover or if no reorganization plan is proposed, the court, upon the request of the court-appointed administrator, can order the total or partial transfer of the business in accordance with the process for a sale of the business described below.

In judicial reorganization proceedings if (i) the company has at least 150 employees, or if it controls (within the meaning of the French Labor Code) one or more companies having together at least 150 employees, (ii) the disappearance of the company is likely to cause serious harm to the national or regional economy and to local employment (iii) the modification of the company's share capital appears to be the only credible way to avoid harm to the national or regional economy and to allow the continued operation of the business as a going concern, then, at the request of the court-appointed administrator or of the State prosecutor (x) after the review of the options for a total or partial sale of the business and (y) if at least 3 months have elapsed as from the court decision commencing the proceedings, provided that the shareholders meetings required to approve the modification of the company's share capital required for adoption of the reorganization plan have refused such modification, the insolvency court may either:

- appoint a court officer (*mandataire*) in order to convene the shareholders meeting and vote the share capital increase in lieu of the shareholders having refused to do so, up to the amount provided for in the reorganization plan; or
- order, in favor of the persons who have undertaken to perform the reorganization plan, the forced sale of all or part of the share capital held by the shareholders having refused the share capital modification and holding, directly or indirectly a portion of the share capital providing them with a majority of the voting rights (including as a result of an agreement with other shareholders) or a blocking minority in the company's shareholder meetings, any consent clause being deemed unwritten; the other shareholders have the right to withdraw from the company and request that their shares be purchased simultaneously by the transferees.

In the event of a sale ordered by the court, the price of the shares shall, failing agreement between the parties, be set by an expert designated by the court in summary proceedings.

In either of the above cases, the reorganization plan shall be subject to the undertaking of the new shareholders to hold their shares for a certain time period set by the court that may not exceed the duration of the reorganization plan.

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (*mandataire judiciaire*). There is no observation period in judicial liquidation proceedings nor does the law limit their duration (except with respect to simplified judicial liquidation proceedings). The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order of payment). The liquidator will take over the management and control of the debtor and the managers of the debtor are no longer in charge of its management.

Concerning the liquidation of the assets of the debtor, there are two possible outcomes, both of which are decided by the court without a vote of the creditors:

- a sale of the business (*cession d'entreprise*) (in which case a court-appointed administrator (*administrateur judiciaire*) will usually be appointed to manage the debtor during a temporary period of continuation of the business operations ordered by the court (three months, renewable once) and organize such sale of the business as a going-concern via an asset sale, a.k.a. a "**sale plan**" (*plan de cession*)), any third party (as construed under French insolvency law) being entitled to present a bid on all or part of the debtor's business;

  As part of the bids submitted to the court, the third-party purchaser can cherry-pick assets (including the real estate assets)/jobs/contracts without the liabilities pertaining to them (save exceptions). The price offered for the transferred assets (including the real estate assets) is offered usually at a significant discount compared to their *in bonis* market value. The court will tend to favor a credible sale plan, that ensures the sustainability of the business as a going concern, and the preservation of jobs, over the payment of creditors.

  Subject to certain exceptions, the court can judicially impose such a sale plan on creditors, including secured creditors and mortgagees as a general principle, the payment of the purchase price operating to release their security interests. By way of exception:

  - a purchaser is obliged to continue to pay the remaining instalments due to creditors having granted financing for the acquisition of assets, used as collateral for such creditors and included in the sale of the business plan; and

  - only those secured creditors benefitting from a retention right (which is the case for pledges over inventory or certain types of pledges over shares, but not mortgages over real estate assets) would be entitled to retain their security interest over the asset on which they have such right (and therefore in practice prevent it from being transferred) until repaid in full of their claim so secured or unless reaching an agreement with the relevant parties.

  Third-party purchasers may also submit combined bids in respect of all or part of the business of several debtors subject to insolvency proceedings, in particular when the key assets are located in different legal entities subject to insolvency proceedings. Again, the price offered for the transferred assets could be significantly less than their in bonis market value;

- a sale of the individual assets of the debtor, in which case the liquidator may decide to:

  - launch auction sales (*vente aux enchères* (or *adjudication amiable* for real estate assets only));

  - sell on an amicable basis (*vente de gré à gré*) each asset for which spontaneous purchase offers have been received, (the formal authorization of the supervisory judge being necessary to conclude the sale agreement with the bidder); or

  - request, under the supervision of the supervisory judge, all potential interested purchasers to bid on each asset, as the case may be, by way of a private competitive process whereby the bidders submit their offers only at the hearing without the proposed prices being disclosed before such hearing (*procédure des plis cachetés*). However, the possibility to implement such process is questioned by certain legal authors and case-law in this respect has varied.

If the court adopts a reorganization or sale plan, it can set a time-period during which the assets that it deems to be essential to the continuation of the business of the debtor may not be sold without its consent.

The court will end the proceedings when either no due liabilities remain, the liquidator has sufficient funds to pay off the creditors (*extinction du passif*), or continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actif*).

The court may also terminate the proceedings:

- when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets;
- in the event where there are insufficient funds to pay off the creditors, by appointing a *mandataire* in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

*The "hardening period" (période suspecte) in judicial reorganization and judicial liquidation proceedings*

The date of insolvency (*cessation des paiements*) of a debtor is deemed to be the date of the court order commencing the proceedings, unless the court sets an earlier date, which may be no earlier than 18 months before the date of such court order. Also, except in the case of fraud, the insolvency date may not be set at a date earlier than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings (see above). The insolvency date is important because it marks the beginning of the hardening period (*période suspecte*), being the period from the insolvency date of the debtor to the court decision commencing the judicial reorganization or liquidation proceedings affecting it.

Certain transactions entered into during the hardening period are automatically void or voidable by the court.

- Automatically void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration or for a nominal consideration, contracts under which the obligations of the debtor significantly exceed the reciprocal obligations of the other party, payments of debts not due at the time of payment, payments of debts that are due made in a manner that is not commonly used in the ordinary course of business, deposits of cash or monetary instruments ordered by a court decision that has not yet become final to serve as bond or as a precautionary measure in accordance with Article 2350 of the French Civil Code, security granted for debts previously incurred (including a security to secure a guarantee obligation previously granted), provisional attachment or seizure measures (*mesures conservatoires*) (unless the attachment or seizure predates the date of insolvency), operations relating to stock options, the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as security for a debt simultaneously incurred), any amendment to a trust arrangement (*fiducie*) that affects assets or rights already transferred in the trust as security for debt incurred prior to such amendment, and notarized declarations of exemption of assets from seizure (*déclaration d'insaisissabilité*) pursuant to Article L. 526-1 of the French Commercial Code.
- Transactions that are voidable by the court include payments made on debts that are due, transactions for consideration, administrative seizure measures, notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the hardening period, in each case if the court determines that the party dealing with the debtor knew that the debtor was insolvent at the relevant time. Transactions relating to the transfer of assets for no consideration and notarized declarations of exemption of assets from seizure (*déclaration d'insaisissabilité*) pursuant to Article L. 526-1 of the French Commercial Code are also voidable when entered into during the six-month period prior to the beginning of the hardening period. Unlike automatically void transactions, which must be set aside by the court if so requested, the court has discretion to decide whether or not it is appropriate to set aside transactions that are only "voidable".

There is no hardening period prior to safeguard proceedings, accelerated safeguard or accelerated financial safeguard proceedings (assuming the proceedings are successful).

*Status of Creditors during Safeguard, Accelerated Safeguard, Accelerated Financial Safeguard, Judicial Reorganization or Judicial Liquidation Proceedings*

Contractual provisions pursuant to which the commencement of the proceedings triggers the acceleration of the debt (except with respect to judicial liquidation proceedings in which the court does not order the continued operation of the business) or the termination or cancellation of an ongoing contract are not enforceable against the debtor. Nor are "*contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of judicial reorganization proceedings*" (in accordance with a decision of the French Supreme Court dated January 14, 2014, n° 12-22.909, which case law is likely to be extended to safeguard, accelerated safeguard or accelerated

financial safeguard proceedings). However, the court-appointed administrator can unilaterally decide to terminate ongoing contracts (*contrats en cours*) that it believes the debtor will not be able to continue to perform. Conversely, the court-appointed administrator can require that other parties to a contract continue to perform their obligations even though the debtor may have been in default (even prior to the opening of insolvency proceedings), but on the condition that the debtor fully performs its post-commencement contractual obligations (and provided that, in the case of judicial reorganization or judicial liquidation proceedings, absent consent to other terms of payment, the debtor pays cash on delivery). The commencement of judicial liquidation proceedings, however, automatically accelerates the maturity of all of a debtor's obligations unless the court orders the continued operation of the business with a view to the adoption of a sale plan (*plan de cession*) as described above; in such case, the acceleration of the obligations will only occur on the date of the court decision adopting the sale plan (*plan de cession*), as described above, or on the date on which the continued operation of the business ends.

As from the court decision commencing the proceedings:

- accrual of interest is suspended, except in respect of loans for a term of at least one year, or of contracts providing for a payment that is deferred by at least one year (however, accrued interest can no longer be compounded);
- the debtor is prohibited from paying debts incurred prior to the commencement of the proceedings, subject to specified exceptions (which essentially cover the set-off of related (*connexes*) debts and payments authorized by the supervisory judge (*juge commissaire*) to recover assets required by the continued operation of the business);
- the debtor is prohibited from paying debts having arisen after the commencement of the proceedings unless they were incurred for the purposes of the proceedings or of the observation period or in consideration of services rendered/goods provided to the debtor;
- debts duly arising after the commencement of the proceedings and that were incurred for the purposes of the proceedings or of the observation period, or in consideration of services rendered/goods provided to the debtor during this period, must be paid as and when they fall due and, if not, will be given priority over debts incurred prior to the commencement of the proceedings (with certain limited exceptions, such as claims secured by a New Money Lien or a S/R Lien), provided that they are duly brought to the attention of the judicial administrator or, failing one, the *mandataire judiciaire*, or, should they both have ceased to be in office, the plan commissioner or the judicial liquidator within one year of the end of the observation period;
- creditors (only financial creditors in the case of accelerated financial safeguard proceedings) may not initiate or pursue any individual legal action against the debtor (or against a guarantor of the debtor where such guarantor is a natural person and the proceedings are safeguard, accelerated safeguard, accelerated financial safeguard or judicial reorganization proceedings (during the observation period only with respect to judicial reorganization proceedings)) with respect to any claim arising prior to the court decision commencing the proceedings, if the objective of such legal action is:
  - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due in order to file a proof of claim, as described below);
  - to terminate a contract for non-payment of amounts owed to the creditor prior to the decision of the court-appointed administrator to continue the ongoing-contract; or
  - to enforce the creditor's rights against any assets of the debtor except (i) in judicial liquidation proceedings, by way of the applicable specific process for judicial foreclosure (*attribution judiciaire*) of the pledged assets or (ii) where such asset- whether tangible or intangible, movable or immovable is located in another Member State within the European Union, in which case the rights *in rem* of creditors thereon would not be affected by the insolvency proceedings commenced in France, in accordance with the terms of Article 8 of the Insolvency Regulation (provided no secondary proceedings are commenced in such Member State). Similarly, the rights of a creditor on the debtor's assets located outside France and the EU would only be affected by the French insolvency proceedings if they were to be recognized by the local courts where the assets at stake are located (unless provided otherwise in a treaty to which France is a party);
- in the context of reorganization or liquidation proceedings only, absent consent to other terms of payment, immediate cash payment for services rendered pursuant to an ongoing contract (*contrat en cours*), will be required.

A natural person that is the guarantor of the debtor may avail itself of the provisions of a safeguard plan ("*plan de sauvegarde*") adopted by the Court but not of the provisions of a judicial reorganization plan ("*plan de redressement*").In accelerated financial safeguard proceedings, the above rules only apply to the creditors that fall within the scope of the proceedings (see above). Debts owed to other creditors, such as suppliers, continue to be payable in the ordinary course of business.

As a general rule, creditors domiciled in metropolitan France whose claims arose prior to the commencement of the proceedings must file a claim with the court-appointed creditors' representative within two months of the publication of the court decision in an official gazette (*Bulletin Officiel des annonces civiles et commerciales*); this period is extended to four months for creditors domiciled outside metropolitan France. Creditors must also file a claim for the post-commencement non-privileged debts, with respect to which the two or four month period referred to above starts to run as from their maturity date. Creditors whose claims have not been submitted during the relevant period are, except for limited exceptions, barred from receiving distributions made in connection with the proceedings. Employees are not subject to such limitations and are preferred creditors under French law.

At the beginning of the proceedings, the debtor must provide the court-appointed administrator and the creditors' representative with the list of all its creditors and all of their claims. Where the debtor has informed the creditors' representative of the existence of a claim, the claim as reported by the debtor is deemed to be a filing of the claim with the creditors' representative on behalf of the creditor. Creditors are allowed to ratify or amend a proof of claim so made on their behalf until the supervisory judge rules on the admissibility of the claim. They may also file their own proof of claim within the deadlines described above.

In accelerated safeguard and accelerated financial safeguard proceedings however, the debtor draws a list of the claims of its creditors having taken part in the conciliation proceedings, which is certified by its statutory auditors or accountant. Although such creditors may file proofs of claim as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust if necessary the amounts of their claims as set forth in the list prepared by the debtor (within the above two or four months' time limit). Creditors that did not take part in the conciliation proceedings must file their proofs of claim within the aforementioned deadlines.

If the court adopts a safeguard plan, accelerated safeguard plan, accelerated financial safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan.

If the court adopts a sale plan (*plan de cession*) of the debtor in judicial reorganization or judicial liquidation proceedings (see above), the proceeds of the sale will be allocated towards the repayment of its creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the liquidator appointed by the court will be in charge of settling the debtor's debts in accordance with their ranking.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, post-commencement legal costs (essentially, court officials fees), creditors who benefit from a New Money Lien or a S/R Lien (see above), post-commencement privileged creditors and the French State (taxes and social charges). In the event of judicial liquidation proceedings only, certain pre-commencement secured creditors whose claim is secured by real estate are paid prior to post-commencement privileged creditors. This order of priority does not apply to all creditors, for example it does not apply to creditors benefiting from a retention right over assets with respect to their claim related to such asset.

*Creditors' Liability*

Pursuant to Article L. 650-1 of the French Commercial Code (as interpreted by case law), where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may only be held liable for the losses suffered as a result of facilities granted to the debtor, if the granting of such facilities was wrongful and if the relevant creditor (i) committed a fraud, or (ii) manifestly interfered with the management of the debtor or (iii) obtained security or guarantees that are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

***Germany***

The German Guarantor is organized under the laws of Germany and has its registered office in Germany. In the event of an insolvency of the German Guarantor under the laws of Germany at the time the application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, German insolvency law would most

likely govern such proceedings. Under certain circumstances, insolvency proceedings may also be opened in Germany in accordance with German law over the assets of companies that are not established under German law (for example, if the centre of main interests of such company is within Germany) or, vice versa, insolvency over the German Guarantor may be opened in other jurisdictions. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions, including, inter alia, in respect of priority of creditors' claims, the ability to obtain interest for unsecured claims following the commencement of insolvency proceedings as well as in certain circumstances priority recovery for secured creditors and the duration of the insolvency proceedings, and hence may limit the ability of creditors to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

*Insolvency*

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, there is no group insolvency concept, which generally means that, despite the economic ties between various entities within one group of companies, there will be one separate insolvency proceeding for each of the entities if and to the extent there exists an insolvency reason on the part of the relevant entity. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings (if any) within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and no pooling of claims among the respective entities of a group. Recently, the German legislator adopted an act to facilitate the handling of group insolvencies *(Gesetz zur Erleichterung der Bewältigung von Konzerninsolvenzen*) which entered into force on April 21, 2018. However, this act mainly provides for coordination of and cooperation between insolvency proceedings of group companies. The act does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims amongst the respective entities of a group, but rather stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity insolvency proceeding; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordination insolvency administrator" (*Koordinationsverwalter*) with the ability to propose a "coordination plan" (*Koordinationsplan*).

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court ex officio, but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due, i.e. illiquid (*Zahlungsunfähigkeit*). According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business is predominantly likely (*überwiegend wahrscheinlich*) for a prognosis period covering the next twelve months (*positive Fortführungsprognose*). As a guideline, the debtor is deemed illiquid if it is unable to pay 10% or more of its due and payable liabilities during the subsequent three weeks, unless it is virtually certain that the company can close the liquidity gap shortly thereafter (*demnächst*) and it can be deemed acceptable to the creditor to continue to wait for the payments owed by such debtor. If a stock corporation (*Aktiengesellschaft—AG*), a European law stock corporation based in Germany (*Societas Europaea—SE*) or a company with limited liability (*Gesellschaft mit beschränkter Haftung—GmbH*) or any company not having an individual as personally liable shareholder—such as the German Guarantor—becomes illiquid and/or over-indebted, the management of such company and, under certain circumstances, its shareholders are obliged to file for the opening of insolvency proceedings without undue delay, however, in the case of illiquidity at the latest within three (3) weeks after illiquidity occurred and in the case of over-indebtedness at the latest six (6) weeks after over-indebtedness occurred. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law. Once illiquidity or over-indebtedness occurred, any payments, including any payments under the Notes, may be voidable. In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payments obligations, but will presumably not be able to continue to do so at some point in time within a certain prognosis period (such period generally being 24 months). However, only the debtor, but not the creditors, is entitled (but not obliged) to file for the opening of insolvency proceedings in case of imminent illiquidity.

The Act to Temporarily Suspend the Obligation to File for Insolvency and to Limit Directors' Liability in the Case of Insolvency Caused by the COVID-19 Pandemic, which was adopted on March 27, 2020 (as amended from time to time, the "**COVInsAG**"), provides, *inter alia*, for a suspension of the obligation to file for insolvency until, currently, April 30, 2021. The suspension – as in force from February 1, 2021 – applies to debtors who, in the period from 1 November 2020 to 28 February 2021, have applied for financial assistance under state assistance programs to mitigate the consequences of the COVID-19 pandemic or have been prevented, as eligible debtors, from filing such application for legal or factual reasons, unless the insolvency is not caused by consequences of the COVID-19 pandemic and there is obviously no prospect of obtaining the state financial assistance or the assistance that can be obtained is insufficient to eliminate the over-indebtedness or illiquidity. Furthermore, for an interim period until 31 December 2021, the COVInsAG reduces the forecast period (*Fortführungsprognose*) relevant for determining whether a continuation of the debtor's business is predominantly likely (*überwiegend wahrscheinlich*) for the purposes of the assessment of the insolvency ground of over-indebtedness from twelve months to four months provided that the debtor's over-indebtedness is caused by the COVID-19 Pandemic, which is assumed if (i) the debtor was not cash-flow insolvent as of 31 December 2019, (ii) the debtor's result from its ordinary business activity was positive in the last financial year prior to 1 January 2020, and (iii) the revenue from the debtors' ordinary business activity in calendar year 2020 was more than 30% lower than the revenue in calendar year 2019.

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures (*vorläufige Maßnahmen*) to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. In addition, the court will generally also appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor-in-possession status (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a custodian (*Sachwalter*)—provided that, *inter alia*, the debtor has enclosed a detailed and coherent self-administration plan (*Eigenverwaltungsplanung*) to the petition for the debtor-in-possession status and no circumstances are known which indicate that key aspects of the self-administration planning are based on inaccurate facts. Depending on the size of the debtor's business operations, the insolvency court must or may appoint a preliminary creditors' committee (*vorläufiger Gläubigerausschuss*) to form a view on a petition for debtor-in-possession status, or on the profile of the (preliminary) insolvency administrator to be appointed or to suggest a particular individual to be appointed by the court. In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible; *i.e.*, not competent and/or not impartial). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it should and usually does comprise a representative of the secured creditors, one for the large creditors and one for the small creditors as well as one for the employees. The duties of the preliminary insolvency administrator are, in particular, to safeguard and to preserve the debtor's assets (which may include the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if there are sufficient assets (*Insolvenzmasse*) to cover at least the costs of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties (e.g., creditors) advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of formal insolvency proceedings, an insolvency administrator (usually, but not necessarily, the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court unless a debtor-in-possession status (*Eigenverwaltung*) is ordered. In the absence of a debtor-in-possession status, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by head count and amount of insolvency claims) has voted in favor of the proposed individual becoming the insolvency administrator and (ii) the proposed individual being eligible as officeholder, *i.e.*, sufficiently qualified, business experienced and impartial. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's business. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the estate (*Masseverbindlichkeiten*) which are preferred to any insolvency claim of

an unsecured creditor (with the residual claim of a secured insolvency creditor remaining after realization of the available collateral (if any) also being as unsecured insolvency claim).

From the perspective of the holders of the Notes, among others, some important consequences of such opening of formal insolvency proceedings against the German Guarantor or any of the Issuer's subsidiaries that are subject to the German insolvency regime would be the following:

- if the court does not order debtor-in-possession status (*Eigenverwaltung*), the right to administer and dispose of the assets of the German Guarantor or such other subsidiary of the Issuer would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate;
- if the court does not order debtor-in-possession status (*Eigenverwaltung*) with respect to the German Guarantor or such other subsidiary of the Issuer, disposals effected by the management of the German Guarantor or such other subsidiary of the Issuer, after the opening of formal insolvency proceedings, are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings or thereafter, a creditor in the insolvency proceedings has acquired through execution (e.g., attachment) a security interest in part of the German Guarantor's or any of such other subsidiary's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings; and
- claims against the German Guarantor or such other subsidiary of the Issuer may only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*).

Under German insolvency law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract (*Wahlrecht des Insolvenzverwalters*) unless they reflect termination rights applicable under statutory law. This will likely also relate to agreements that are not governed by German law.

Any person that has a right for separation (*Aussonderung*) (*i.e.*, the relevant asset of this person does not constitute part of the insolvency estate) does not participate in the insolvency proceedings; the claim for separation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)) as opposed to a preferential right (*Absonderungsrecht*)), wishing to assert claims against the insolvent debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code (*Insolvenzordnung*). Any judicial enforcement action (*Zwangsvollstreckung*) brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened. Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. In this context, it should be noted that the insolvency administrator generally has the sole right to realize any moveable assets in his/the debtor's possession which are subject to preferential rights (e.g., liens over movable assets (*Mobiliarsicherungsrechte*) or security transfer of title (*Sicherungsübereignung*)) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). In case the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (Feststellungskosten) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add up to 9% of the gross enforcement proceeds plus value added tax (if any), are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. In the case of debtor-in-possession proceedings (*Eigenverwaltung*), the cost of assessing the value of the secured assets (*Feststellungskosten*) cannot be deducted from the enforcement proceeds. With the remaining unencumbered assets of the debtor the insolvency administrator has to satisfy the creditors of the insolvency estate (*Massegläubiger*) first (including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings). Thereafter, all other

claims (insolvency claims—*Insolvenzforderungen*), in particular claims of unsecured insolvency creditors and residual claims of secured insolvency creditors reaming after realization of the available collateral (if any), will be satisfied on a pro rata basis if and to the extent there is value remaining in the insolvency estate (*Insolvenzmasse*) after the security interest and the preferential claims against the estate have been settled and paid in full.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a movable asset that is subject to this right. The insolvency administrator must, however, compensate the creditor for any loss of value resulting from such use.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (including, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the repayment of shareholder loans or similar claims), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors. Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors (including the unsecured insolvency claims) have been fully satisfied. See also below under "—*Satisfaction of Subordinated Claims.*"

While in ordinary insolvency proceedings, the value of the German Guarantor's or any of the Issuer's subsidiaries' assets that are subject to the German insolvency regime will be realized by a piecemeal sale or, as the case may be, by a bulk sale of the entity's business as a going concern, a different approach aiming at the rehabilitation of such entities can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and requires, among other things and subject to certain exceptions, the consent of the German Guarantor or any relevant subsidiary of the Issuer and the consent of each class of creditors in accordance with specific majority rules and the approval of the insolvency court (while a group of dissenting creditors or the debtor can—under certain circumstances—be crammed down). If the debtor is a corporate entity, also the shares or, as the case may be, the membership rights in the debtor can be included in the insolvency plan, e.g., they can be transferred to third parties, including a transfer or issuance to creditors based on a debt-to-equity swap. Moreover, if the debtor has filed a petition for the opening of insolvency proceedings based on an insolvency reason other than illiquidity (*i.e.*, imminent illiquidity or over-indebtedness), combined with a petition to initiate such process based on a debtor-in-possession status and can prove that a restructuring of its business is not obviously futile (*offensichtlich aussichtslos*), the court may grant a period of up to three months to prepare an insolvency plan for the debtor business (*Schutzschirm*). In addition, for an interim period until 31 December 2021, debtors have access to the protective shield proceedings (*Schutzschirmverfahren*) even in the state of illiquidity (*Zahlungsunfähigkeit*) provided that the debtor's illiquidity was caused by the COVID-19 pandemic. This is assumed if (i) the debtor was not cash-flow insolvent as of December 31, 2019, (ii) the debtor's result from its ordinary business activity was positive in the last financial year prior to January 1, 2020, and (iii) the revenue from the debtors' ordinary business activity in calendar year 2020 was more than 30% lower than the revenue in calendar year 2019. During the respective period granted by the court to prepare the insolvency plan, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court has to appoint a custodian (*Sachwalter*) to supervise the process. The debtor is entitled to suggest an individual to be appointed as custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (*i.e.*, is obviously not competent or impartial).

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrators opt for performance.

Under the German Insolvency Code, the insolvency administrator (or in case of debtor-in-possession proceedings, the custodian) may void (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to or after the filing of the petition for opening of formal insolvency proceedings during applicable voidable periods. Generally, if transactions, performances or other acts are successfully voided by the insolvency administrator or custodian, as the case may be, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvency estate. The administrator's or custodian's right to void transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings. In the event of insolvency proceedings with respect to the German Guarantor or any of the Issuer's relevant subsidiaries based on and governed by the insolvency laws of Germany, the payment of any

amounts to the holders as well as the granting of Collateral for or providing credit support for the benefit of the Notes could be subject to potential challenges (*i.e.*, clawback rights) by an insolvency administrator or custodian under the rules of voidness (*Insolvenzanfechtung*) as set out in the German Insolvency Code (*Insolvenzordnung*). To the extent such a transaction is successfully voided (*angefochten*), the holders of the Notes, may not be able to recover or retain any amounts under the Notes or the Collateral and may participate in the insolvency proceedings as unsecured creditor only. If payments have already been made under the Notes or Collateral, any amounts received from a transaction that had been voided would have to be repaid to the insolvency estate (*Insolvenzmasse*). In this case, the holders of the Notes, as applicable, would only have a general unsecured claim under the Notes, as applicable, without preference in insolvency proceedings.

Against this background, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*) (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be voided according to the German Insolvency Code (*Insolvenzordnung*) in particular in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time such act was taken and the creditor knew of such illiquidity (or of circumstances that clearly suggest that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances that compellingly suggest such illiquidity or filing);
- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) to which such creditor was not entitled, or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled, if such act was taken (i) during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (ii) during the second or third month prior to the filing of the petition and the debtor was illiquid at such time or (iii) during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that compellingly suggest such detrimental effect);
- a legal transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew either of the debtor's illiquidity or of such filing at the time of the transaction;
- any act by the debtor without (adequate) consideration (e.g., whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;
- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intention of prejudicing its insolvency creditors (*vorsätzliche Gläubigerbenachteiligung*) and the beneficiary of the act knew of such intention at the time of such act; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction for a debt, the above ten-year period is reduced to four years; "knowledge by the beneficiary of the act" in terms of such provision is presumed if the beneficiary knew that the debtor was imminently illiquid (*drohende Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction in a form or at a time to which or at which such creditor was entitled, the "knowledge by the beneficiary of the act" is presumed if the beneficiary knew that the debtor was actually illiquid (*eingetretene Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; the fact that the creditor agreed on a payment plan with the debtor or agreed to deferred payments establishes a presumption that he had no knowledge of the debtor being illiquid at this time;
- any non-gratuitous contract concluded between the debtor and an affiliated party that directly operates to the detriment of the creditors can be voided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had

no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term "affiliated party" includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons who are spouses, relatives or members of the household of any of the foregoing persons;

- any act that provides security or satisfaction (*Befriedigung*) for a claim of a shareholder, for repayment of a shareholder loan or a similar claim if (i) in the case of the provision of security, the act took place during the last ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of the insolvency proceedings or after the filing of such petition; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the satisfaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor or surety (*Garant oder Bürge*) (in which case the shareholder must compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if he or she knew of the debtor's illiquidity or imminent illiquidity, as the case may be, and that the transaction prejudiced the debtor's creditors. With respect to an "affiliated party", there is a general statutory presumption that such party had "knowledge".

The COVInsAG, however, provides for privileged treatment of new financing and shareholder loans under German insolvency law claw-back provisions during a certain time during the COVID-19 pandemic. On that basis, the repayment (including reasonable interest payments) of third-party financing and shareholder loans by September 30, 2023 shall not be considered disadvantageous to creditors if the relevant financing is granted between March 1, 2020 and April 30, 2021 and the debtor fulfilled, *inter alia*, the requirements for the suspension of the filing duties at the time. This privilege also covers the provision of collateral in favor of third-party financing providers, but does not apply in case of the provision of collateral to secure the repayment of shareholder loans or receivables resulting from legal transactions which are economically equivalent to a loan. The COVInsAG also provides for a certain relief from claw-back provisions, if the debtor, *inter alia*, fulfilled the requirements for the suspension of filing duties, for the satisfaction of claims or the provision of collateral for these claims, which the creditor was entitled to receive and unless the creditor knew that the restructuring and refinancing efforts of the debtor were not suitable to eliminate an existing illiquidity of the debtor in the meaning of section 17 of the German Insolvency Code (*Insolvenzordnung*).

The granting of security concurrently with the incurrence of debt may be qualified as a "cash transaction" and may as such be privileged *i.e.*, under certain circumstances, not being subject to voidness rights under the German Insolvency Code (*Insolvenzordnung*) (*Bargeschäftsprivileg*).

Apart from the examples of an insolvency administrator or custodian voiding transactions according to the German Insolvency Code (*Insolvenzordnung*) described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also void any security right or payment performed under the relevant security right according to the German Law of Voidness (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites vary to a certain extent from the rules described above and the voidance periods are calculated from the date a creditor exercises its rights of voidance in the courts.

*Satisfaction of Subordinated Claims*

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the day of the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and

administrative fines, as well as such incidental legal consequences of a criminal or administrative offence binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration and (v) claims for repayment of a shareholder loan (*Gesellschafterdarlehen*) or claims resulting from legal transactions corresponding in economic terms to such a loan unless a state aid bank or any of its subsidiaries which is a shareholder of the relevant company have granted the respective loan or legal transaction corresponding in economic terms to such a loan. The COVInsAG, however, suspends the statutory subordination of shareholder loans and receivables from economically similar acts in insolvency proceedings applied for up until September 30, 2023 for newly granted shareholder loans that were granted between March 1, 2020 and April 30, 2021 and where the debtor fulfilled, *inter alia,* the requirements for the suspension of the filing duties at the time.

*Preventive Restructuring Framework*

On June 20, 2019, the European Parliament and the Council have adopted a new directive, which aims to ensure that minimum restructuring measures are available in the Member States to enable debtors in financial distress to solve their problems at an early stage and to avoid formal insolvency proceedings (Directive of the European Parliament and the Council EU 2019/1023 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending directive (EU) 2017/1132 (the "*Preventive Restructuring Directive*")).

In Germany, the Preventive Restructuring Directive was implemented by the law on the Further Development of the German Restructuring and Insolvency Laws, which became effective on January 1, 2021. An essential part of the law is the introduction of a new Act on a Stabilisation and Restructuring Framework for Enterprises ("*Company Stabilisation and Restructuring Act*"), which establishes a comprehensive legal framework for out-of-court restructurings in Germany. Proceedings under the Company Stabilisation and Restructuring Act ("*Restructuring Proceedings*") are initiated through a notification by the respective debtor to affected creditors (with regard to chapter 1 of the Company Stabilisation and Restructuring Act) and/or the competent restructuring court (*Anzeige des Restrukturierungsvorhabens*). Restructuring Proceedings are applicable in cases in which a debtor faces imminent illiquidity (*drohende Zahlungsunfähigkeit*), which is triggered when it is likely that the debtor will not be able to meet its future payment obligations that fall due during the course of (regularly) the next 24 months. The debtor's management is not obliged to make use of the tools of the Company Stabilisation and Restructuring Act. Therefore, the debtor may alternatively file for regular insolvency proceedings if the respective requirements are met (see above under "—*Insolvency*").

Unlike insolvency proceedings, the tools under the Company Stabilisation and Restructuring Act do not necessarily cover all of a debtor's liabilities, as the debtor has a certain amount of flexibility under the Company Stabilisation and Restructuring Act to adapt the scope of the available tools to cover either all of the debtor's liabilities, only certain types (e.g., financial liabilities, including under the Notes and the Guarantee), or only selected liabilities. In addition and depending on the extent to which a debtor requires to make use of certain legal tools available under the Company Stabilisation and Restructuring Act, the involvement of the competent restructuring court is not required by law (however a certain degree of involvement of the competent restructuring court is likely in most scenarios) and the tools can—under certain circumstances—be used without the need for any public notices despite being binding on affected creditors. The tools available under the Company Stabilisation and Restructuring Act may in the case of a group of companies only be used for each entity separately (an important exception is the ability to extend the effect of certain tools to cover security granted by entities that are connected entities (*verbundene Unternehmen*) of the debtor). However, the Company Stabilisation and Restructuring Act provides for a respective application of the provisions of the German Insolvency Code which implemented the law to facilitate the mastering of group insolvencies (see above under "—*Insolvency*").

The core component of the Company Stabilisation and Restructuring Act is a potential out-of-court restructuring of a debtor's liabilities via a restructuring plan, including, e.g., by way of changes to the principal amounts, interest rates and/or maturities of liabilities. Such restructuring plan may also negatively impact (including, e.g., a release of) collateral granted for the benefit of the Notes or the Guarantee by the debtor as well as its subsidiaries, parent and sister companies. A restructuring plan can generally be adopted and become binding for creditors upon being approved by the required majority or majorities of a debtors' creditors. The restructuring plan will be voted on in classes. The adoption of the restructuring plan requires, in principle, that in each class a majority of three-quarters of the voting rights approve the plan (whereas voting rights are determined by the amount of the claim, the value of the security and, in the case of share or membership rights, the share of the subscribed capital of the debtor). However, if more than one class is formed, the restructuring plan can even be adopted and become binding on creditors if creditor class(es) have not approved the plan, provided certain requirements are met and the restructuring court confirms the restructuring plan (*cross-class cramdown*).

The Company Stabilisation and Restructuring Act provides for additional tools that may be used by the debtor so as to facilitate the preparation, negotiations and implementation of a restructuring plan. These tools include a stabilization order by the restructuring court (which is granted upon the application by the debtor and if certain requirements are met). Such stabilization order can restrict enforcement measures by certain or all creditors. The stabilization order can initially be granted for a maximum period of up to three months, with subsequent orders to extend the stabilization order in total up to a maximum of eight months subject to certain conditions being satisfied.

For the holders of the Notes, among the relevant consequences of the use of any tools available under the Company Stabilisation and Restructuring Act by the German Guarantor would be the following:

- The negotiation and drafting of a restructuring plan by the debtor is potentially subject to no or only limited review and/or supervision by a court;
- restrictions on individual enforcement or foreclosure actions for all or certain creditors for a period of up to eight months due to a stabilization order;
- any claims and rights of the holder of the Notes can be subject to and potentially be compromised by the restructuring plan (e.g. in relation to claims in the form of a reduction in principal and/or interest or a deferral and in relation to security rights in the form of a release and an adjustment of the ranking of the security right);
- any collateral granted by the debtor as well as intra-group collateral may be subject to Restructuring Proceedings potentially leading to a negative impact on the respective collateral; and
- a restructuring plan can be adopted and the measures therein can become binding on any holder of the Notes without the consent of each holder of the Notes and, if the prerequisites for a cross-class cram-down are fulfilled, even without the consent of any of the holders of the Notes.

Restructuring plans which are public and confirmed by a German restructuring court will be recognized in any EU member state pursuant to the EU Insolvency Proceedings Regulation (Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings) upon such proceeding being included as a recognized proceeding in Exhibit A of that Regulation. In any other case, the recognition of the restructuring plan is subject to certain rules and regulations under applicable international private law.

## SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Issuer is organized as a joint stock company (*società per azioni* or S.p.A.) organized under the laws of the Republic of Italy, one of the Guarantor is organized under the laws of the State of New Jersey and the Guarantors are organized as a simplified corporation (*société par actions simplifieé*) under the laws of France, a private limited company under the laws of England and a company with limited liability (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany.

### Service of Process

None of the directors, officers and other executives of the Issuer are residents or citizens of the United States. Furthermore, substantially all of the assets of the Issuer are located outside the United States. In addition, substantially all of the directors, officers and other executives of the non-U.S. Guarantors are not residents or citizens of the United States and substantially all of the assets of the non-U.S. Guarantors are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or the non-U.S. Guarantors or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer and the non-U.S. Guarantors have appointed, or will appoint, an agent for the service of process in New York.

It may be possible for investors to effect service of process within Italy, France and England upon those persons or the Issuer, a Guarantor or over other subsidiaries of the Issuer provided that such service of process complies with The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965.

### Enforcement of Judgments in Italy

Recognition and enforcement in Italy of final judgments rendered by U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, may not require retrial and will be enforceable in Italy, provided that, pursuant to Article 64 of Italian Law No. 218 of May 31,1995 *(Riforma del sistema italiano di diritto internazionale privato),* among others, the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction upon the relevant matter 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 no fundamental right of the defendant was violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of a 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 is 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 the Republic of Italy to that end. The competent Court of Appeal does not consider the merits of the case but exclusively ascertains the fulfillment of all the conditions set out above.

In original actions brought before Italian courts, the enforceability of liabilities or remedies based solely on the

U.S. federal securities law is debatable. In addition, in original actions brought before Italian courts, Italian courts may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory, and may refuse to apply U.S. law provisions or grant some of the remedies sought *(e.g.,* punitive damages) if their application violates any Italian public policies and/or any mandatory provisions of Italian law.

## Enforcement of Judgments in England

We have been advised by Latham & Watkins (London) LLP, our English counsel, that the United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters.

Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is described below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles and rules of English private international law;
- the U.S. judgment not having been given in breach of a jurisdiction or arbitration clause;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment not contravening English public policy or the Human Rights Act 1998;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine, or otherwise involving the enforcement of a non-English penal or revenue law;
- the U.S. judgment not being contrary to the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- there not having been a prior inconsistent decision of an English court in respect of the same matter involving the same parties; and
- the English enforcement proceedings being commenced within the relevant limitation period.

If an English court gives judgment for the sum payable under a U.S. judgment, the English judgment will be enforceable by methods generally available for this purpose. The judgment creditor is able to utilize any method or methods of enforcement available to him/her at the time. In addition, it may not be possible to obtain an English judgment or to enforce that judgment if the judgment debtor is subject to any insolvency or similar proceedings, if the judgment debtor has any set-off or counter-claim against the judgment creditor or if an appeal is pending or anticipated against the judgment or against the foreign judgment.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in England. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. federal securities laws. Further, it may not be possible to obtain a judgment in England or to enforce the judgment if the judgment debtor is subject to any insolvency or similar proceedings, of if the judgment debtor has any setoff or counterclaim against the judgment creditor. Finally, in any enforcement proceedings, the judgment debtor may raise any counterclaim that could have been brought if the action had been originally brought in England unless the subject of the counterclaim was in issue and denied in the U.S. proceedings.

## Enforcement of Judgments in France

Marcolin France S.A.S. is organized under the laws of France with its registered offices or principal places of business in France (the "**French Guarantor**"). The directors, officers and other executives of the French Guarantor are neither residents nor citizens of the United States (the "**French Individuals**"). Furthermore, most of the assets of the French Guarantor or the French Individuals are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons and entities, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state

securities laws within the United States. However, it may be possible for investors to effect service of process within France upon those persons or entities, provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

The following is a summary of certain legal aspects of French law regarding the enforcement of civil law claims connected with the Notes or the Guarantee against the French Guarantor and/or French Individuals.

The United States and France are not parties to a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, would not directly be recognized or enforceable in France.

A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Judiciaire*) that has exclusive jurisdiction over such matter.

Enforcement in France of such U.S. judgment could be obtained following proper (*i.e.*, *non ex parte*) proceedings if such U.S. Judgment is enforceable in the United States and if the French civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French civil court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter because the dispute is clearly connected to the jurisdiction of such court, the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case, including fair trial rights;
- such U.S. judgment is not tainted with fraud under French law.

In addition to these conditions, it is well established that only final and binding foreign judicial decisions (*i.e.*, those having *a res judicata* effect) can benefit from an exequatur under French law, that such U.S. judgment should not conflict with a French judgment or a foreign judgment that has become effective in France, and there is no proceedings pending before French courts at the time enforcement of the U.S. judgment is sought and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the *res judicata* effect as of the date of the decision of the French civil court and will thus be declared enforceable in France. However, the decision granting the exequatur is subject to appeal.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68 678 of July 26, 1968, as modified by French law No. 80 538 of July 16, 1980 and French Ordinance No. 2000 916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons.

Similarly, European and French data protection rules (including Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and French law No. 78 17 of January 6, 1978 on data processing, data files and individual liberties, as modified) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law designated by the applicable French rules of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene (i) French international public policy or (ii) applicable overriding mandatory rules (as determined on a case by case basis by French courts). Furthermore, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to Article 14 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with a French person. Pursuant to Article 15 of the French Civil Code, a French national can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant (Article 15). For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to case law, the French courts' jurisdiction over French nationals is not mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. In addition, a French national may waive its rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

It must be noted that under Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of December 12, 2012, as regards legal actions falling within the scope of said Regulation, the privileges granted to French nationals pursuant to Articles 14 and 15 of the French Civil Code may not be invoked against a person domiciled in an EU Member State. Conversely, pursuant to Article 6.2 of Regulation (EU) No. 1215/2012, the privilege granted by Article 14 of the French Civil Code may be invoked by a claimant domiciled in France, regardless of the claimant's nationality, to sue before French courts a defendant domiciled outside the EU.

There are diverging positions amongst the chambers of the French Supreme Court (*Cour de Cassation*) regarding the validity of a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction. On the one hand, further to several decisions—the most recent dated October 3, 2018—the first civil chamber of the *Cour de Cassation* seems to consider that, unless the competent courts can be identified by reference to objective elements or jurisdiction rules in force in a Member State, unilateral jurisdiction clauses do not comply with the objective of foreseeability set out in the international instruments applicable in these cases and are therefore invalid. On the other hand, the Commercial Chamber of the *Cour de Cassation* has held that a unilateral jurisdiction clause is valid, by a decision rendered on May 11, 2017. Accordingly, any provisions to the same effect in any relevant documents may not be binding on the party submitted to the exclusive jurisdiction of the court.

### Enforcement of Judgments in Germany

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on federal or state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and the Federal Republic of Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any federal or state court in the United States, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable, either in whole or in part, in Germany. A final judgment by a U.S. federal or state court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, including without limitation the following:

- U.S. courts could take jurisdiction of the case in accordance with the principles of jurisdictional competence according to German law;
- the document commencing the proceedings was duly served and made known to the defendant in a timely manner that allowed for adequate defense, or in case of noncompliance with such requirement, (i) the defendant does not invoke such noncompliance or (ii) has nevertheless appeared in the proceedings;
- the judgment is not contrary to (i) any judgment which became res judicata rendered by a German court or (ii) any judgment which became res judicata rendered by a foreign court which is recognized in Germany and the procedure leading to the respective judgment does not contradict any such judgment under (i) and (ii) or a proceeding previously commenced in Germany;
- the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding

punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are regarded to be in conflict with material principles of German law;

- the reciprocity of enforcement of judgments is guaranteed; and
- the judgment is final (*res judicata*) under U.S. federal or state law.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an exequatur decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditors' rights generally. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

Furthermore, German civil procedure differs substantially from U.S. civil procedure in a number of aspects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre trial discovery process exists under German law.

If the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

## LEGAL MATTERS

The validity of the Notes and certain other legal matters are being passed upon for the Issuer by Latham & Watkins (London) LLP with respect to matters of U.S. federal, New York state, English and Italian law, by PwC TLS Avvocati e Commercialisti with respect to matters of Italian taxation law, by Latham & Watkins AARPI with respect to matters of French law, by Latham & Watkins LLP with respect to matters of German law and by McCarter & English LLP with respect to matters of New Jersey state law.

Certain legal matters will be passed upon for the Initial Purchasers by Linklaters LLP with respect to matters of U.S. federal and New York state law, German law, English law, French law, Studio Legale Associato in association with Linklaters LLP with respect to matters of Italian law, and Meister Seelig & Fein LLP with respect to matters of New Jersey state law.

# INDEPENDENT AUDITORS

The consolidated financial statements of the Issuer as of and for the years ended December 31, 2018, 2019 and 2020, prepared in accordance with IFRS, have been audited by PricewaterhouseCoopers S.p.A.

PricewaterhouseCoopers S.p.A. is authorized and regulated by the Italian Ministry of Economy and Finance and registered on the special register of auditing firms maintained by the MEF. The registered office of PricewaterhouseCoopers S.p.A. is Piazza Tre Torri 2, 20145, Milan, Italy.

## AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from the Issuer and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either the Issuer or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Mr. Sergio Borgheresi, Investor Relations of the Issuer at fax, +39 0437.7777158 or invrel@marcolin.com.

The Issuer is currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture that will govern the Notes, the Issuer will agree to furnish periodic information to the holders of the Notes. See "*Description of the Notes—Certain Covenants— Reports*."

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 of the Luxembourg Stock Exchange, and the rules and regulations of the Luxembourg Stock Exchange so require, we will make available the notices to the public in a leading newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange, *www.bourse.lu*, or in written form at places indicated by announcement, to be so published as previously mentioned, or by any other means considered equivalent by the Luxembourg Stock Exchange.

## LISTING AND GENERAL INFORMATION

### Admission to Trading and Listing

Application will be 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 of the Luxembourg Stock Exchange, in accordance with the rules and regulations of the Luxembourg Stock Exchange.

### Luxembourg Listing Information

For 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 of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents in English may be inspected and obtained free of charge at the offices of the Issuer during normal business hours on any weekday (excluding holidays):

- the organizational documents of the Issuer and the Guarantors;
- the bylaws of the Issuer and the Guarantors;
- the financial statements included in this Offering Memorandum;
- any annual and interim condensed consolidated financial statements or accounts of the Issuer dated subsequent to the date of this Offering Memorandum, to the extent available;
- the Indenture;
- the Security Documents (in each case, following the execution thereof); and
- the Intercreditor Agreement.

It is expected that the approval *(visa*) in connection with the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission of the Notes to trading on the Euro MTF Market will be granted by the Luxembourg Stock Exchange promptly after the issuance of the Notes.

The Issuer has appointed Elavon Financial Services DAC as Registrar and Transfer Agent, Elavon Financial Services DAC as Paying Agent, The Law Debenture Trust Corporation p.l.c., as Trustee and *rappresentante comune* and Unicredit S.p.A. as Security Agent. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indenture and, if so required by the internal rules and regulations of the Luxembourg Stock Exchange, will publish a notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) or by any other means considered equivalent by the Luxembourg Stock Exchange.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the Issuer's best 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. This Offering Memorandum may only be used for the purposes for which it has been published.

### Clearing Information

Application will be made for the Notes sold pursuant to both Regulation S and Rule 144A to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

The Notes sold pursuant to Regulation S in this Offering have been accepted for clearance through the facilities of Euroclear and Clearstream under common code and ISIN XS2346563500 and 234656350, respectively. The Notes sold pursuant to Rule 144A in this Offering have been accepted for clearance through the facilities of Euroclear and Clearstream under common code and ISIN XS2346564060 and 34656406, respectively.

### Issuer Legal Information

#### *General*

The Issuer was formed as a private joint stock company (*società per azioni*) under the laws of Italy on February 8, 1983 with a duration until December 31, 2050, subject to certain amendments being made to its

by-laws to extend the period of its incorporation. The Issuer's registered offices are located at Zona Industriale Villanova, 4, 32013 Longarone (BL), Italy and it is registered under number 01774690273 with the Companies Register of Belluno (*Registro delle Imprese di Belluno*). The Issuer has a fully paid-up share capital of €35,902,750, comprised of 68,287,083 shares, without par value, divided into 61,458,375 Class A shares and 6,828,708 Class B shares. See "*Principal Shareholders*" and "*Management*" for further information regarding the Issuer's shareholders, corporate governance and its management.

Pursuant to article 2 of its articles of incorporation (*statuto*), the corporate purposes of the Issuer are to, *inter alia*: (i) study, design (for its own account), manufacturing and production, sale, distribution of eyeglasses and sunglasses, including sports glasses, eyeglasses frames and other components and semi-finished pieces in metal, plastic and any other materials; (ii) the leasing, purchase and management of businesses or business units with the same or related corporate purposes, complementary to or supporting the eyewear or optical industry; (iii) purchases of participations in other companies that carry out activities within the corporate purpose, or are otherwise complementary or related; (iv) provision of technical, production, commercial, administrative and financial services to companies within the same group or affiliates; (v) transport for its own account or for third parties. In addition, the Issuer may carry out (i) the financing, technical, commercial, industrial, financial and managerial coordination of the companies or entities in which it has a direct and/or indirect investment and (ii) the provision of services to such companies or entities. Moreover, the Issuer may carry out all commercial, industrial and financial, movable and immovable operations—excluding all financial activities and the collection of funds from the public, to the extent that they are reserved in accordance with the applicable law—as are considered necessary or useful to the achievement of its corporate purpose and to better manage its resources; finally, it may take out loans and mortgages in general and provide surety, security and all guarantees, both personal and collateral, including in favour of third parties, and acquire funds from shareholders with the obligation to repay them in compliance with the applicable law.

The Issuer has obtained or will obtain before the closing of the Offering, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of and performance of its obligations under the Notes. The creation and issuance of the Notes will be authorized by the Issuer's Board of Directors dated prior to the closing of the Offering of the Notes.

### *Financial Year and Accounts*

The Issuer's financial year begins on January 1 and ends on December 31 of each year. The Issuer prepares and publishes annual audited financial statements. Moreover, the Issuer prepares interim financial statements quarterly. For so long as the rules and regulations of the Luxembourg Stock Exchange require, any future published financial statements prepared by the Issuer will be available, during normal business hours, at the offices of the Issuer.

## Guarantor Legal Information

### *Marcolin USA*

Marcolin U.S.A. Eyewear Corp. ("**Marcolin USA**") was incorporated on December 31, 2014 with an indefinite duration. Marcolin USA's registered offices are located at 820 Bear Tavern Road, West Trenton, New Jersey, 08628, United States and it is registered to do business in New Jersey under file number 0100055670 with the State of New Jersey Department of the Treasury. As of the date of this Offering Memorandum, Marcolin USA had a share capital of $121,472,262 which has been fully paid-up, comprised of 7,751 outstanding shares, with no par value.

Marcolin USA is a direct, wholly owned subsidiary of the Issuer.

According to paragraph 2 of its restated certificate of incorporation, its corporate purposes are to manufacture, design, procure, supply, distribute, sell, market, promote and advertise optical products, including, but not limited to, ophthalmic quality optical frames, lenses of all kinds and descriptions and for any and all purposes, sunglasses, protective eyewear, eyeglass cases, eyeglass cords and related eyewear accessories, as well as to acquire, license and exploit patent, trademark, trade secret and other intellectual property rights.

Marcolin USA has obtained or will obtain before the date on which the Guarantee will be granted, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of the Guarantee, the granting of the Collateral and performance of its obligations under the Indenture.

### *Marcolin UK*

Marcolin (UK) Limited ("**Marcolin UK**") was incorporated as a private limited company under the laws of England on March 28, 1988. Marcolin UK's registered offices are located at 140 Old Street, EC1V 9BJ, London, United Kingdom and it is registered under company registration number 2236133. As of the date of this Offering Memorandum, Marcolin UK had a share capital of £3,572,718 which has been fully paid up, comprised of 3,572,718 shares, with par value of £1.00 each.

Marcolin UK is a direct, wholly owned subsidiary of the Issuer.

Marcolin UK has been assigned Standard Industrial Classification code 46900 by Companies House, meaning that the kind of economic activity it undertakes is non-specialized wholesale trade.

Marcolin UK has obtained or will obtain before the date on which the Guarantee will be granted, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of the Guarantee, the granting of the Collateral and performance of its obligations under the Indenture.

### *Marcolin France*

Marcolin France ("**Marcolin France**") was formed as a corporation (*société anonyme*) under the laws of the Republic of France on December 6, 1979 and was subsequently transformed into a simplified corporation (*société par actions simplifiée*) on November 29, 2008. Marcolin France has a duration until March 13, 2079. Marcolin France's registered offices are located at 45 Rue Saint Sébastien 75011 Paris, France and it is registered with the Register of Commerce and Companies (*Registre du Commerce et des Sociétés*) of Paris under number 317 857 001 RCS Paris. As of the date of this Offering Memorandum, Marcolin France had a share capital of €1,054,452 which has been fully paid up, comprised of 702,968 shares, with par value of €1.50 each.

Marcolin France is 100% owned by the Issuer.

According to article 3 of its articles of association (*statuts*), the corporate purposes of Marcolin France are to: manufacture and distribute sunglasses, prescription frames, sports glasses and related materials and products; produce, acquire, lease and make use of all manner of commercial and industrial real estate properties related to its corporate purpose; acquire, commercialize and sell intellectual property related to its activities; participate (directly and indirectly) in all transactions and in holding of participations of companies related to its corporate purposes; and all other transactions related thereto.

Marcolin France has obtained or will obtain before the date on which the Guarantee will be granted, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of the Guarantee, the granting of the Collateral and performance of its obligations under the Indenture.

### *Marcolin Germany*

Marcolin (Deutschland) GmbH ("**Marcolin Germany**") is a company with limited liability (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany on limited liability companies. Marcolin Germany has an indefinite duration. Marcolin Germany's registered offices are located at Waidmarkt 11a, 50676 Cologne, Germany and it is registered with the Commercial Register (*Handelsregister*) of Cologne under HRB 91958. As of the date of this Offering Memorandum, Marcolin Germany had a share capital of €300,000 which has been fully paid up, comprised of one share with par value of €300,000. Marcolin Germany is a direct, wholly owned subsidiary of the Issuer.

According to article 2 of its articles of association (*Satzung*), the corporate purposes of Marcolin Germany are the distribution of spectacle frames, sunglasses, spectacles accessories, and other optical products, in particular the distribution of such products of the Issuer, in Germany. Marcolin Germany may further establish, acquire and lease other enterprises, acquire participations of any kind in enterprises or represent such enterprises, as well as establish branches in Germany or abroad. Marcolin Germany also may take all measures that directly or indirectly promote the corporate purposes.

Marcolin Germany has obtained or will obtain before the date on which the Guarantee will be granted, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of the Guarantee, the granting of the Collateral and performance of its obligations under the Indenture.

**General**

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the Issuer's financial position since March 31, 2021; and
- neither the Issuer nor any of its subsidiaries has been involved in any litigation, administrative proceedings or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes except as otherwise disclosed in the Offering Memorandum, and, so far as the Issuer is aware, no such proceedings are pending or threatened.

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(in thousands of Euro)*

| | Notes | As of March 31, 2021 | As of December 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 1 | 42,722 | 43,047 |
| Intangible assets | 1 | 42,224 | 43,263 |
| Goodwill | 1 | 284,480 | 280,277 |
| Investments in subsidiaries and associates | 1 | — | — |
| Deferred tax assets | 1 | 50,445 | 48,539 |
| Other non-current assets | 1 | 277 | 271 |
| Non-current financial assets | 1; 6 | 240 | 1,025 |
| **Total non-current assets** | | **420,389** | **416.422** |
| **CURRENT ASSETS** | | | |
| Inventories | 2 | 110,295 | 105,863 |
| Trade receivables | 2 | 87,034 | 71,652 |
| Other current assets | 2 | 28,387 | 26,039 |
| Current financial assets | 2; 6 | 14,229 | 18,906 |
| Cash and cash equivalents | 2; 6 | 54,743 | 52,363 |
| **Total current assets** | | **294,689** | **274,824** |
| **TOTAL ASSETS** | | **715,077** | **691,246** |
| **EQUITY** | | | |
| Share capital | 3 | 35,902 | 35,902 |
| Additional paid-in capital | 3 | 170,304 | 170,304 |
| Legal reserve | 3 | 6,437 | 6,437 |
| Other reserves | 3 | 42,570 | 37,698 |
| Retained earnings (losses) | 3 | (132,146) | (75,322) |
| Profit (loss) for the period | 3 | 433 | (56,824) |
| **Group equity** | | **123,500** | **118,195** |
| Non-controlling interests | 3 | 1,470 | 1,100 |
| **TOTAL EQUITY** | | **124,969** | **119,295** |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Non-current financial liabilities | 4; 6 | 341,310 | 340,859 |
| Non-current funds | 4 | 6,820 | 6,763 |
| Deferred tax liabilities | 4 | 5,161 | 4,836 |
| Other non-current liabilities | 4 | 167 | 167 |
| **Total non-current liabilities** | | **353,457** | **352,625** |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 5 | 113,586 | 94,624 |
| Current financial liabilities | 5; 6 | 67,168 | 70,491 |
| Current funds | 5 | 25,611 | 31,618 |
| Tax liabilities | 5 | 6,728 | 3,491 |
| Other current liabilities | 5 | 23,557 | 19,101 |
| **Total current liabilities** | | **236,651** | **219,326** |
| **TOTAL LIABILITIES** | | **590,108** | **571,951** |
| **TOTAL LIABILITIES AND EQUITY** | | **715,077** | **691,246** |

## CONDENSED CONSOLIDATED INCOME STATEMENT AND CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | *(in thousands of Euro)* | |
|---|---|---|---|
| | | **For the three months ended March 31,** | |
| | **Notes** | **2021** | **2020** |
| **NET REVENUES** | 7 | 108,663 | 93,534 |
| Cost of sales | 8 | (46,764) | (38,795) |
| **GROSS PROFIT** | | **61,899** | **54,739** |
| Distribution and marketing expenses | 9 | (48,463) | (43,206) |
| General and administrative expenses | 10 | (8,679) | (9,217) |
| Other operating income/(expenses) | 11 | 227 | 1,029 |
| **OPERATING INCOME – EBIT** | | **4,984** | **3,345** |
| Profit/(loss) from associates | 12 | (341) | (4,177) |
| Financial income | 13 | 6,764 | 1,652 |
| Financial costs | 13 | (9,671) | (12,708) |
| **PROFIT (LOSS) BEFORE TAXES** | | **1,735** | **(11,888)** |
| Income tax expense | 14 | (1,001) | 1,805 |
| **NET PROFIT (LOSS) FOR THE PERIOD** | | **734** | **(10,083)** |
| **Profit (loss) attributable to:** | | | |
| - Owners of the parent | | 433 | (9,497) |
| - Non-controlling interests | | 301 | (586) |

| | *(in thousands of Euro)* | |
|---|---|---|
| | **For the three months ended March 31,** | |
| | **2021** | **2020** |
| **NET PROFIT (LOSS) FOR THE PERIOD** | **734** | **(10,083)** |
| *Other items that will not subsequently be reclassified to profit or loss:* | | |
| Effect (actuarial gains/losses) on defined benefit plans, net of taxes | — | — |
| **TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS** | **—** | **—** |
| *Other items that will be subsequently reclassified to profit or loss:* | | |
| Change in foreign currency translation reserve | 3,556 | 2,229 |
| Change in exchange rate difference on quasi equity loan | 1,538 | 1,116 |
| **TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS** | **5,094** | **3,345** |
| **TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD** | **5.828** | **(6,738)** |
| **Profit (loss) attributable to:** | | |
| - owners of the parent | 5,459 | (5,997) |
| - non-controlling interests | 369 | (741) |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(in thousands of Euro)*

| | | | | Other reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Additional paid-in capital** | **Legal Reserve** | **S. holders deposit in s/capital** | **Translation reserve** | **Other** | **Actuarial gain / (loss) reserve** | **Retained earnings/ (losses)** | **Profit (loss) for the period** | **Capital and reserves net total** | **Non-controlling interests in equity** | **Total equity** |
| **December 31, 2019** | **35,902** | **170,304** | **5,483** | **46,108** | **9,910** | **(2,476)** | **(31)** | **(58,135)** | **(16,233)** | **190,832** | **5,910** | **196,742** |
| Allocation of 2019 result | — | — | 954 | — | — | — | — | (17,187) | 16,233 | — | — | — |
| Dividends distribution | — | — | — | — | — | — | — | — | — | — | (1,059) | (1,059) |
| Third Party Acquisition | — | — | — | — | | — | — | — | — | — | — | — |
| - Period result | — | — | — | — | — | — | — | — | (9,497) | *(9,497)* | (586) | (10,083) |
| - Other components of comprehensive income | — | — | — | — | 2,384 | 1,116 | — | — | — | 3,500 | (155) | 3,345 |
| Total comprehensive income | — | — | — | — | 2,384 | 1,116 | — | — | (9,497) | (5,997) | (741) | (6,738) |
| **March 31, 2020** | **35,902** | **170,304** | **6,437** | **46,108** | **12,294** | **(1,360)** | **(31)** | **(75,322)** | **(9,497)** | **184,835** | **4,110** | **188,945** |
| **December 31, 2020** | **35,902** | **170,304** | **6,437** | **46,108** | **(285)** | **(8,093)** | **(32)** | **(75,322)** | **(56,824)** | **118,195** | **1,100** | **119,295** |
| Allocation of 2020 result | — | — | — | — | — | — | | (56,824) | 56,824 | — | — | — |
| Other movements | — | — | — | — | — | (154) | — | — | — | (154) | — | (154) |
| Third Party Acquisition | — | — | — | — | — | — | — | — | — | — | — | — |
| - Period result | — | — | — | — | — | — | — | — | 433 | 433 | 301 | 734 |
| - Other components of comprehensive income | — | — | — | — | 3,488 | 1,538 | — | — | — | 5,026 | 68 | 5,094 |
| Total comprehensive income | — | — | — | — | 3,488 | 1,538 | — | — | 433 | 5,459 | 369 | 5,828 |
| **March 31, 2021** | **35,902** | **170,304** | **6,437** | **46,108** | **3,203** | **(6,709)** | **(32)** | **(132,146)** | **433** | **123,500** | **1,470** | **124,969** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | *(in thousands of Euro)* | |
|---|---|---|
| | **For the three months ended March 31,** | |
| | **2021** | **2020** |
| **OPERATING ACTIVITIES** | | |
| *Profit (loss) for the period* | 734 | (10,083) |
| Depreciation and amortization | 7,119 | 6,716 |
| Provisions | 1,417 | 1,802 |
| Accrued income tax expense | 1,001 | (1,805) |
| Accrued interest expense | 2,907 | 11,055 |
| Adjustments to other non-cash items | 338 | 4,176 |
| *Cash generated by operations* | *13,517* | *11,861* |
| *Cash generated by change in operating working capital* | *(850)* | *(25,640)* |
| *Other elements in working capital* | *3,618* | *(8,768)* |
| Income taxes paid | (342) | (1,425) |
| Interest received | 43 | 234 |
| Interest paid | (3,523) | (3,478) |
| *Total cash generated by change in other items of net working capital* | *(203)* | *(13,437)* |
| *Net cash from /(used in) net working capital* | *(1,053)* | *(39,078)* |
| **Net cash from /(used in) operating activities** | **12,464** | **(27,216)** |
| **INVESTING ACTIVITIES** | | |
| (Purchase) of property, plant and equipment | (1,285) | (2,161) |
| Disposal of property, plant and equipment | 3 | — |
| (Investments) in intangible assets | (1,851) | (1,362) |
| **Net cash from /(used in) investing activities** | **(3,133)** | **(3,524)** |
| **FINANCING ACTIVITIES** | | |
| *Financial Assets* | | |
| - (Proceeds) | (1,960) | — |
| - Repayments | 703 | 525 |
| *Financial Loans from banks* | | |
| - Proceeds | — | 1,341 |
| - (Repayments) | (1,006) | — |
| Principal elements of lease payments | (919) | (1,227) |
| Other current and non-current financial liabilities | (291) | 9,916 |
| Transactions with non-controlling interests | (3,634) | — |
| Dividends paid to minorities | — | (1,059) |
| **Net cash from /(used in) financing activities** | **(7,108)** | **9,496** |
| **Net increase/(decrease) in cash and cash equivalents** | **2,223** | **(21,243)** |
| Effect of foreign exchange rate changes | 159 | (50) |
| **Cash and cash equivalents at beginning of year** | **52,363** | **45,872** |
| **Cash and cash equivalents as at end of the period** | **54,743** | **24,579** |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### INTRODUCTION

Marcolin, a long-established company based in Longarone (Belluno) in the Italian eyewear district, is a designer, manufacturer and distributor of eyewear products. As a renowned leader in the global eyewear business, Marcolin stands out for its premium quality products, design skills, production capabilities, attention to detail and first-rate distribution.

Thanks to the important acquisition of the Viva Group in 2013 and to the stipulation over the years of new partnership agreements with LVMH and other international businesses, Marcolin Group has become a highly global eyewear business in terms of its brand portfolio, products, geographic presence and markets.

In 2020, Marcolin Group sold some 9 million pairs of glasses throughout the world, realizing sales of Euro 340 million and employing some 1,723 individuals, in addition to using a widespread, well-structured network of independent agents.

As part of its strategy to continually develop its presence in new markets, in early 2020 the Marcolin Group set up a new affiliate in Australia with the goal of penetrating the Australian market through a direct agency network in order to boost the sales volumes and profits in that region. The affiliate started operating in the first quarter of 2020. The operation falls within the scope of a broader plan, undertaken in previous years with the creation of the Singapore affiliate, to step up the Group's growth in the APAC region and to enhance the marketing synergy with the regional office operating in Hong Kong.

At the end of 2020 Marcolin SpA also purchased the non-controlling interests in the joint ventures in China and Russia, thereby acquiring full ownership and consolidating its direct presence in those markets; in China in particular, the direct presence will enable Marcolin to market more forcefully the Made-in-Italy brands, which are very popular there.

In 2020, the Group's business was impacted by the effects of the coronavirus (Covid-19) pandemic. Initially the pandemic, which developed in Asia, caused procurement delays from the Chinese suppliers, although the situation quickly returned to pre-Covid levels thanks to the measures taken by the Chinese government to contain the pandemic. The pandemic then spread rapidly in the second half of March to the rest of the world, leading to complete shutdowns in Europe, the U.S.A. and many other markets. Gradual recovery began to occur in May and June, followed by substantial improvement in the third quarter of 2020 due to the steady reopening of the markets over the summer and government intervention in many countries in the form of incentives to businesses and liquidity injections. The third quarter recovery continued into the fourth quarter of 2020, when both the sales and customer payments were encouraging despite the government restrictions maintained in certain areas to limit the resurgence of the outbreak.

First quarter 2021 was overall very positive despite January and February 2021 were still impacted by Covid-19 lockdowns in most geographies where Group operates; instead March 2021 experienced a very positive recovery in all geographies.

In this unprecedented global scenario, the Group concentrated its efforts on the following priorities:

- Protecting the health and ensuring the safety of all Marcolin employees, and
- Creating a business plan designed to contain costs and monitor adequate liquidity levels to weather the crisis.

In terms of health and safety, the Marcolin Group focused on implementing all the health protocols needed and required at the Italian plants and at the logistics hubs all over the world, and on fostering remote working solutions for the office personnel.

On the financial side, the following preventative measures were taken to ensure business continuity and to monitor the Group's costs and liquidity:

- reduction of discretionary expenses to a minimum and suspension of non-essential investments;
- alignment of the use of production capacity and procurement of supplies from external suppliers with the current market demand;

- streamlining of marketing expenses, negotiation of new conditions with suppliers and lessors, reduction of managers' compensation, use of all government measures available in all the various countries to monitor personnel costs;
- monitoring of working capital through controls over inventory levels and management of payments from customers and to suppliers to best align cash inflows with cash outflows;
- raising of additional funding through a shareholder loan of Euro 25 million and a syndicated loan of an additional Euro 50 million, 90% of which is guaranteed by the Italian Export Credit Agency (SACE SpA) under Decree Law 23/2020, and the replacement of the net leverage covenant on the super senior revolving credit facility (SSRCF) with a less restrictive minimum liquidity covenant (fixed at Euro 10 million, the minimum cash level including any undrawn credit lines available, to be calculated on a quarterly basis for Marcolin SpA).

The outlook for 2021 shows a better global macroeconomic climate with steady growth in step with the vaccination programs and governments' policies to assist business recovery. In this context, the Marcolin Group is fully committed to protecting the health and safety of its employees, ensuring business continuity with its stakeholders and preserving the financial health of the Company.

With regards to license agreements we recall the significant agreements stipulated in 2019 with Barton Perreira, an independent eyewear brand based on Los Angeles; with the Max Mara Fashion Group for the Sportmax and Max&Co brand, which later culminated in the stipulation of the Max Mara brand licensing agreement in September 2020; with adidas, a top global sportswear company; with Longines and Omega; with BMW Group, a leading manufacturer of premium automobiles and motorcycles for the BMW, BMW M and BMW M Motorsport brands; and with GCDS, a clothing and accessories brand founded by the Giordano brothers and Giuliano Calza.

During 2019, the Group also renewed important existing licensing agreements, including those with Harley-Davidson, Emilio Pucci and Kenneth Cole. In 2020 the Moncler agreement was extended to 2025.

Today Marcolin has a strong portfolio of licensed brands balanced between the luxury and mainstream ("diffusion") segments and men's and women's segments, with a good balance between eyeglass frames and sunglasses.

The luxury segment includes some of the most glamorous fashion brands such as Tom Ford, Tod's, Roberto Cavalli, Ermenegildo Zegna, Pucci, Moncler, Barton Perreira, Omega, Longines, Bally, Max Mara and Sport Max, and the diffusion segment includes Diesel, DSquared2, Guess, Guess by Marciano, Gant, Harley Davidson, Just Cavalli, Swarovski, Max&Co, BMW, GCDS, Timberland, Cover Girl, Kenneth Cole New York, Victoria's Secret, Pink, and other brands targeted specifically to the U.S. market.

The sports segment is represented by adidas Badge of Sport and adidas Originals.

The house brands include WEB and Marcolin.

Geographically, the Group is present in all major countries across the world through direct affiliates, partnership agreements and exclusive distribution agreements with major players of the industry.

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## ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

### Basis of operation

These interim condensed consolidated financial statements for the three months ended March 31, 2021 have been prepared on a going concern basis following IAS 34 "*Interim Financial Reporting*" which governs interim financial reporting. In fact, the Directors verified the absence of any financial, business or other types of indicators that could signify issues about the Group's ability to meet its obligations in the foreseeable future, and specifically in the next 12 months. This conclusion was strengthened by the agreement stipulated on June 5, 2020 regarding the suspension of the financial covenant on the super senior revolving credit facility. The net leverage covenant is suspended until September 30, 2021 and has been replaced with a minimum liquidity covenant (fixed at euro 10 million, the minimum cash level including any undrawn credit lines available, to be calculated on a quarterly basis for Marcolin SpA).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is required 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 fiscal year.

The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group as of and for the year ended December 31, 2020.

The interim condensed consolidated financial statements include the condensed consolidated statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of change in equity, the condensed consolidated statement of cash flows, and the notes thereto.

### Risks associated with the Covid-19 pandemic

The spread of the coronavirus constitutes a complex global emergency, unprecedented in the modern world, with internationally relevant health, social, political, economic and geopolitical implications. From the start, the Marcolin Group adopted all the measures available to ensure the health and safety of its employees and to protect profitability and financial parameters. The new economic scenario resulting from the pandemic has determined management's business focus for the upcoming years, which aims to strengthen the financial structure through renegotiation with the main suppliers, increase supply chain efficiency through the implementation of new projects, develop the production and marketing of the brands, and boost the efficiency of the business processes. The common denominator of all these projects is the drive for digital transformation in processes and marketing developments. Despite the initiatives planned and undertaken, the persistence of the Covid-19 pandemic could adversely affect the Group's results over the next few years. Therefore, management has carefully evaluated the impact of this uncertainty on the main corporate assets, assuming various prospective scenarios in order to reflect the uncertainty associated with the continuation of the Covid-19 pandemic in the values stated in the financial statements.

### Accounting policies

The accounting policies adopted for the preparation of the interim condensed consolidation financial statements for the three months ended March 31, 2021 are consistent with those used to prepare the annual consolidated financial statements as at December 31, 2020, except taxes on income which, in the interim periods, are accrued using tax rate that would be applicable to expected total annual profit or loss and except as regards the adoption of the new or revised IFRS or IFRIC as set out below.

The Group elected to use the following types of financial statements, which are envisaged by International Accounting Standard (IAS) 1:

- the income statement that classifies costs by their nature. In addition, it was decided to present two distinct documents: the income statement and the statement of comprehensive income;
- the statement of financial position that presents separately current assets, non-current assets, current liabilities, non-current liabilities, assets held for sale and liabilities associated with assets held for sale;
- the statement of changes in equity that presents items in individual columns with reconciliation of the opening and closing balances of each item forming equity;
- the cash flow statement using the indirect method, which presents the cash flows by operating, investing and financing activities for the period.

The same financial statement format was used to prepare the annual consolidated financial statements as at December 31, 2020.

Since the figures are reported in thousands of Euro, slight differences may emerge due to rounding off.

**New accounting standards and interpretations approved by the European Union and effective for periods beginning on or after January 1, 2021**

The following new standards and amendments became effective on January 1, 2021:

*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform*

Endorsed by the European Union on January 13, 2021 with Regulation n. 2021/25 January 13, 2021

*Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19*

Endorsed by the European Union on December 15, 2020 with Regulation n. 2020/2097 December 15, 2020

***New accounting standards and interpretations approved by the European Union and effective for periods after March 31, 2021***

There are no accounting standards endorsed by the European Union and effective from reporting periods after March 31, 2021.

***New accounting standards and interpretations published by the IASB but not yet approved by the European Union***

At the date of preparation of the condensed consolidation interim financial statements, the following new standards and interpretations had been issued by IASB but not yet endorsed by the EU.

| Description | Effective date of the standard |
|---|---|
| Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020) | *January 1, 2023* |
| Amendments to IFRS3 Business Combination, IAS 16 Property Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Asset, Annual Improvements 2018-2020 (all issued May 14, 2020) | *January 1, 2022* |
| IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) | *January 1, 2023* |
| Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) | *January 1, 2023* |
| Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) | *January 1, 2023* |

**Estimates**

The preparation of interim financial statements requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made applying the Group's accounting policies and the key sources of estimation uncertainly were the same as those that applied to the annual consolidated financial statements of the Company as of and for the year ended December 31, 2020.

***Seasonality of operations***

The operations of the Group are affected by seasonal consumer buying patterns. While sales of prescription frames do not experience any significant seasonal variation, sales of sunglasses are generally higher in February, March and April as retailers purchase new collections in anticipation of the increased consumer demand in the spring and summer months. Accordingly, our net sales recorded in the first half of any given year are generally higher than in the second half, while our operating expenses are generally not subject to such seasonality. In addition, such seasonality may cause our working capital requirements to vary from period on period, depending on the variability in the volumes and timing of sales and sunglasses.

***Financial risk management***

In the ordinary courses of the business the Group is exposed to a variety of financial risks including market risks (currency risk and interest risk), credit risk and liquidity risk. The condensed consolidated interim financial statements do not include all the information and notes on financial risk management required in the preparation of the annual consolidated financial statements.

***Consolidated companies***

The Marcolin Group's interim condensed consolidated financial statements for the three months ended March 31, 2021 reflect the consolidated companies at that date, i.e. Marcolin S.p.A. (the Parent Company), its Italian and foreign subsidiaries and the companies over which it exercises a dominant influence, whether directly or indirectly.

The companies list is set forth below:

| Company | Headquarters | Currency | Share capital | Consolidation method | % ownership | |
|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect |
| Marcolin Asia HK Ltd | Hong Kong | HKD | 1.539.785 | Full consolidation | 100,0% | |
| Marcolin Benelux Sprl | Villers-Le-Bouillet, Belgio | EUR | 280.000 | Full consolidation | 100,0% | |
| Marcolin do Brasil Ltda | Barueri - SP, Brasile | BRL | 41.369.129 | Full consolidation | 100,0% | |
| Marcolin Deutschland Gmbh | Colonia, Germania | EUR | 300.000 | Full consolidation | 100,0% | |
| Marcolin France Sas | Parigi, Francia | EUR | 1.054.452 | Full consolidation | 100,0% | |
| Marcolin GmbH | Muttenz, Svizzera | CHF | 200.000 | Full consolidation | 100,0% | |
| Marcolin Iberica SA | Barcellona, Spagna | EUR | 487.481 | Full consolidation | 100,0% | |
| Marcolin Nordic AB | Stoccolma, Svezia | SEK | 50.000 | Full consolidation | 100,0% | |
| Marcolin Portugal Lda | Lisbona, Portogallo | EUR | 420.000 | Full consolidation | 100,0% | |
| Marcolin Technical Services (Shenzhen) Co. Ltd | Shenzhen, PRC | CNY | 1.000.000 | Full consolidation | 100,0% | |
| Marcolin UK Ltd | London, UK | GBP | 3.572.718 | Full consolidation | 100,0% | |
| Marcolin USA Eyewear Corp. | Somerville, Usa | USD | 121.472.262 | Full consolidation | 100,0% | |
| Marcolin Singapore Pte Ltd | Singapore | SGD | 100.000 | Full consolidation | 100,0% | |
| Marcolin PTY Limited | Sidney, Australia | AUD | 50.000 | Full consolidation | 100,0% | |
| Marcolin-RUS LLC | Mosca, Russia | RUB | 305.520 | Full consolidation | 100,0% | |
| Marcolin Middle East FZCO | Dubai Airport Freezone, UAE | AED | 100.000 | Full consolidation | 51,0% | |
| Marcolin México S.A.P.I. de C.V. | Naucaplan de Juarez, México | MXN | 50.000 | Full consolidation | 51,0% | |
| Eyestyle Trading (Shanghai) Co Ltd | Shanghai, PRC | CNY | 3.001.396 | Full consolidation | 100,0% | |
| Gin Hong Lin Intenational Co Ltd | Shanghai, PRC | HKD | 25.433.653 | Full consolidation | 100,0% | |
| Shanghai Ginlin Optics Co Ltd | Hong Kong | CNY | 22.045.100 | Full consolidation | | 100,0% |
| Viva Eyewear Hong Kong Ltd | North Yorkshire, Regno Unito | HKD | 100 | Full consolidation | | 100,0% |
| Viva Eyewear UK Ltd - in liquidazione | North Yorkshire, Regno Unito | GBP | — | Full consolidation | | 100,0% |
| Thélios Group | Longarone (BL), Italia | EUR | — | Equity Method | 49,0% | |

No changes in the scope of consolidation since December 31, 2020.

***Italian tax consolidation***

The Company acts as a consolidated entity in the group taxation regime under Presidential Decree 917, Article 117 *et seq.* of December 22, 1986 (Italian Tax Code or "TUIR"), which allows the determination of one single corporate income tax (IRES) tax base given by the algebraic sum of the taxable income and tax losses of each of the participating entities, together with the ultimate parent company, 3 Cime S.p.A., which acts as the consolidating entity.

Participation in the Italian tax consolidation regime enables each participant (including the Company) to optimize the financial management of IRES, for example by netting the taxable income and tax losses of each participant within the tax group.

Effective from 2017, Decree Law 193/2016, Article 7-quater introduced the automatic renewal of the options to participate in the aforementioned tax regime; accordingly, the three-year participation in the tax regime was renewed automatically in 2020.

Tax consolidation transactions are summarized below:

- in years with taxable income, the subsidiaries pay 3 Cime S.p.A. the additional tax due to the tax authorities.

- in the event of negative taxable income (tax loss), the Company receives from 3 Cime S.p.A. a payment corresponding to 100% of the tax savings realized, accounted for on an accrual basis;
- the amount is paid only when 3 Cime S.p.A. actually uses the tax loss brought to the consolidation;
- if 3 Cime S.p.A. and the Company do not renew the tax consolidation option, or if the requirements for continuance of tax consolidation should fail to be met before the end of the three-year period in which the option is exercised, tax loss carryforwards resulting from the tax return are split up proportionally among the companies that produced them.

***Exchange rates***

The following table lists the exchange rates used for currency translation (the closing and average exchange rates refer to March 31, 2021 and January-to-March 2021, respectively):

| Currency | Symbol | Closing exchange rate | | | Average exchange rate | | |
|---|---|---|---|---|---|---|---|
| | | 03/31/2021 | 03/31/2020 | Change | 2021 | 2020 | Change |
| Dirham Emirati Arabi | AED | 4.306 | 4.024 | 7.0% | 4.425 | 4.050 | 9.3% |
| Australian Dollar | AUD | 1.541 | 1.797 | (14.2)% | 1.560 | 1.679 | (7.1)% |
| Brasilian Real | BRL | 6.741 | 5.700 | 18.3% | 6.599 | 4.917 | 34.2% |
| Canadian Dollar | CAD | 1.478 | 1.562 | (5.3)% | 1.526 | 1.482 | 3.0% |
| Swiss Franc | CHF | 1.107 | 1.059 | 4.6% | 1.091 | 1.067 | 2.3% |
| Remimbi | CNY | 7.681 | 7.778 | (1.2)% | 7.808 | 7.696 | 1.5% |
| Danish Krone | DKK | 7.437 | 7.467 | (0.4)% | 7.437 | 7.472 | (0.5)% |
| English Pound | GBP | 0.852 | 0.886 | (3.9)% | 0.874 | 0.862 | 1.4% |
| Hong Kong Dollar | HKD | 9.115 | 8.495 | 7.3% | 9.347 | 8.569 | 9.1% |
| Japanese Yen | JPY | 129.910 | 118.900 | 9.3% | 127.806 | 120.097 | 6.4% |
| Mexican Pesos | MXN | 24.051 | 26.177 | (8.1)% | 24.527 | 22.092 | 11.0% |
| Norwegian krone | NOK | 9.996 | 11.510 | (13.2)% | 10.258 | 10.465 | (2.0)% |
| Russian Rublo | RUB | 88.318 | 85.949 | 2.8% | 89.668 | 73.821 | 21.5% |
| Swedish Krone | SEK | 10.238 | 11.061 | (7.4)% | 10.120 | 10.669 | (5.1)% |
| USA Dollar | USD | 1.173 | 1.096 | 7.0% | 1.205 | 1.103 | 9.3% |

## ANALYSIS OF INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 1. Non-current assets

The composition of non-current assets is shown below:

*(in thousands of Euro)*

| Non-current assets | 03/31/2021 | 12/31/2020 | Increase/ (decrease) | |
|---|---|---|---|---|
| | | | Euro | % |
| Property, plant and equipment | 42,722 | 43,047 | (325) | (0.8)% |
| Intangible assets | 42,224 | 43,263 | (1,038) | (2.4)% |
| Goodwill | 284,480 | 280,277 | 4,202 | 1.5% |
| Investments in subsidiaries and associates | — | — | — | 0.0% |
| Deferred tax assets | 50,445 | 48,539 | 1,906 | 3.9% |
| Other non-current assets | 277 | 271 | 6 | 2.4% |
| Non-current financial assets | 240 | 1,025 | (785) | (76.6)% |
| **Total non-current assets** | **420,389** | **416,422** | **3,967** | **1.0%** |

The net value of non-current assets increased by 3,967 million from December 31, 2020.

Intangible assets decrease mainly refers to amortization effect which is higher than the new capitalizations.

The net value of the right of use booked in Property, plant and equipment, due to IFRS16 adoption, is Euro 14,544 million. The depreciation of right of use recognized as of March 31, 2021 in the income statement is Euro 1,480 million.

Goodwill increase by Euro 4,202 million is only due to translation effect.

Investment in subsidiaries and associates only includes the equity method consolidation effect of Thélios S.p.A and its subsidiaries. As of March 31, 2021, the amount is classified on Current funds for some Euro -11,059 million, as a direct consequence of interim operating losses of the associate entities.

Deferred tax assets increase by Euro 1,906 million is mostly due to translation effect.

Based on IAS 36 accounting principle (Impairment of assets), management evaluated Goodwill did not suffer any impairment losses, given no trigger events occurred since December 31, 2020, based on positive results of 1Q2021, in line with management expectations.

The carrying amount of equity-accounted investments has changed as follows in the three months of 2021:

| | *(in thousands of Euro)* 03/31/2021 |
|---|---|
| **Equity as at January 01, 2021** | **(35,873)** |
| Capital Increase | 14,000 |
| Profit / (Loss) of the period | (696) |
| **Equity as at March 31, 2021** | **(22,569)** |
| % own by Marcolin SpA | 49% |
| **Net book value as at March 31, 2021** | **(11,059)** |

## 2. Current assets

The composition of current assets is shown below:

*(in thousands of Euro)*

| Current assets | 03/31/2021 | 12/31/2020 | Increase/ (decrease) Euro | % |
|---|---|---|---|---|
| Inventories | 110,295 | 105,863 | 4,432 | 4.2% |
| Trade receivables | 87,034 | 71,652 | 15,382 | 21.5% |
| Other current assets | 28,387 | 26,039 | 2,347 | 9.0% |
| Current financial assets | 14,229 | 18,906 | (4,677) | (24.7)% |
| Cash and bank balances | 54,743 | 52,363 | 2,381 | 4.5% |
| **Total current assets** | **294,689** | **274,824** | **19,864** | **7.2%** |

The total value of current assets increased by Euro 19,864 million from December 31, 2020, mainly as a result of the combined effect of the changes listed below.

Inventories show a slight increase compared to December 31, 2020, mainly due to seasonality effect (driven by goods purchases for launch of new collections).

The increase in Trade receivables compared to December 31, 2020 is largely affected by business seasonality, since usually first quarter experiences the highest sales level than other quarters of the year. Very good performance of DSO index, back to pre Covid-19 level.

Trade receivables are shown net of the provision for doubtful debts and returns.

Other current assets mainly include VAT credit amount, prepaid expenses and right to receive goods back accounted in accordance with IFRS15.

Current financial assets primarily refer to the financial loan granted to Thélios S.p.A. from Marcolin S.p.A. under the loan agreement stipulated with the associate entity to enable Thélios S.p.A. to finance the start-up of its business.

Finally, the increase in cash and bank balances has been reported in the Group's Consolidated Statement of Cash Flow.

## 3. Equity

The Parent Company's share capital is Euro 35,902,749.82, fully paid-in, comprised of 61,458,375 ordinary shares without par value and 6,828,708 Class B shares without par value issued on October 5, 2017 to the new shareholder, Vicuna Holding S.p.A. The entry of new shareholder Vicuna Holding S.p.A. was part of the larger plan for the joint venture agreement with the LVMH Group, stipulated in 2017.

Accordingly, 90% of the share capital was owned by 3 Cime S.p.A. and 10% by Vicuna Holding S.p.A. as at March 31, 2021.

The share premium reserve and capital reserve account, Euro 170,304 million and Euro 46,108 million, respectively, refer to payments made by the Marcolin S.p.A. shareholder in 2012 and 2013 for capital increases.

The legal reserve of Euro 6,437 million has not reached the limit imposed by Italian Civil Code Article 2430.

The translation reserve of Euro 3,203 million refers to the translation into Euros of the financial statements of Group companies whose functional currency differs from the Euro.

Other reserves are some Euro -138.9 million and include Euro -6,709 million foreign exchange difference on some intercompany loans granted by Marcolin S.p.A. to subsidiaries treated in accordance with IAS 21 as a quasi-equity loan.

The Condensed Consolidated Statement of Changes in Equity provides more detailed information.

## 4. Non-current liabilities

The composition of non-current liabilities is shown below:

*(in thousands of Euro)*

| Non-current liabilities | 03/31/2021 | 12/31/2020 | Increase/ (decrease) | |
|---|---|---|---|---|
| | | | Euro | % |
| Non-current financial liabilities | 341,310 | 340,859 | 451 | 0.1% |
| Non-current funds | 6,820 | 6,763 | 57 | 0.8% |
| Deferred tax liabilities | 5,161 | 4,836 | 324 | 6.7% |
| Other non-current liabilities | 167 | 167 | — | 0.0% |
| **Total non-current liabilities** | **353,457** | **352,625** | **832** | **0.2%** |

Non-current financial liabilities mainly include:

i. the non-convertible senior-secured bond notes for a total amount of Euro 250 million, issued on February 2017, with a 6-year maximum term, maturing on February 15, 2023, at a variable interest rate equal to the three-month EURIBOR (shall be subject to a floor of zero%) plus a 4.125% spread;

ii. the new term loan facility of Euro 50 million provided by UniCredit S.p.A., Banco BPM S.p.A., Deutsche Bank S.p.A. and Credit Suisse AG, Milan Branch (the "Lenders") and with UniCredit S.p.A. as SACE coordinator with maturity date 2025. The Company will use the proceeds from the New Term Loan to fund cost of personnel, new investments and working capital needs in respect of plants and activities located in Italy. The New Term Loan benefits from a guarantee of 90% of the amount of the New Term Loan issued by SACE SpA pursuant to the Liquidity Decree adopted on April 8th, 2020 (as subsequently converted into law) by the Italian government in the context of the extraordinary urgent measures promoted in order to deal with the economic and social impact of the Covid-19 outbreak;

iii. the subordinated shareholder loan issued by 3Cime SpA on June 24, 2020 for Euro 25 million to Marcolin SpA, maturing in December 2025 with interests payable at the maturity date and eligible to be treated as equity credit;

iv. the amount of non-current financial lease liabilities recognized in accordance with IFRS16 for Euro 10,661 million.

## 5. Current liabilities

Current liabilities are set forth below:

| Current liabilities | 03/31/2021 | 12/31/2020 | Increase/ (decrease) Euro | % |
|---|---|---|---|---|
| | | | *(in thousands of Euro)* | |
| Trade payables | 113,586 | 94,624 | 18,962 | 20.0% |
| Current financial liabilities | 67,168 | 70,491 | (3,323) | (4.7)% |
| Current funds | 25,611 | 31,618 | (6,007) | (19.0)% |
| Tax liabilities and others | 30,285 | 22,592 | 7,693 | 34.0% |
| **Total current liabilities** | **236,651** | **219,326** | **17,324** | **7.9%** |

Trade payables as at March 31, 2021 amounted to Euro 113,586 million and show an increase of Euro 18,962 million compared to December 2020; such increase is aligned with purchases flow and the trend follows the business seasonality.

Current financial liabilities primarily relate to bank overdraft and short-term financing, including bank credit facilities in the form of bill discounting facility undertaken in the ordinary course of business. The amount also includes the Revolving Credit Facility for €40 million, fully drawn as of March 31, 2021. On 5 June 2020 Marcolin SpA obtained a waiver on the financial covenant set on the ssRCF. The Net Leverage covenant has been suspended until 30 September 2021 and replaced with a smooth Minimum Liquidity covenant (set at Euro 10 million minimum level for cash and cash equivalent plus any undrawn and available commitments for debt tested on a quarterly basis at Marcolin SpA level.

Current financial liabilities also include current lease liabilities accounted in accordance with IFRS 16 for Euro 4,786 million.

Current funds amounted as at March 31, 2021 to Euro 25,611 million and show a decrease of Euro 6,007 million compared to December 2020. The decrease is mainly related to the effect of the equity method consolidation of Thélios, classified as of March 31, 2021 on Current funds for some Euro 11,059 million (Euro 17,578 million as of December 31, 2020).

The increase in Tax liabilities and others are mainly due to VAT temporary effect and an increase on employees' liabilities such as vacations and bonuses not yet paid.

## 6. Net financial position

The net financial debt as at March 31, 2021 is set forth below in comparison with December 31, 2020:

| Net financial debt | 03/31/2021 | 12/31/2020 | Increase/(decrease) Euro | % |
|---|---|---|---|---|
| | | | *(in thousands of Euro)* | |
| Cash and cash equivalents | 54,743 | 52,363 | 2,381 | 4.5% |
| Current and non-current financial assets | 14,468 | 19,931 | (5,463) | (27.4)% |
| Current financial liabilities | (67,168) | (70,491) | 3,323 | (4.7)% |
| Non-current financial liabilities | (341,310) | (340,859) | (451) | 0.1% |
| **Total net financial debt** | **(339,267)** | **(339,056)** | **(211)** | **0.1%** |
| SHL 3 Cime | 26,149 | 25,779 | 370 | 1.4% |
| **Total net financial debt excluding SHL 3 Cime** | **(313,118)** | **(313,277)** | **159** | **0.0%** |
| IFRS 16 effect | 15,447 | 15,112 | 336 | 2.2% |
| **Total net financial debt excluding SHL 3 Cime and IFRS16 effect** | **(297,671)** | **(298,166)** | **495** | **(0.2)%** |

The reported net financial debt is Euro 339,267 million, compared to Euro 339,056 million at December 31, 2020.

The adjusted net financial debt (excluding IFRS16 effect and 3 Cime SpA shareholder loan) is Euro 297,671 million, compared to Euro 298,166 million at December 31, 2020.

The main components of the Group's debt are the bond notes for a notional amount of Euro 250 million, new term loan facility of Euro 50 million, the super senior revolving credit facility of Euro 40 million, fully drawn as at March 31, 2021, and short and medium-term loans granted by various banks.

The current and non-current financial assets are mainly made up of the loan granted to the associate Thélios SpA by Marcolin SpA to provide the joint venture with sufficient funding for the start-up of its business.

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## ANALYSIS OF CONDENSED CONSOLIDATED INCOME STATEMENT

The Group's interim Condensed Consolidated Income Statement as at March 31, 2021 is summarized below against the results as at March 31, 2020.

The 2021 net sales to date are Euro 108,663 million, compared to Euro 93,534 million for the first three months of 2020.

The March 2021 Reported Ebitda is Euro 12,433 million, compared to 10,747 million for the three months of 2020. The March 2021 pre-IFRS 16 Reported Ebitda is Euro 10,909 million.

Reported Ebit is Euro 4,984 million, compared to Euro 3,344 million for the three months of 2020. Pre-IFRS 16 Reported Ebit is Euro 4,882 million.

*(in thousands of Euro)*

| **Consolidated income statement** | **03/31/2021** | | **03/31/2020** | |
|---|---|---|---|---|
| | **Euro** | **% of net revenues** | **Euro** | **% of net revenues** |
| Net revenues | 108,663 | 100.0% | 93,534 | 100.0% |
| Gross profit | 61,899 | 57.0% | 54,738 | 58.5% |
| Ebitda | 12,433 | 11.4% | 10,747 | 11.5% |
| Operating income - Ebit | 4,984 | 4.6% | 3,344 | 3.6% |
| Financial income and costs | (2,907) | (2.7)% | (11,055) | (11.8)% |
| Profit before taxes | 1,735 | 1.6% | (11,888) | (12.7)% |
| Net profit/(loss) for the period | 734 | 0.7% | (10,083) | (10.8)% |

Excluding the effects of extraordinary transactions and IFRS 16 impact, the March 2021 Adjusted Ebitda is Euro 12,800 million (11.8% of net sales), against the March 2020 Adjusted Ebitda of Euro 10,040 million (10.7% of net sales).

*(in thousands of Euro)*

| **Economic indicator - adjusted** | **03/31/2021** | | **03/31/2020** | |
|---|---|---|---|---|
| | **Euro** | **% of net revenues** | **Euro** | **% of net revenues** |
| Ebitda | 12,800 | 11.8% | 10,040 | 10.7% |
| Operating income - Ebit | 6,772 | 6.2% | 3,230 | 3.5% |

## 7. Net Revenues

The following table sets forth the net revenues by geographical area (destination markets):

*(in thousands of Euro)*

| **Net Revenues by geographical area** | **03/31/2021** | | **03/31/2020** | | **Increase (decrease)** | |
|---|---|---|---|---|---|---|
| | **Net Revenues** | **% on total** | **Net Revenues** | **% on total** | **Euro** | **%** |
| *Italy* | *7,762* | *7.1%* | *5,987* | *6.4%* | *1,776* | *29.7%* |
| *Rest of Europe* | *43,506* | *40.0%* | *38,304* | *41.0%* | *5,202* | *13.6%* |
| Europe | 51,268 | 47.2% | 44,291 | 47.4% | 6,977 | 15.8% |
| Americas | 45,465 | 41.8% | 39,366 | 42.1% | 6,099 | 15.5% |
| Asia | 4,502 | 4.1% | 2,408 | 2.6% | 2,094 | 87.0% |
| Rest of World | 7,428 | 6.8% | 7,469 | 8.0% | (41) | (0.6)% |
| **Total** | **108,663** | **100.0%** | **93,534** | **100.0%** | **15,129** | **16.2%** |

In the first three months of 2021 net sales are Euro 108,663 million and increase of Euro 15,129 million (16.2%) in comparison to the same period of 2020. At constant exchange rates net sales are Euro 114,838 million, with an increase of Euro 21,305 million (22.8%) compared to previous period.

*Italy*

Revenues in the domestic market increased by 29.7% compared to the same period of 2020. Very good performance for luxury Tom Ford, Swarovski and the launch of new Max Mara collections.

*Rest of Europe*

Revenues from the Rest of Europe market (Euro 43,506 million) increased by 13.6% compared to the same period of 2020 at current exchange rates. This area shows very positive results, strong performance for luxury brands led by Tom Ford and the new launch of Max Mara collections.

Compare to March 31, 2020 best performer regions are France, Benelux, Germany, Nordics and UK.

*Americas*

In the Americas area, net sales show an increase compared to the same period of 2020 at current exchange rates for some 15.5% (at constant exchange rate would be 28.5%). Very good performance for the US Optical channel, US Retail Department Stores. Latin America shows signals of recovery with a +20% increase on Net Sales compared to first quarter 2020 at current exchange rate.

*Asia*

The Asian Far East market shows an increase in net sales of some 87% at current exchange rates, 95.5% at constant exchange rates. This area in 2020 was the first one impacted by Covid-19 health emergency (primarily country such as China and South Korea). Such positive results in Q1 2021 are mainly driven by recovery of business activities post Covid-19 and the effect of the change of Korean distributor, the reorganization of Chinese subsidiaries and the full go live of the Australian one.

*Rest of World*

From a geographical standpoint, the "Rest of the World" includes the Middle East, the Mediterranean area and Africa. During first three months of 2021 net sales amount to Euro 7.4 million and show a decrease of some -0.6% compared with the same period of the previous year. Net sales level is aligned with previous period because these geographical areas were not significantly impacted by Covid-19 effect along first quarter 2020.

## 8. Cost of sales

The following table shows a detailed breakdown of the cost of sales:

*(in thousands of Euro)*

| Cost of sales | 03/31/2021 | % on net revenues | 03/31/2020 | % on net revenues | Increase/(decrease) Euro | % |
|---|---|---|---|---|---|---|
| Product cost | 41,764 | 38.4% | 34,559 | 36.9% | 7,205 | 20.8% |
| Cost of personnel | 3,456 | 3.2% | 2,710 | 2.9% | 745 | 27.5% |
| Amortization, depreciation and writedowns | 916 | 0.8% | 995 | 1.1% | (80) | (8.0)% |
| Other production cost | 629 | 0.6% | 531 | 0.6% | 98 | 18.4% |
| **Total** | **46,764** | **43.0%** | **38,795** | **41.5%** | **7,969** | **20.5%** |

Cost of sales amounted to Euro 46,764 million for the three months ended March 31, 2021, an increase of Euro 7,969 million, or 20.5%, from Euro 38,795 million for the three months ended March 31, 2020.

The cost of sales as a percentage of net revenues is 43% for the three months ended March 30, 2021 compared to 41.5% the three months ended March 30, 2020.

Gross Margin overall continues to benefit from product cost control and stable commercial/pricing policy on sales. Slight reduction compare to previous year is primarily driven by a different mix on sales.

Other costs mainly refer to other purchasing charges and business consulting services.

## 9. Distribution and marketing expenses

Below is the detailed breakdown of the distribution and marketing expenses:

*(in thousands of Euro)*

| Distribution and marketing expenses | 03/31/2021 | % on net revenues | 03/31/2020 | % on net revenues | Increase/(decrease) Euro | % |
|---|---|---|---|---|---|---|
| Cost of personnel | 13,263 | 12.2% | 13,715 | 14.7% | (452) | (3.3)% |
| Commissions | 6,918 | 6.4% | 6,567 | 7.0% | 351 | 5.3% |
| Amortization | 5,260 | 4.8% | 4,623 | 4.9% | 637 | 13.8% |
| Royalties | 13,278 | 12.2% | 9,529 | 10.2% | 3,750 | 39.4% |
| Advertising and PR | 4,115 | 3.8% | 2,856 | 3.1% | 1,259 | 44.1% |
| Other costs | 5,628 | 5.2% | 5,916 | 6.3% | (288) | (4.9)% |
| **Total** | **48,463** | **44.6%** | **43,206** | **46.2%** | **5,257** | **12.2%** |

The distribution and marketing expenses amounted to Euro 48,463 million for the three months ended March 31, 2021, an increase of Euro 5,257 million or 12.2% from Euro 43,206 million for three months ended March 31, 2020.

Commissions expenses amounted to Euro 6,918 million in 2021, an increase of 5.3% from the Euro 6,567 million for the three months ended March 31, 2020.

In 2021 Royalties amounted to Euro 13,278 million. In 2020 Royalties as a percentage of net revenues is 12.2% on net revenues compared to 10.2% during 2020.

Advertising and PR expenses in 2021 amounted to Euro 4,115 million, an increase of Euro 1,259 million, or 44.1%, from the Euro 2,856 million in the same period of 2020. As a percentage of net revenues, Advertising and PR expenses in 2021 is 3.8%, compared to 3.1% of 2020.

The “other costs” refer mainly to freight expenses, business travel, rent and services. In 2021, other costs amounted to Euro 5,628 million, a decrease of Euro 288 million, or 4.9%, from the Euro 5,916 million in the same period of 2020. As a percentage of net revenues, they are 5.2%, compared to 6.3% for the three months ended March 31, 2020.

## 10. General and administrative expenses

The general and administrative expenses are set forth below:

*(in thousands of Euro)*

| General and administrative expenses | 03/31/2021 | % on net revenues | 03/31/2020 | % on net revenues | Increase/ (decrease) Euro | % |
|---|---|---|---|---|---|---|
| Cost of personnel | 3,901 | 3.6% | 3,587 | 3.8% | 314 | 8.8% |
| Amortization and writedowns | 1,274 | 1.2% | 1,784 | 1.9% | (510) | (28.6)% |
| Other costs | 3,503 | 3.2% | 3,846 | 4.1% | (343) | (8.9)% |
| **Total** | **8,679** | **8.0%** | **9,217** | **9.9%** | **(539)** | **(5.8)%** |

General and administrative expenses amounted to Euro 8,679 million for the three months ended March 31, 2021, compared to Euro 9,217 million the three months ended March 31, 2020. As a percentage of net revenues, in 2021 general and administrative expenses is 8%, compared to 9.9% for 2020.

## 11. Other operating income and expenses

The total amount of other operating income and expenses amounted to a net Euro 0,227 million revenues for the three months ended March 31, 2021. The amount mainly refers to other rebilling, compensation for damages and other minor non-operating expenses.

## 12. Share of profits/(losses) of associates

The amount of Euro -0,341 million refers to the effect of consolidation using the equity method of the associate entity Thélios SpA and its subsidiaries.

### 13. Financial income and costs

Net Financial Income and expenses amounted to a net Euro 2,907 million expenses for the three months ended March 31, 2021 compared to Euro 11,055 million expenses for the three months ended March 31, 2020.
Previous year results were significantly negatively impacted by non-realized exchange rate losses due to the depreciation of Mexican Pesos and Brazilian Reals as at March 31, 2020 compared to December 31, 2019.

### 14. Income tax expense

The estimated income tax expense amounted to Euro -1,001 million for the three months ended March 31, 2021, compared to the Euro 1,805 million the three months ended March 31, 2020.
Current and deferred income tax are calculated by applying the tax rates on reasonably estimated taxable income, determined in accordance with the tax regulations in force. Income tax expense has been calculated on a prudential basis, considering the tax effect on subsidiaries with taxable net income while not considering the deferred tax asset over some entities with taxable net losses and new startup companies.

## OTHER INFORMATIONS

## SUBSEQUENT EVENTS

Between March 31, 2021 and the date of approval of the interim condensed consolidated financial statements as of March 31, 2021, no events occurred that could have material effects on the reported financial results in accordance with IAS 10.

## DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED-PARTY TRANSACTIONS

The information with respect to atypical and unusual transactions, and transactions with related parties, is provided below.

*Significant non-recurring events and transactions*

In the first three months of 2021 there were no significant non-recurring events and/or transactions.

*Atypical and unusual transactions*

In the first three months of 2021 there were no atypical and/or unusual transactions, including with other Group companies, nor any transactions outside the scope of the ordinary business activity that could have significantly impacted the financial position, financial performances or cash flows of Marcolin S.p.A. and the Group.

*Transactions with related parties*

In addition to the transactions between the consolidated companies, during the period transactions took place with equity-accounted associates and other related parties.
Intercompany and related-party transactions are of a trade nature and are conducted on an arm’s length basis.

The transactions and outstanding balances with respect to related parties as at March 31, 2021 are shown below, as required by IAS 24. As previously noted, Marcolin Group figures reflect the participation in the Italian tax consolidation regime with the Parent Company 3Cime SpA.

*(in thousands of Euro)*

| Company | Expenses | Revenues | Payables | Receivables | Type |
|---|---|---|---|---|---|
| **Other related parties** | | | | | |
| Pai Partners Sas | 15 | — | 124 | — | Related party |
| Famiglia Coffen Marcolin | 166 | — | 90 | 0 | Related party |
| 3 Cime S.p.A. | 370 | — | 26,149 | 10,085 | Consolidating |
| Thélios Group | 1,340 | 218 | 5,970 | 15,214 | Associates |
| **Total** | **1,890** | **218** | **32,333** | **25,299** | |

The same table is set forth as at March 31, 2020:

*(in thousands of Euro)*

| Company | Expenses | Revenues | Payables | Receivables | Type |
|---|---|---|---|---|---|
| **Other related parties** | | | | | |
| Pai Partners Sas | 10 | — | 70 | — | Related party |
| Famiglia Coffen Marcolin | 135 | — | 172 | 0 | Related party |
| 3 Cime S.p.A. | — | — | — | 6,650 | Consolidating |
| Thélios Group | 1,288 | 1,060 | 6,456 | 19,508 | Associates |
| **Total** | **1,433** | **1,060** | **6,698** | **26,158** | |

Longarone, April 29, 2021

For the Board of Directors

C.E.O.
*Fabrizio Curci*

## Independent auditor's report

To the Board of Directors of
Marcolin SpA

### Report on the Audit of the Consolidated Financial Statements

***Opinion***

We have audited the accompanying consolidated financial statements of Marcolin SpA (the "**Company**" and together with its subsidiaries the "**Group**"), which comprise the consolidated statement of financial position as of 31 December 2020, 2019 and 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (together the "**Consolidated Financial Statements**").

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as of 31 December 2020, 2019 and 2018, and of 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.

***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Other Matters***

The Consolidated 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 (the "**Offering**") by Marcolin SpA, (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. As a result, the Consolidated Financial Statements may not be suitable for another purpose. Our report is intended solely for your information and may not be used for another purpose or distributed, in whole or in part, to third parties other than in connection with the Offering. Our opinion is not qualified for this matter.

***Responsibilities of the Directors and the Board of statutory Auditors***

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Marcolin SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Consolidated Financial Statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the Consolidated Financial Statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Treviso, 30 April 2021

PricewaterhouseCoopers SpA

*Signed by*

Filippo Zagagnin
(Partner)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| | | *(in thousands of Euro)* | | |
| | | As of December 31, | | |
| | Notes | 2020 | 2019 | 2018 |
| **ASSETS** | | | | |
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | 1 | 43,047 | 48,547 | 29,941 |
| Intangible assets | 2 | 43,263 | 50,873 | 51,377 |
| Goodwill | 2 | 280,277 | 288,449 | 286,506 |
| Investments in subsidiaries and associates | 3 | — | 451 | 1,377 |
| Deferred tax assets | 4 | 48,539 | 43,163 | 41,916 |
| Other non-current assets | 5 | 271 | 315 | 469 |
| Non-current financial assets | 6 | 1,025 | 1,813 | 2,514 |
| **Total non-current assets** | | **416,422** | **433,611** | **414,100** |
| **CURRENT ASSETS** | | | | |
| Inventories | 7 | 105,863 | 122,777 | 126,061 |
| Trade receivables | 8 | 71,652 | 90,674 | 91,992 |
| Other current assets | 9 | 26,040 | 27,396 | 31,162 |
| Current financial assets | 10 | 18,906 | 16,336 | 21,294 |
| Cash and cash equivalents | 11 | 52,363 | 45,872 | 34,184 |
| **Total current assets** | | **274,824** | **303,055** | **304,693** |
| **TOTAL ASSETS** | | **691,246** | **736,666** | **718,793** |
| **EQUITY** | 12 | | | |
| Share capital | | 35,902 | 35,902 | 35,902 |
| Additional paid-in capital | | 170,304 | 170,304 | 170,304 |
| Legal reserve | | 6,437 | 5,483 | 4,263 |
| Other reserves | | 37,698 | 53,511 | 45,131 |
| Retained earnings (losses) | | (75,322) | (58,135) | (51,041) |
| Profit (loss) for the period | | (56,824) | (16,233) | (2,246) |
| **Group equity** | | **118,195** | **190,832** | **202,313** |
| Non-controlling interests | | 1,100 | 5,910 | 4,864 |
| **TOTAL EQUITY** | | **119,295** | **196,742** | **207,176** |
| **LIABILITIES** | | | | |
| **NON-CURRENT LIABILITIES** | | | | |
| Non-current financial liabilities | 13 | 340,859 | 269,622 | 252,226 |
| Non-current funds | 14 | 6,763 | 6,877 | 6,382 |
| Deferred tax liabilities | 4 | 4,836 | 6,808 | 7,889 |
| Other non-current liabilities | 15 | 167 | 1,764 | 3,344 |
| **Total non-current liabilities** | | **352,625** | **285,071** | **269,841** |
| **CURRENT LIABILITIES** | | | | |
| Trade payables | 16 | 94,624 | 143,869 | 150,134 |
| Current financial liabilities | 17 | 70,491 | 60,735 | 40,214 |
| Current funds | 18 | 31,618 | 16,278 | 15,162 |
| Tax liabilities | 29 | 3,491 | 5,331 | 5,419 |
| Other current liabilities | 19 | 19,102 | 28,640 | 30,847 |
| **Total current liabilities** | | **219,326** | **254,853** | **241,776** |
| **TOTAL LIABILITIES** | | **571,951** | **539,924** | **511,617** |
| **TOTAL LIABILITIES AND EQUITY** | | **691,246** | **736,666** | **718,793** |

## CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

*(in thousands of Euro)*

| | Notes | Year ended December, 31 2020 | 2019 | 2018 |
|---|---|---|---|---|
| **Net revenues** | 21 | 339,978 | 486,670 | 482,219 |
| Cost of sales | 22 | (155,543) | (207,464) | (207,227) |
| **GROSS PROFIT** | | **184,435** | **279,206** | **274,992** |
| Distribution and marketing expenses | 23 | (167,085) | (228,349) | (221,524) |
| General and administrative expenses | 24 | (38,813) | (44,009) | (39,803) |
| Other operating income/(expenses) | 26 | (5,808) | 12,679 | 15,217 |
| **OPERATING INCOME – EBIT** | | **(27,271)** | **19,527** | **28,882** |
| Profit/(loss) from associates | 27 | (18,029) | (13,177) | (9,011) |
| Financial income | 28 | 11,309 | 14,977 | 8,127 |
| Financial costs | 28 | (34,145) | (36,477) | (32,201) |
| **PROFIT (LOSS) BEFORE TAXES** | | **(68,136)** | **(15,150)** | **(4,203)** |
| Income tax expense | 29 | 11,125 | 324 | 3,372 |
| **NET PROFIT (LOSS) FOR THE PERIOD** | | **(57,011)** | **(14,826)** | **(831)** |
| **Profit (loss) attributable to:** | | | | |
| - owners of the parent | | (56,824) | (16,233) | (2,246) |
| - non-controlling interests | | (187) | 1,407 | 1,415 |

*(in thousands of Euro)*

| | Year ended December, 31 2020 | 2019 | 2018 |
|---|---|---|---|
| **NET PROFIT (LOSS) FOR THE PERIOD** | **(57,011)** | **(14,826)** | **(831)** |
| *Other items that will be not subsequently reclassified to profit or loss:* | | | |
| Effect (actuarial gain/losses) on defined benefit plans, net of taxes | (1) | (63) | 54 |
| **TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS** | **(1)** | **(63)** | **54** |
| *Other items that will be subsequently reclassified to profit or loss:* | | | |
| Change in foreign currency translation reserve | (10,388) | 1,226 | 5,664 |
| Change in exchange rate difference on quasi equity loan | (5,229) | 3,837 | 3,765 |
| **TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS** | **(15,617)** | **5,063** | **9,429** |
| **TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD** | **(72,629)** | **(9,827)** | **8,652** |
| **Profit (loss) attributable to:** | | | |
| - owners of the parent | (72,249) | (11,480) | 7,246 |
| - non-controlling interests | (380) | 1,653 | 1,406 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(in thousands of Euro)*

| | | | | Other reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Additional paid-in capital** | **Legal Reserve** | **S. holders deposit in s/capital** | **Translation reserve** | **Other** | **Actuarial gain / (loss) reserve** | **Retained earnings/ (losses)** | **Profit (loss) for the period** | **Capital and reserves net total** | **Non-controlling interests in equity** | **Total equity** |
| **January 1, 2018** | **35,902** | **170,304** | **4,263** | **46,108** | **(370)** | **(10,078)** | **(22)** | **(31,944)** | **(15,514)** | **198,650** | **3,658** | **202,305** |
| Allocation of 2017 loss | — | — | — | — | — | — | — | (15,514) | 15,514 | — | — | — |
| IFRS15 and IFRS9 impacts | — | — | — | — | — | — | — | (3,400) | — | (3,400) | (60) | (3,460) |
| Dividends distribution | — | — | — | — | — | — | — | — | — | — | (143) | (143) |
| Share capital increase | — | — | — | — | — | — | — | — | — | — | 3 | 3 |
| Period result | — | — | — | — | — | — | — | — | (2,246) | (2,246) | 1,415 | (831) |
| Other components of comprehensive income | — | — | — | — | 5,673 | 3,765 | 54 | (183) | — | 9,309 | (9) | 9,300 |
| Total comprehensive income | — | — | — | — | 5,673 | 3,765 | 54 | (183) | (2,246) | 7,063 | 1,406 | 8,469 |
| **December 31, 2018** | **35,902** | **170,304** | **4,263** | **46,108** | **5,303** | **(6,313)** | **32** | **(51,041)** | **(2,246)** | **202,313** | **4,864** | **207,176** |
| Allocation of 2018 loss | — | — | 1,220 | — | — | — | — | (3,466) | 2,246 | (0) | — | (0) |
| Dividends distribution | — | — | — | — | — | — | — | — | — | — | (607) | (607) |
| Period result | — | — | — | — | — | — | — | — | (16,233) | *(16,233)* | 1,407 | (14,826) |
| Other components of comprehensive income | — | — | — | — | 4,607 | 3,837 | (63) | (3,628) | — | 4,753 | 247 | 4,999 |
| Total comprehensive income | — | — | — | — | 4,607 | 3,837 | (63) | (3,628) | (16,233) | (11,480) | 1,653 | (9,827) |
| **December 31, 2019** | **35,902** | **170,304** | **5,483** | **46,108** | **9,910** | **(2,476)** | **(31)** | **(58,135)** | **(16,233)** | **190,832** | **5,910** | **196,742** |
| Allocation of 2019 loss | — | — | 954 | — | — | — | — | (17,187) | 16,233 | — | — | — |
| Dividends distribution | — | — | — | — | — | — | — | — | — | — | (1,184) | (1,184) |
| Purchases of Parent Company shares from third parties | — | — | — | — | — | (388) | — | — | — | *(388)* | (3,245) | (3,634) |
| Period result | — | — | — | — | — | — | — | — | (56,824) | (56,824) | (187) | (57,011) |
| Other components of comprehensive income | — | — | — | — | (10,195) | (5,229) | (1) | — | — | (15,425) | (194) | (15,619) |
| Total comprehensive income | — | — | — | — | (10,195) | (5,229) | (1) | — | (56,824) | (72,249) | (381) | (72,630) |
| **December 31, 2020** | **35,902** | **170,304** | **6,437** | **46,108** | **(285)** | **(8,093)** | **(32)** | **(75,322)** | **(56,824)** | **118,195** | **1,100** | **119,295** |

**CONSOLIDATED STATEMENT OF CASH FLOWS**

| | | *(in thousands of Euro)* | | |
|---|---|---|---|---|
| | | **Year ended December, 31** | | |
| | **Note** | **2020** | **2019** | **2018** |
| **OPERATING ACTIVITIES** | | | | |
| *Profit (loss) for the period* | | (57,011) | (14,826) | (831) |
| Depreciation and amortization | 1.2 | 27,523 | 25,107 | 19,062 |
| Provisions | 14.18 | 14,727 | 4,045 | 12,081 |
| Income tax expense | 29 | (11,125) | (324) | (3,372) |
| Accrued interest expense | 28 | 22,836 | 21,500 | 24,074 |
| Adjustments to other non-cash items | | 17,954 | 12,822 | 8,919 |
| *Cash generated by operations* | | *14,904* | *48,324* | *59,933* |
| *Cash generated by change in operating working capital* | | *(34,949)* | *(5,363)* | *2,213* |
| (Increase) decrease in other assets | 5.9 | (2,964) | 4,896 | (9,251) |
| (Decrease)/increase in other liabilities | 15.19 | (12,964) | (3,532) | 4,105 |
| (Use) of current and non-current provisions | 14.18 | (1,171) | (2,587) | (1,750) |
| (Decrease)/increase in current tax liabilities | 29 | 6,520 | (1,627) | (2,780) |
| *Other elements in working capital* | | *(10,579)* | *(2,850)* | *(9,676)* |
| Income taxes paid | | (1,831) | (1,095) | (2,185) |
| Interest received | | 317 | 627 | 724 |
| Interest paid | | (14,198) | (13,663) | (13,257) |
| *Total cash generated by change in other items of net working capital* | | *(26,291)* | *(16,982)* | *(24,394)* |
| *Net cash from /(used in) net working capital* | | *(61,240)* | *(22,345)* | *(22,181)* |
| **Net cash from /(used in) operating activities** | | **(46,336)** | **25,979** | **37,753** |
| **INVESTING ACTIVITIES** | | | | |
| (Purchase) of property, plant and equipment | 1 | (6,626) | (9,666) | (8,645) |
| Disposal of property, plant and equipment | 1 | 75 | 358 | 700 |
| (Investments) in intangible assets | 2 | (6,288) | (10,923) | (10,480) |
| Disposal in intangible assets | 2 | | — | — |
| Net (Investments)/disposal in investment in subsidiaries and associates | 3 | — | — | (9,802) |
| **Net cash from /(used in) investing activities** | | **(12,839)** | **(20,231)** | **(28,227)** |
| **FINANCING ACTIVITIES** | | | | |
| *Financial Assets* | | | | |
| - (Proceeds) | 6,10 | (1,257) | (6,177) | (7,431) |
| - Repayments | 6,10 | — | — | — |
| *Financial Loans from banks* | | | | |
| - Proceeds | 13.17 | 52,000 | 7,000 | — |
| - (Repayments) | 13.17 | (2,691) | (3,768) | (9,673) |
| Shareholder loan | | — | — | — |
| - Proceeds | | 25,779 | — | — |
| - (Repayments) | | — | — | — |
| Principal elements of lease payments | | (6,054) | (4,461) | — |
| Other current and non-current financial liabilities | 6,10,13,17 | 1,121 | 13,493 | 423 |
| Capital increase | Changes Equity | — | — | 3 |
| Dividends paid | Changes Equity | (1,184) | (607) | (143) |
| **Net cash from /(used in) financing activities** | | **67,714** | **5,480** | **(16,821)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **8,539** | **11,228** | **(7,295)** |
| Effect of foreign exchange rate changes | | (2,048) | 460 | 674 |
| **Cash and cash equivalents at beginning of year** | | **45,872** | **34,184** | **40,805** |
| **Cash and cash equivalents at end of year** | | **52,363** | **45,872** | **34,184** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### *Introduction*

Marcolin S.p.A. (hereafter "**Marcolin**", the "**Company**" or the "**Parent Company**" and together with its subsidiaries and associates the "**Group**") is incorporated under Italian law, listed in the Belluno Companies Register with no. 01774690273, and has shares that until February 14, 2013 were traded in Italy on the Mercato Telematico Azionario (electronic stock exchange) organized and managed by Borsa Italiana S.p.A.

The Group operates in Italy and abroad in the design, manufacturing and distribution of prescription frames and sunglasses, including by way of direct and indirect management of affiliates and partnerships located in major countries of interest worldwide, and through the management of qualified contract manufacturers.

The Parent Company's share capital is Euro 35,902,749.82, fully paid-in, comprised of 61,458,375 ordinary shares without par value and 6,828,708 Class B shares without par value issued on October 5, 2017 to the shareholder, Vicuna Holding S.p.A., a company of the LVMH Group. Vicuna Holding S.p.A. became a shareholder as part of a broader plan for a joint venture agreement with the LVMH Group, stipulated in 2017. The share capital was increased by Euro 3,590,274.82 with a share premium of Euro 18,309,725.18.

The Company is owned 90% by 3 Cime S.p.A. and 10% by Vicuna Holding S.p.A.

The Marcolin S.p.A. shares owned by 3 Cime S.p.A. are encumbered by liens stipulated when the bond notes were issued on February 10, 2017, secured by collateral for the same amount of the obligations assumed with the bondholders, including a lien on the shares of the Issuer, Marcolin.

### *General Information*

The consolidated financial statements as of and for the year ended December 2020, 2019 and 2018 (hereafter, the "**Consolidated Financial Statements")** have been prepared for inclusion in the offering memorandum prepared in connection with the issuance of senior secured notes (hereinafter the "**Offering**") by Marcolin S.p.A., (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. As a result, the Consolidated Financial Statements may not be suitable for another purpose.

These Consolidated Financial Statements were prepared on the basis of the going-concern assumption, the accrual basis of accounting and the historical cost basis, except for the measurement of financial assets and liabilities, which are required to be accounted for at fair value.

The Consolidated Financial Statements include the financial statements of the Parent Company, Marcolin S.p.A., and those of its subsidiaries and well as the Group's interests in jointly controlled entities and in associates.

The addresses of the locations from which the Parent Company's main operations are performed are listed below:

| Company | Headquarters | Address |
|---|---|---|
| Marcolin Asia HK Ltd | Hong Kong | Units 2207-11, Tower I, Level 22 - Metroplaza, 223 Hing Fong Road - Kwai Fong, N.T. |
| Marcolin Benelux Sprl | Villers-Le-Bouillet, Belgio | Rue Le Marais 14B |
| Marcolin do Brasil Ltda | Barueri - SP, Brasile | Av Tamboré, 1180 - 06460-000 |
| Marcolin Deutschland Gmbh | Colonia, Germania | Monreposstrasse, 55 |
| Marcolin France Sas | Parigi, Francia | 45, rue Saint Sébastien - 75011 |
| Marcolin GmbH | Muttenz, Svizzera | Rheinstrasse, 26 - 4414 |
| Marcolin Iberica SA | Barcellona, S.p.A.gna | Juan De Austria, 116 - 4a Planta - 08018 |
| Marcolin Nordic AB | Stoccolma, Svezia | Frosundavisk Alle 1, 169 70 Solna |
| Marcolin Portugal Lda | Lisbona, Portogallo | Rua Jose Travassos, 15/B 1600-410 |
| Eyestyle Trading (Shanghai) Co Ltd | Shanghai, PRC | Unit 313, no.555 Anyuan Road, Jingan District |
| Marcolin Technical Services (Shenzhen) Co. Ltd | Shenzhen, PRC | 4018 Jin Tian Road, Fitian District |
| Marcolin UK Ltd | London, UK | 140 Old Street, EC1V 9BJ - London - UK |
| Marcolin USA Eyewear Corp. | Somerville, Usa | Route 22 west, 3140 - 08876 NJ |

| Company | Headquarters | Address |
|---|---|---|
| Marcolin Singapore Pte Ltd | Singapore | 16 Reffles Quay 33-03 - Hong Leong Building |
| Viva Eyewear Hong Kong Ltd | Hong Kong | Workshop A-E, 8th Floor, Block 1, Kwai Tak Industrial Centre, Nos. 15-33 Kwai Tak Street, Kwai Chung |
| Viva Eyewear UK Ltd (in liquidation) | North Yorkshire, Regno Unito | 1-2 Milner Court, Hornbeam Square South, Hornbeam Business Park, Harrogate, North Yorkshire, HG2 8NB |
| Marcolin-RUS LLC | Mosca, Russia | Building 1, 8 Bolshoy Chudov Pereulok |
| Gin Hong Lin International Co Ltd | Hong Kong | Ocean Centre 609, Harbour City 5, Canton Road Tst Kowloon |
| Shanghai Ginlin Optics Co Ltd | Shanghai, PRC | Shanghai Jinlin Optical Co Ltd |
| Marcolin Middle East FZCO | Dubai Airport Freezone, UAE | 7WB 2115, Dafza, P.O. Box 121, Dubai, U.A.E. |
| Marcolin México S.A.P.I. de C.V. | Naucaplan de Juarez, México | Av.16 de Septiembre No.784 Col.Alce Blanco C.P.53370 |
| Marcolin PTY Limited | Sidney, Australia | 100 Miller Street<br>Suite 33.02, Level 33<br>North Sydney, NSW, 2060 |
| Thélios Group | Longarone (BL), Italia | Zona Industriale Villanova, SNC - 32013<br>Longarone (BL) - Italy |

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The Consolidated Financial Statements were approved by the Company's Board of Directors on April 29, 2021 and audited by PricewaterhouseCoopers S.p.A., the Company's independent auditors.

***Presentation currency***

These Consolidated Financial Statements are presented in the Parent Company's presentation currency (Euro).

For the purpose of clarity, the amounts in the Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and explanatory notes are presented in thousands of Euros (unless specified otherwise). As a result of presenting the amounts in thousands of Euros, immaterial differences in the totals may emerge due to rounding off.

***Italian tax consolidation***

The Company acts as a consolidated entity in the group taxation regime under Presidential Decree 917, Article 117 *et seq*. of December 22, 1986 (Italian Tax Code or "TUIR"), which allows the determination of one single corporate income tax (IRES) tax base given by the algebraic sum of the taxable income and tax losses of each of the participating entities, together with the ultimate parent company, 3 Cime S.p.A., which acts as the consolidating entity.

Participation in the Italian tax consolidation regime enables each participant (including the Company) to optimize the financial management of IRES, for example by netting the taxable income and tax losses of each participant within the tax group.

Effective from 2017, Decree Law 193/2016, Article 7-quater introduced the automatic renewal of the options to participate in the aforementioned tax regime; accordingly, the three-year participation in the tax regime was renewed automatically in 2020.

The tax consolidation transactions are summarized below:

- in years with taxable income, the Company pays 3 Cime S.p.A. the additional tax due by it to the tax authorities;

- in the event of negative taxable income (tax loss), the Company receives from 3 Cime S.p.A. a payment corresponding to 100% of the tax savings realized, accounted for on an accrual basis;
- the amount is paid only when 3 Cime S.p.A. actually uses the tax loss brought to the consolidation;
- if 3 Cime S.p.A. and the Company do not renew the tax consolidation option, or if the requirements for continuance of tax consolidation should fail to be met before the end of the three-year period in which the option is exercised, tax loss carryforwards resulting from the tax return are split up proportionally among the companies that produced them.

## ACCOUNTING STANDARDS

### *Basis of preparation*

The Consolidated Financial Statements were prepared according to the International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union in force as of December 31, 2020.

The IFRS include all the revised international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), the former Standing Interpretations Committee (SIC), which at the date of approval of the financial statements had been authorized by the European Union according to Regulation (EC) no. 1606/2002, enacted by the European Parliament and European Council on July 19, 2002.

The most significant accounting policies and measurement criteria used in the preparation of the Consolidated Financial Statements are described below. With the exception of IFRS 16, for which 2019 was the first year of adoption, accounting policies and measurement criteria have been applied consistently during each of the years reported and are those in place as of December 31, 2020.

The Consolidated Financial Statements were prepared on a going concern basis. The Directors verified the absence of any financial, business or other types of indicators that could signify issues about the Group's ability to meet its obligations in the foreseeable future, and specifically in the next 12 months, also considering the potential impact of the COVID 19 to the business. This conclusion was confirmed in consideration of the agreement stipulated on June 5, 2020 regarding the suspension of the financial covenant on the super senior revolving credit facility. The net leverage covenant is suspended until September 30, 2021 and has been replaced with a minimum liquidity covenant (fixed at euro 10 million, the minimum cash level including any undrawn credit lines available, to be calculated on a quarterly basis for Marcolin S.p.A.).

To provide more complete and accurate financial information, certain figures have been restated with respect to those reported in the consolidated financial statements for the year ended December 31, 2018 as approved by the Company's Board of Directors on February 28, 2019. Figures have been restated to reflect certain minor reclassifications on the statement of financial position as of December 31, 2018 in order to provide better comparability of assets having similar contractual substance and thus a similar accounting treatment.

### *Recently issued accounting standards*

Accounting standards, amendments and interpretations not yet endorsed by the EU

As of the date of approval of the Consolidated Financial Statements, the following standards and amendments had not yet been endorsed by the EU:

IFRS 17 (Insurance Contracts – Issued on May 18, 2017, it will become effective on January 1, 2023.

*Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date.* Issued on January 23, 2020 and July 15, 2020 respectively, they will become effective on January 1, 2023

*Amendments to ● IFRS 3 Business Combinations; ● IAS 16 Property, Plant and Equipment; ● IAS 37 Provisions, Contingent Liabilities and Contingent Assets ● Annual Improvements 2018-2020*

Issued on May 14, 2020, they will become effective on January 1, 2022

*Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies.* Issued on February 12, 2021, it will become effective on January 1, 2023

*Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*. Issued on February 12, 2021, it will become effective on January 1, 2023

No accounting standards and/or interpretations mandatorily effective for annual periods beginning after December 31, 2020 were adopted earlier.

The Group is evaluating the effects of the application of the above new standards, which currently are not expected to be significant

Accounting standards, amendments and interpretations for which early adoption is permitted, not yet adopted by the Group

As of the date of approval of the Consolidated Financial Statements, the following standards and amendments had been endorsed by the EU, but not yet adopted by the Group:

*Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19*

Endorsed by the European Union on December 15, 2020, they became effective on January 1, 2021

*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2*

Endorsed by the European Union on January 13, 2021, they became effective on January 1, 2021

There are no other accounting standards endorsed by the European Union and effective from reporting periods after December 31, 2020 that are presumed to have a material effect for the Group in the next reporting period or in the foreseeable future.

***Adoption of IFRS 16***

On October 31, 2017 the European Union issued Regulation n. 2017/1986 approving IFRS 16 (Leases). The standard has been in effect since January 1, 2019. The main impact of the new standard is the recognition of all leases in the statement of financial position, effectively eliminating the different methods for accounting for operating leases and financial leases. The new standard provides for recognizing a right-of-use asset (right to use the leased asset) and a lease liability referring to the future payments for which a contractual obligation exists. Short-term leases and leases of low-value assets are excluded from the new accounting method.

The Group adopted the new standard on January 1, 2019 using the simplified approach, without restating the comparative period before adopting the standard. The right-to-use asset initially had the same value as the lease liability (adjusted for any prepaid or allocated lease costs at December 31, 2018). The leases regard mainly property leases for office, warehouse and factory use and for motor vehicles.

To comply with IFRS 16, the Group recognized a lease liability for those leases that had been classified as “operating leases” at December 31, 2018, in accordance with IAS 17. The lease liability was discounted by applying a discount rate the present value of the expected future lease payments at January 1, 2019. A discount rate of 3.2% was used on average.

Concerning leases previously classified as “finance leases”, the Group recognized the carrying amount recognized in the December 31, 2018 financial statements as a right-of-use asset and a lease liability. IFRS 16 was applied to the leases solely from January 1, 2019.

When adopting IFRS 16 for the first time at January 1, 2019, the Group used the simplifications allowed by the new standard:

- the same discount rate was applied to a portfolio of similar leases;
- leases with a term of 12 months or less at January 1, 2019 were considered short-term leases, and thus excluded from IFRS 16 adoption;

- initial direct costs were excluded from the calculation of the right-of-use asset;
- only the information available at the time of first-time adoption was considered.

At January 1, 2019, the financial liability for leases previously classified as "operating leases" under IAS 17 was Euro 19,309 thousand, and the financial liability for leases previously classified as "finance leases" was Euro 1,462 thousand. The total lease liability at January 1, 2019 was Euro 20,772 thousand.

The right-of-use asset was measured as the lease liability adjusted by any prepayments, accruals and deferrals recognized at December 31, 2018 for the leases concerned.

The following table lists the amount of the right-of-use asset, for each asset category, recognized in the Group's financial statements for leases that until December 31, 2018 had been classified as operating leases under IAS 17.

| | *(in thousands of Euro)* | |
|---|---|---|
| | **12/31/2019** | **01/01/2019** |
| Land and buildings | 13,108 | 16,132 |
| Industrial and commercial equipment | 881 | 247 |
| Cars | 2,745 | 2,827 |
| Other tangibles fixed assets | 111 | 104 |
| **Total Right-of-use assets** | **16,845** | **19,309** |

The Group has a lease portfolio consisting primarily of buildings, cars, plant and sundry equipment. The leases are usually stipulated by the Group for a term of 3 to 8 years. The leases stipulated by the Group do not contain any covenants, and the underlying assets may not be used as collateral.

Until 2018, leases for buildings, plant and machinery were classified as finance leases or operating leases under IAS 17. The payments made under operating leases (net of any incentives received from the lessor) were recognized in the Income Statement on a straight-line basis over the term of the lease. As of January 1, 2019, leases are recognized with a right-of-use asset and corresponding lease liability, accounted for when the underlying asset is ready for its intended use. Each lease payment is split up into the lease liability and the interest expense. The interest expense is recognized in the Income Statement on a straight-line basis over the term of the lease on the residual lease liability. The right-of-use asset is depreciated over the useful life of the underlying asset or the term of the lease, whichever is shorter.

The non-current assets and the lease liabilities were initially stated at their present value. The lease liability corresponds to the present value of outstanding lease payments that were not yet due at January 1, 2019. The following cash outflows were included for discounting purposes:

- fixed payments, net of any incentives;
- variable payments linked to an index or market rate, proportionate to the value reached by the index/rate at January 1, 2019;
- any amounts that the lessee is required to pay to the lessor under guarantees;
- the price of exercising any purchase option if it is reasonably certain that such option will be exercised;
- payments of any penalties for early termination, if considering the lease term, it is reasonably certain that the lessee will exercise the early termination option;

Future lease payments are discounted using the lessee's incremental borrowing rate, i.e. the interest rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value to the asset being leased, all other conditions being equal, and thus for a similar time horizon, with the same degree of risk and in a similar economic environment.

At initial recognition, the right-of-use asset was measured at cost, which includes:

- the amount of the debt initially recognized as a liability for the present value of future lease payments due;

- any payments made before the first-time adoption date, net of any incentives received to encourage the completion of the transaction;
- any additional initial direct costs, defined as the incremental cost incurred to obtain the lease;
- estimated costs of dismantling and removing the asset, recovering the area where it was located or returning the asset in the conditions specified in the lease agreement at the end of its use. This amount is included only if a specific contractual obligation exists.

Payments for short-term leases (those with a residual term of less than 12 months beginning January 1, 2019), or for leases whose underlying asset has a low value, are recognized on a straight-line basis in the Income Statement. The low-value assets consist mainly of IT devices and small office furniture.

The possibility of extending the lease term is present in some types of leases analyzed; the Group decided to include such renewal options in the lease only if it was effectively probable that they would be exercised.

IFRS 16 adoption affected the property, plant and equipment and the financial liabilities. The table below presents such effects on the Statement of Financial Position, comparing the impact at January 1, 2019 and at December 31, 2019.

| | *(in thousands of Euro)* | |
|---|---|---|
| | **12/31/2019** | **01/01/2019** |
| Right of use IFRS 16 | 16,845 | 19,310 |
| PPE IAS 17 finance lease | 448 | 697 |
| **Total amount right of use for lease in PPE** | **17,293** | **20,007** |
| Non-current lease liabilities new IFRS16 | 12,709 | 15,003 |
| Non-current finance lease liabilities IAS17 | 1,281 | 819 |
| **Total non-current finance lease liabilities** | **13,990** | **15,822** |
| Current lease liabilities IFRS16 | 4,857 | 4,307 |
| Current finance lease liabilities IAS17 | 2,661 | 643 |
| **Total current finance lease liabilities** | **7,518** | **4,950** |
| **Total finance lease liabilities** | **21,508** | **20,772** |

At December 31, 2019, the positive impact of IFRS 16 adoption on EBITDA was Euro 5,254 thousand, whereas the impact on the depreciation of the right-of-use asset was Euro 5,132 thousand. The interest expense is Euro 830 thousand. The negative impact on profit before tax is Euro 708 thousand.

For the year ended December 31, 2020, the positive impact of IFRS 16 on EBITDA was Euro 6.3 million (€5.3 million for the year ended December 31, 2019), whereas the impact on the depreciation of right-of-use assets was Euro 5.8 million (Euro 5.1 million for the year ended December 31, 2019). Interest expense associated with IFRS 16 for the year ended December 31, 2020 was Euro 0.7 million (Euro 0.8 million for the year ended December 31, 2019) and the negative impact on profit before tax was Euro 0.3 million (Euro 0.7 million for the year ended December 31, 2019)

***Financial statement format***

The Consolidated Financial Statements consist of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and the related explanatory Notes.

In order to provide comparability, the previous period data was restated as necessary, with explanations given of the restatements.

The Company and the Group prepared the financial statements on the basis of the following accounting policies.

***Statement of Financial Position***

Assets and liabilities are classified separately as either current or non-current as envisaged by IAS 1.

An asset is classified as current when it satisfies any of the following criteria:

(a) it is expected to be realized in, or is intended for sale or consumption in, the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is expected to be realized within twelve months from the end of the reporting period; or

(d) it is cash or a cash equivalent.

All other assets are classified as non-current.

A liability is classified as current when it satisfies any of the following criteria:

(a) it is expected to be settled in the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is due to be settled within twelve months from the end of the reporting period; or

(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

All other liabilities are classified as non-current.

As necessary, in accordance with IFRS 5, assets (and related liabilities) for which the book value will be recovered mainly through sale rather than continuing use are classified as "assets held for sale" and "liabilities relating to assets held for sale".

***Income Statement***

Costs are classified by function, stating separately the cost of sales, marketing and distribution expenses and administration expense in order to provide readers with more meaningful and relevant information than the alternative classification of costs by nature, in view of the business sector.

In addition, it was decided to present two separate statements: the Income Statement and the Statement of Comprehensive Income.

***Statement of Changes in Equity***

The statement was prepared presenting items in individual columns with reconciliation of the opening and closing balances of each item forming equity.

***Statement of Cash Flows***

Cash flows from operating activities are presented using the indirect method.
Based on this approach, the net profit for the year was adjusted to account for the effects of non-cash items on operating, investing and financing activities.

***Basis of consolidation***

The scope of consolidation includes direct and indirect subsidiaries.

Below is a list of the consolidated companies stating the consolidation method used for the year ended December 31, 2020:

| Company | Currency | Share capital | Equity | Net profit / (loss) for the period | Consolidation method | % ownership | |
|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect |
| Marcolin Asia HK Ltd | HKD | 1,539,785 | 4,205,975 | 769,028 | Full consolidation | 100.0% | |
| Marcolin Benelux Sprl | EUR | 280,000 | 342,967 | 38,033 | Full consolidation | 100.0% | |
| Marcolin do Brasil Ltda | BRL | 41,369,129 | 32,759,761 | 25,008,497 | Full consolidation | 100.0% | |
| Marcolin Deutschland Gmbh | EUR | 300,000 | 1,854,250 | 214,076 | Full consolidation | 100.0% | |
| Marcolin France Sas | EUR | 1,054,452 | 1,422,585 | 173,853 | Full consolidation | 100.0% | |
| Marcolin GmbH | CHF | 200,000 | 134,407 | 6,878 | Full consolidation | 100.0% | |
| Marcolin Iberica SA | EUR | 487,481 | 1,443,885 | 336,068 | Full consolidation | 100.0% | |
| Marcolin Nordic AB | SEK | 50,000 | 2,259,743 | 3,376,031 | Full consolidation | 100.0% | |
| Marcolin Portugal Lda | EUR | 420,000 | 226,598 | 5,742 | Full consolidation | 100.0% | |
| Eyestyle Trading (Shanghai) Co Ltd | CNY | 3,001,396 | 10,214,231 | 846,129 | Full consolidation | 100.0% | |
| Marcolin Technical Services (Shenzhen) Co. Ltd | CNY | 1,000,000 | 2,841,885 | 309,049 | Full consolidation | 100.0% | |
| Marcolin UK Ltd | GBP | 3,572,718 | 4,714,423 | (2,219,217) | Full consolidation | 100.0% | |
| Marcolin USA Eyewear Corp. | USD | 121,472,262 | 86,389,722 | (14,057,308) | Full consolidation | 100.0% | |
| Marcolin Singapore Pte Ltd | SGD | 100,000 | (1,491,818) | (726,404) | Full consolidation | 100.0% | |
| Marcolin PTY Limited | AUD | 50,000 | (208,288) | (258,288) | Full consolidation | 100.0% | |
| Viva Eyewear Hong Kong Ltd | HKD | 100 | 4,412,098 | (53,671) | Full consolidation | | 100.0% |
| Viva Eyewear UK Ltd – in liquidazione | GBP | — | 956,915 | 126,346 | Full consolidation | | 100.0% |
| Marcolin-RUS LLC | RUB | 305,520 | 232,592,950 | 28,304,850 | Full consolidation | 100.0% | |
| Gin Hong Lin Intenational Co Ltd | HKD | 25,433,653 | 36,827,105 | 954,991 | Full consolidation | 100.0% | |
| Marcolin Middle East FZCO | AED | 100,000 | 12,801,282 | 1,160,416 | Full consolidation | 51.0% | |
| Marcolin México S.A.P.I. de C.V. | MXN | 50,000 | (14,287,372) | (16,106,781) | Full consolidation | 51.0% | |
| Thélios Group | EUR | — | (35,872,535) | (36,793,535) | Equity | 49.0% | |
| Shanghai Ginlin Optics Co Ltd | CNY | 22,045,100 | (505,305) | (16,320,779) | Full consolidation | | 100.0% |

Below is a list of the consolidated companies stating the consolidation method used for the year ended December 31, 2019:

| Company | Currency | Share capital | Equity | Net profit / (loss) for the period | Consolidation method | % ownership | |
|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect |
| Marcolin Asia HK Ltd | HKD | 1,539,785 | 1,539,785 | 471,756 | Full consolidation | 100.0% | |
| Marcolin Benelux Sprl | EUR | 280,000 | 449,934 | 113,051 | Full consolidation | 100.0% | |
| Marcolin do Brasil Ltda | BRL | 41,369,129 | 7,751,264 | (2,590,599) | Full consolidation | 100.0% | |
| Marcolin Deutschland Gmbh | EUR | 300,000 | 1,640,174 | 409,164 | Full consolidation | 100.0% | |
| Marcolin France Sas | EUR | 1,054,452 | 1,248,732 | 323,217 | Full consolidation | 100.0% | |
| Marcolin GmbH | CHF | 200,000 | 127,530 | (49,661) | Full consolidation | 100.0% | |
| Marcolin Iberica SA | EUR | 487,481 | 1,107,817 | 522,621 | Full consolidation | 100.0% | |
| Marcolin Nordic AB | SEK | 50,000 | (1,731,443) | 6,188,562 | Full consolidation | 100.0% | |
| Marcolin Portugal Lda | EUR | 420,000 | 220,856 | (24,356) | Full consolidation | 100.0% | |
| Eyestyle Trading (Shanghai) Co Ltd | CNY | 3,001,396 | 9,368,102 | 926,912 | Full consolidation | 100.0% | |
| Marcolin Technical Services (Shenzhen) Co. Ltd | CNY | 1,000,000 | 2,532,836 | 342,228 | Full consolidation | 100.0% | |
| Marcolin UK Ltd | GBP | 3,572,718 | 7,025,548 | 3,545,925 | Full consolidation | 100.0% | |
| Marcolin USA Eyewear Corp. | USD | 121,472,262 | 100,447,030 | (12,079,481) | Full consolidation | 100.0% | |
| Marcolin Singapore Pte Ltd | SGD | 100,000 | (765,413) | (865,413) | Full consolidation | 100.0% | |
| Viva Eyewear Hong Kong Ltd | HKD | 100 | 4,465,770 | (243,909) | Full consolidation | | |
| Viva Eyewear UK Ltd | GBP | — | 830,570 | 19,864 | Full consolidation | | 100.0% |
| Viva Deutschland Gmbh | EUR | 25,000 | 180,913 | — | Full consolidation | | 50.0% |
| Marcolin-RUS LLC | RUB | 305,520 | 204,288,099 | 30,405,703 | Full consolidation | 51.0% | |
| Gin Hong Lin Intenational Co Ltd | HKD | 25,433,653 | 36,084,977 | 819,555 | Full consolidation | 50.0% | |
| Marcolin Middle East FZCO | AED | 100,000 | 21,012,233 | 7,485,037 | Full consolidation | 51.0% | |
| Marcolin México S.A.P.I. de C.V. | MXN | 50,000 | 1,774,444 | 8,837,478 | Full consolidation | 51.0% | |
| Thélios Group | EUR | 50,000 | 921,043 | (25,530,124) | Equity | 49.0% | |
| Shanghai Ginlin Optics Co Ltd | CNY | 22,045,100 | 19,811,922 | 948,469 | Full consolidation | | 50.0% |

Below is a list of the consolidated companies stating the consolidation method used for the year ended December 31, 2018:

| Company | Currency | Share capital | Equity | Net profit / (loss) for the period | Consolidation method | % ownership | |
|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect |
| Marcolin Asia HK Ltd | HKD | 1,539,785 | 9,881,418 | 379,575 | Full consolidation | 100.0% | |
| Marcolin Benelux Sprl | EUR | 280,000 | 436,883 | 128,602 | Full consolidation | 100.0% | |
| Marcolin do Brasil Ltda | BRL | 41,369,129 | 10,341,863 | (5,879,736) | Full consolidation | 100.0% | |
| Marcolin Deutschland Gmbh | EUR | 300,000 | 1,231,011 | (44,676) | Full consolidation | 100.0% | |
| Marcolin France Sas | EUR | 1,054,452 | 925,515 | — | Full consolidation | 100.0% | |
| Marcolin GmbH | CHF | 200,000 | 177,191 | (129,821) | Full consolidation | 100.0% | |
| Marcolin Iberica SA | EUR | 487,481 | 994,674 | 409,478 | Full consolidation | 100.0% | |
| Marcolin Nordic AB | SEK | 50,000 | (7,897,026) | 8,021,410 | Full consolidation | 100.0% | |
| Marcolin Portugal Lda | EUR | 420,000 | 245,212 | 87,482 | Full consolidation | 100.0% | |
| Eyestyle Trading (Shanghai) Co Ltd | CNY | 3,001,396 | 8,441,190 | 970,245 | Full consolidation | 100.0% | |
| Marcolin Technical Services (Shenzhen) Co. Ltd | CNY | 1,000,000 | 2,190,608 | 266,714 | Full consolidation | 100.0% | |
| Marcolin UK Ltd | GBP | 3,572,718 | 12,939,806 | 5,317,845 | Full consolidation | 100.0% | |
| Marcolin USA Eyewear Corp. | USD | 121,472,262 | 52,526,511 | (3,428,428) | Full consolidation | 100.0% | |
| Viva Eyewear Hong Kong Ltd | HKD | 100 | 4,709,679 | (146,880) | Full consolidation | | 100.0% |
| Viva Eyewear UK Ltd | GBP | — | 810,706 | 793,186 | Full consolidation | | 100.0% |
| Viva Deutschland Gmbh | EUR | 25,000 | 180,913 | 5,935 | Full consolidation | | 50.0% |
| Viva Schweiz AG | CHF | 100,000 | 147,457 | 1,359 | Full consolidation | | 50.0% |
| Marcolin-RUS LLC | RUB | 305,520 | 173,882,396 | 20,276,675 | Full consolidation | 51.0% | |
| Gin Hong Lin Intenational Co Ltd | HKD | 25,433,653 | 34,765,322 | 3,810,460 | Full consolidation | 50.0% | |
| Shangai Ginlin Optics Co Ltd | CNY | 22045100 | 18,666,150 | 11,714,208 | Full consolidation | | 50.0% |
| Marcolin Middle East FZCO | AED | 100,000 | 18,666,150 | (3,360,879) | Full consolidation | 51.0% | |
| Marcolin México S.A.P.I. de C.V. | MXN | 100,000 | (7,013,034) | (7,113,034) | Full consolidation | 51.0% | |
| Thélios S.p.A. | EUR | 1,000,000 | 5,346,051 | (16,429,406) | Equity | 49.0% | |
| Thélios France Sas | EUR | 40,000 | 895,881 | 885,736 | Equity | | 49.0% |
| Thélios USA Inc. | USD | 1,000 | (3,881,054) | (3,778,271) | Equity | | 49.0% |
| Thélios Asia Pacific Ltd | HKD | 100,000 | 100,000 | — | Equity | | 49.0% |

The main changes in the scope of consolidation during the three-year period 2020-2018 are briefly described below.

Year 2020

- On November 14, 2019 Marcolin PTY Limited Australia was founded in Sydney, wholly owned by Marcolin S.p.A., to distribute directly Marcolin products in the Australian territory. Since that company started operating in the first quarter of 2020, 2020 was the first year in which its results are included in the consolidated accounts.
- On December 29, 2020, Marcolin S.p.A. purchased the remaining 50% stake in Gin Hon Lin International Co Ltd for an equivalent value of euro 1.9 million, thereby becoming the sole shareholder.
- On February 2, 2021 Marcolin S.p.A. purchased the remaining 49% stake in Marcolin-RUS LLC for an equivalent value of euro 1,734 thousand, thereby becoming the sole shareholder.
- During 2020 the liquidation process of Viva Detuschland Gmbh was completed, whereas Viva Eyewear UK Ltd is still undergoing liquidation.

Year 2019

- On March 27, 2019, Marcolin Singapore Pte Ltd, wholly owned by Marcolin S.p.A., was founded in Singapore to distribute directly Marcolin products in Singapore and Malaysia.
- On November 26, 2019, Viva Schweiz AG was canceled from the Companies Register following its liquidation, and so it was deconsolidated, without significant effects on the Group's financial performance since it had not been a significant company in the previous years.

Year 2018

- On January 24, 2018 the Marcolin Group sold its stake, consisting of 50% of the shares, in Viva Optique de Mexico SA de CV to the other 50% shareholder with which a partnership agreement had been in effect since before the Marcolin Group's acquisition of the Viva Group. At the same time, for the purpose of further developing the Mexican market, one of the fastest growing eyewear markets, Marcolin S.p.A. purchased 51% of a new company in Messico called Marcolin Mexico SAPI de CV, initially founded by the local partner, Moendi, the 49% shareholder.
- On July 4, 2018 Viva Eyewear Brillenvertriebs GmbH was canceled from the Companies Register following its liquidation, and so it was deconsolidated, without significant effects on the Group's financial performance since it had not been a significant company in the previous years.
- On November 19, 2018 Thélios Asia Pacific Ltd was founded in Hong Kong, wholly owned by Thélios S.p.A., consolidated with the equity method.

***Basis of consolidation***

The consolidation method adopted is as follows:

- the equity method is used to consolidate the companies in which the Group has more than 20% ownership ("associates") or over which the Group has significant influence even in another way; due to the use of the equity method, the carrying amount of the investee is aligned with the equity adjusted, as necessary to reflect the adoption of the IFRS approved by the European Commission and, includes the recognition of any goodwill identified at the time of the acquisition. The interest in the profits/losses realized by the associate after the acquisition date is recognized in the income statement, whereas the interest in changes in reserves after the acquisition date is recognized in the equity reserves. If the Group's interest in the losses of an associate is equal to or in excess of its interest in the associate itself, taking into account all unsecured receivables, the value of the associate is written off and the Group does not recognize additional losses with respect to those attributable to it except and to the extent that the Group is required to answer for them. Unrealized profits and losses on transactions with associates are eliminated on the basis of the Group's interest therein;
- companies are consolidated on a line-by-line basis when the Group exercises control over them ("subsidiaries") by virtue of direct or indirect ownership of the majority of shares with voting rights or by exercise of dominant influence expressed by the power to govern, whether directly or indirectly, the company's financial and operating policies, obtaining the related benefits regardless of any equity ownership. Any potential voting rights exercisable at the reporting date are considered for the purpose of determining control. Subsidiaries are consolidated from the date on which control is gained and are deconsolidated on the date from which such control ceases;
- the financial statements of the subsidiaries, associates and joint arrangements are incorporated using the accounting policies of the Parent Company; consolidation adjustments are made as necessary to create consistency between items influenced by the application of different accounting policies;
- on consolidation, balances and transactions between consolidated subsidiaries are eliminated in full, i.e. receivables and payables outstanding at the end of the period, expenses and income, finance costs and financial income. Significant profits and losses realized between fully consolidated subsidiaries are also eliminated in full;
- significant profits included in products in stock originating from intercompany transactions are eliminated;
- any non-controlling interests in equity or net profit/(loss) are stated separately as non-controlling interests under the consolidated equity;
- dividends distributed by fully consolidated companies are eliminated from the income statement, which incorporates the net profits or losses realized by such companies;

- financial statements presented in a different functional currency from that of the Parent Company are translated into euros by applying the current exchange rates in force on the reporting date to assets and liabilities, and the average exchange rates for the reporting period to revenues, costs, income and expenses. The related currency exchange differences are recognized in the changes in equity[1].

The following table lists the exchange rates used for translation:

| Currency | Symbol | Closing exchange rate | | | Average exchange rate | | |
|---|---|---|---|---|---|---|---|
| | | 12/31/2020 | 12/31/2019 | Change | 2020 | 2019 | Change |
| Dirham Emirati Arabi | AED | 4.507 | 4.126 | 9.2% | 4.195 | 4.111 | 2.0% |
| Australian Dollar | AUD | 1.590 | 1.600 | (0.6)% | 1.655 | 1.611 | 2.7% |
| Brasilian Real | BRL | 6.374 | 4.516 | 41.1% | 5.894 | 4.413 | 33.6% |
| Canadian Dollar | CAD | 1.563 | 1.460 | 7.1% | 1.530 | 1.485 | 3.0% |
| Swiss Franc | CHF | 1.080 | 1.085 | (0.5)% | 1.071 | 1.112 | (3.7)% |
| Remimbi | CNY | 8.023 | 7.821 | 2.6% | 7.875 | 7.736 | 1.8% |
| Danish Krone | DKK | 7.441 | 7.472 | (0.4)% | 7.454 | 7.466 | (0.2)% |
| English Pound | GBP | 0.899 | 0.851 | 5.6% | 0.890 | 0.878 | 1.4% |
| Hong Kong Dollar | HKD | 9.514 | 8.747 | 8.8% | 8.859 | 8.771 | 1.0% |
| Japanese Yen | JPY | 126.490 | 121.940 | 3.7% | 121.846 | 122.006 | (0.1)% |
| Mexican Pesos | MXN | 24.416 | 21.220 | 15.1% | 24.519 | 21.557 | 13.7% |
| Norwegian krone | NOK | 10.470 | 9.864 | 6.1% | 10.723 | 9.851 | 8.9% |
| Russian Rublo | RUB | 91.467 | 69.956 | 30.7% | 82.725 | 72.455 | 14.2% |
| Swedish Krone | SEK | 10.034 | 10.447 | (4.0)% | 10.485 | 10.589 | (1.0)% |
| USA Dollar | USD | 1.227 | 1.123 | 9.3% | 1.142 | 1.119 | 2.1% |

| Currency | Symbol | Closing exchange rate | | | Average exchange rate | | |
|---|---|---|---|---|---|---|---|
| | | 12/31/2019 | 12/31/2018 | Change | 2019 | 2018 | Change |
| Dirham Emirati Arabi | AED | 4.126 | 4.205 | (1.9)% | 4.111 | 4.337 | (5.2)% |
| Australian Dollar | AUD | 1.600 | 1.622 | (1.4)% | 1.611 | 1.58 | 2.0% |
| Brasilian Real | BRL | 4.516 | 4.444 | 1.6% | 4.413 | 4.309 | 2.4% |
| Canadian Dollar | CAD | 1.46 | 1.561 | (6.5)% | 1.485 | 1.529 | (2.9)% |
| Swiss Franc | CHF | 1.085 | 1.127 | (3.7)% | 1.112 | 1.155 | (3.7)% |
| Remimbi | CNY | 7.821 | 7.875 | (0.7)% | 7.736 | 7.808 | (0.9)% |
| Danish Krone | DKK | 7.472 | 7.467 | 0.1% | 7.466 | 7.453 | 0.2% |
| English Pound | GBP | 0.851 | 0.895 | (4.9)% | 0.878 | 0.885 | (0.8)% |
| Hong Kong Dollar | HKD | 8.747 | 8.968 | (2.5)% | 8.771 | 9.256 | (5.2)% |
| Japanese Yen | JPY | 121.940 | 125.850 | (3.1)% | 122.006 | 130.396 | (6.4)% |
| Mexican Pesos | MXN | 21.22 | 22.492 | (5.7)% | 21.557 | 22.705 | (5.1)% |
| Norwegian krone | NOK | 9.864 | 9.948 | (0.8)% | 9.851 | 9.597 | 2.6% |
| Russian Rublo | RUB | 69.956 | 79.715 | (12.2)% | 72.455 | 74.042 | (2.1)% |
| Swedish Krone | SEK | 10.447 | 10.255 | 1.9% | 10.589 | 10.258 | 3.2% |
| USA Dollar | USD | 1.123 | 1.145 | (1.9)% | 1.119 | 1.181 | (5.2)% |

***Business combinations***

The Group's business combinations are accounted for with the acquisition method in accordance with IFRS 3, "Business Combinations".

The cost of an acquisition is the fair value, at the control transfer date, of assets acquired, liabilities assumed, and equity instruments issued in exchange for the control of the acquired entity.

Based on the acquisition method, the cost of the business combination is allocated to the identifiable acquired net assets, at the acquisition date, through the fair value measurement of the assets acquired and liabilities and

[1] *Translation of foreign-currency financial statements*
Financial statements presented in a different functional currency are translated into euros in accordance with IAS/IFRS as follows:
- assets and liabilities are translated at the current exchange rates in force on the reporting date;
- revenues, costs, income and expenses are translated at the average exchange rate for the reporting period, considered to be a reasonable approximation of the actual exchange rates of the dates of the transactions;
- currency exchange differences arising from translation of opening equity and the annual changes in equity are recognized in the "foreign currency translation reserve" under "other reserves".

contingent liabilities assumed, and goodwill is recognized to the extent of the excess of the business combination cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the initial accounting for a business combination can be determined only provisionally, adjustments to the values initially attributed are made within twelve months of the acquisition date. Non-controlling interests are recognized at the fair value of the net acquired assets.

When a business combination is achieved in stages with subsequent share purchases, each stage is measured separately based on the cost and fair value of the assets, liabilities and contingent liabilities at each transaction date to determine the amount of any difference.

If a subsequent acquisition enables to obtain control of an entity, the previously owned interest is restated based on the fair value of identifiable assets, liabilities and contingent liabilities, determined at the date on which control was obtained.

## SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted to prepare the consolidated financial statements are described hereunder:

### *Property, plant, and equipment (also "tangible assets")*

Property, plant, and equipment are recorded at their acquisition or production cost, inclusive of ancillary costs incurred to bring the assets to working condition for their intended use, excluding land and buildings for which the deemed cost model was used on the transition date or business combination date based on the market value determined through an appraisal performed by an independent qualified appraiser.

They are stated net of depreciation except for land, which is not depreciated, and net of any impairment losses. Costs incurred for routine and/or cyclical maintenance and repairs are recognized directly in the income statement of the period in which they are incurred. Costs concerning the extension, renovation or upgrading of owned or leased assets are capitalized to the extent that they can be separately classified as an asset or part of an asset. The carrying amount is adjusted by depreciation using the straight-line method calculated on the basis of estimated useful life.

If the depreciable asset consists of distinctly identifiable components with useful lives that differ significantly from the other components of the asset, each component of the assets is depreciated separately, according to the component approach.

Profits and losses deriving from the sale of assets or groups of assets are determined by comparing the sale price with the relevant net book value.

Government grants relating to tangible assets are recorded as deferred revenues and credited to the income statement over the depreciation period for the assets concerned.

Finance costs relating to purchases of a fixed asset are charged to the income statement, unless they are directly attributable to the acquisition, construction or production of an asset which justifies capitalizing them.

Under the previous IAS 17, assets held under finance leases are recognized as tangible assets against the related liability. The lease payment is broken down into a finance cost, recognized in the income statement, and repayment of principal, recognized as a reduction of the relevant financial liability. Leases in which the lessor does not transfer substantially all the risks and rewards incidental to legal ownership are classified as operating leases. Lease payments under operating leases are recognized in the income statement on a straight-line basis over the duration of the operating lease.

Under newly introduced IFRS 16, assets obtained under leases are accounted for as finance leases and classified as property, plant and equipment, the contra entry being the financial payable generated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, using the depreciation rates listed below:

| Category | Depreciation Rate |
|---|---|
| Buildings | 3% |
| Non-operating machinery | 10% |
| Depreciable equipment | 40% |
| Operating machinery | 15.5% |
| Office furniture and furnishings | 12% |
| Exhibition stands | 27% |
| Electronic machines | 20% |
| Vehicles | 25% |
| Trucks | 20% |

***Intangible assets***

Intangible assets consist of controllable, non-monetary assets without physical substance that are clearly identifiable and able to generate future economic benefits. These assets are recognized at purchase and/or production cost, inclusive of directly attributable expenses to bring the asset to working condition for its intended use, net of accumulated amortization (except for those assets with an indefinite useful life) and any impairment losses. Amortization commences when the asset is available for use and is systematically distributed over the asset's useful life.

If there is any indication that the assets have suffered an impairment loss, the recoverable amount of the asset is estimated and any impairment loss is recognized in the income statement. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the net carrying amount that the asset would have had if there had been no impairment loss and if the asset had been amortized, recognizing the reversal of the impairment loss as income.

***Goodwill***

Goodwill is recognized at cost less any impairment losses.

Goodwill acquired in a business combination is represented by the excess of the cost of the combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. Goodwill is not amortized, but it is reviewed for impairment annually, and whenever events or circumstances give rise to the possibility of an impairment loss, the recoverable amount is reviewed in accordance with IAS 36 ("Impairment of Assets"). If the recoverable amount is less than the carrying amount, goodwill is reduced to its recoverable amount (see section on impairment losses on tangible and intangible assets). If goodwill has been allocated to a cash-generating unit that is partially disposed of, the goodwill associated with the unit disposed of is included in the determination of any gain or loss on disposal.

***Trademarks and licenses***

Trademarks and licenses are recognized at cost. They have a finite useful life and are recognized at cost net of accumulated amortization. Amortization is calculated on a straight-line basis so as to allocate the cost of trademarks and licenses over their remaining useful lives. If, aside from amortization, impairment should emerge, the asset is written down accordingly; if the reasons for the write-down should cease to exist in future financial years, the carrying amount of the asset is increased to the net carrying amount that the asset would have had if there had been no impairment loss and if the asset had been amortized.

Trademarks are amortized on a straight-line basis over their estimated useful lives, ranging from 15 to 20 years.

***Software***

Software licenses acquired are capitalized on the basis of the costs incurred for their purchase and the costs necessary to make them serviceable. Amortization is calculated on a straight-line basis over their estimated useful lives (ranging from 3 to 5 years). Costs associated with software development and maintenance are recognized as costs in the period they are incurred.

The direct costs include the costs for the personnel to develop the software.

***Research & development costs***

Research and development costs for new products and/or processes are recognized as an expense as incurred unless they meet the conditions for capitalization under IAS 38.

***Other intangible assets***

The intangible assets also include renewal fees paid in some cases to licensors for the renewal of licensing agreements.

Other intangible assets also include certain internal costs incurred by the Company to develop new eyewear models; the amortization period, equal to the average life of a model on the market, commences when the related models are put on the market.

***Impairment of tangible and intangible assets***

IAS 36 requires impairment testing of tangible and intangible assets when there is any indication that those assets have suffered an impairment loss.

For intangible assets with an indefinite life, such as goodwill, testing for impairment is performed at least annually. The recoverable amount is determined by comparing the carrying amount of the asset with its fair value less costs to sell and value in use, whichever is greater. Value in use is determined on the basis of the present value of estimated future cash flows from operating activities. For purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

If an asset's recoverable value is less than the carrying amount, the carrying amount is reduced to its recoverable value. This reduction is an impairment loss that is recognized as an expense immediately. If there are indications that an impairment loss should be reversed, the recoverable amount of the asset is recalculated and the carrying amount is increased to that new value. The increased carrying amount must not exceed the net carrying amount the asset would have had without any impairment loss.

An impairment loss with respect to goodwill may not be reversed.

***Financial derivatives***

Financial derivatives are recognized in accordance with IFRS 9. On the contract stipulation date, the derivatives are initially accounted for at fair value as financial assets when the fair value is positive or as financial liabilities when the fair value is negative. If hedge accounting cannot be applied, the changes in the fair value after initial recognition are recognized through profit or loss.

***Fair value measurement***

The Group measures financial instruments (derivatives) at their fair values at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes that a transaction to sell an asset or to transfer a liability takes place:

- in the principal market for the asset or liability; or
- in absence of a principal market, the most advantageous market for the asset or liability.

The principal market or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured adopting assumptions that market participants would use to determine the price of the asset or liability, assuming that they act to best satisfy their economic interest. Fair value measurement of a non-financial asset considers a market participant's capacity to generate economic benefits from the highest and best use of the asset or from the sale to another participant that can obtain its highest and best use.

The Group uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or stated in the financial statements are categorized into the following levels of the fair value hierarchy:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – valuation techniques for which the inputs are unobservable for the asset or liability.

The fair value measurement is categorized entirely in the same level of the fair value hierarchy of the lowest level input used for measurement.

For recurring assets and liabilities, the Group determines whether there have been any transfers between levels of the fair value hierarchy and reviews the categorization (based on the lowest level input that is significant to the entire measurement) at the end of each reporting period.

***Inventories***

Inventories are stated at the lower of average purchase or production cost and the corresponding estimated realizable value based on market prices. Estimated realizable value represents the estimated selling price in normal market conditions less all direct selling costs.

Purchase cost was adopted for products purchased for resale and for materials directly or indirectly used, purchased and used in the production process, whereas production cost was adopted for finished and semi-finished products.

Purchase cost is determined on the basis of the cost actually incurred, inclusive of directly attributable ancillary costs, including transport and customs expenses and excluding trade discounts.

Production cost includes the cost of materials used, as defined above, and all directly and indirectly attributable manufacturing costs.

Obsolete and slow-moving inventories are written down to reflect their useful life or realizable value.

***Trade and other receivables***

Trade and other receivables are stated at amortized cost and are measured on the basis of the impairment model introduced by IFRS 9 (see paragraph on financial assets regarding the initial recognition). In accordance with such model, the Group measures receivables using a logic of expected losses, replacing the IAS 39 framework based on incurred losses. The Group has adopted the simplified approach for trade receivables, which instead of recognizing the periodic changes in credit risk, requires accounting for an expected credit loss (“ECL”) calculated over the lifetime of the receivable (“lifetime ECL”). The amount of the receivables is shown in the Statement of Financial Position net of the related provisions for doubtful debts. Impairment losses calculated under IFRS 9 are recognized in the Income Statement net of any positive effects relating to releases or reversals and are presented in the line for net write-downs of financial assets within the general and administration expenses.

***Financial assets – Loans and receivables***

The Group’s financial assets are classified on the basis of the business model adopted to manage them and their cash flows. The following categories were identified:

*a. Financial assets measured at amortized cost*

Financial assets meeting the following requisites are classified in such category: (i) the asset is held under a business model whose objective is to hold assets to collect contractual cash flows; and (ii) the contractual terms

of the asset provide for cash flows represented solely by payments of principal and interest on the principal amount outstanding. They concern trade receivables, loans and other receivables. Loan and other receivables are included with current assets, except those whose contractual collection date is after twelve months from the reporting date, which are classified as non-current assets. The loan and other receivables are classified in the Statement of Financial Position as trade and other receivables. Except for trade receivables that do not contain a significant financing component, the loan and other receivables are initially recognized at their fair value adjusted by directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price (determined in accordance with IFRS 15 Revenue from Contracts with Customers). After initial recognition, the assets belonging to such category are measured at amortized cost, using the effective interest rate. The effects of such measurement are recognized in profit and loss. The assets are also subject to the impairment model described in the foregoing section on trade and other receivables.

*b. Fair Value through Other Comprehensive Income ("FVOCI")*

Financial assets meeting the following requisites are classified in such category: (i) the asset is held under a business model whose objective is met both collecting contractual cash flows and selling these assets; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the principal amount outstanding. The assets are initially recognized at their fair value adjusted by directly attributable transaction costs. Afterward, the initial recognition is updated and any changes in fair value are recognized in Other Comprehensive Income ("OCI"). Like the previous category, the assets are subject to the impairment model described in the section on trade and other receivables.

*c. Fair Value through Profit and Loss ("FVPL")*

Financial assets that do not fall within the preceding categories are classified in this residual category. They are mainly derivatives and equity instruments, both listed and not listed on financial markets, that the Company has irrevocably decided to classify as FVOCI upon initial recognition or in transitioning. The assets belonging to this category are classified as current assets or non-current assets according to when they are due and they are stated at fair value at initial recognition. Investments in unconsolidated companies over which the Company does not have significant influence are included in this category and accounted for as investments in subsidiaries and associates. Related costs incurred at initial recognition of the asset are accounted for immediately in the Income Statement. FVPL financial assets are subsequently measured at fair value. Profits and losses deriving from changes in fair value are recognized in the Income Statement as they arise, within the net other income/ (expenses). Purchases and sales of financial assets are accounted for on the settlement date. Financial assets are derecognized when the rights to receive cash flows deriving from the instrument are extinguished and the Company has transferred substantially all the risks and rewards of ownership and control of the asset. The fair value of financial instruments is based on the current price offered. If the market for a financial asset is not active (or the asset consists of unlisted securities), the Group determines fair value by using valuation techniques. The techniques include referring to advanced negotiations in progress, referring to securities having the same characteristics, analysis based on cash flows, pricing models based on the use of market indicators and aligned, as much as possible, with the asset being measured. In the valuation process, the Group tends to use market information instead of internal information referring specifically to the nature of the business in which the Group operates.

***Cash and bank balances***

Cash and bank balances include cash, demand deposits at banks and other highly liquid short-term investments, i.e. with an original duration of up to three months and are stated at the amounts actually on hand at the reporting date.

***Assets held for sale and related liabilities***

These items include non-current assets (or disposal groups of assets and liabilities) whose carrying amount will be recovered mainly through sale rather than through continuing use. Assets held for sale (or disposal groups) are recognized at their net carrying amount or fair value less costs to sell, whichever is less.

If those assets (or disposal groups) should cease to be classified as assets held for sale, the amounts are not reclassified or presented for comparative purposes with the classification in the most recent Statement of Financial Position.

## Equity

### *Share capital*

Share capital consists of the subscribed and paid-up capital.

Direct issue costs of new share issues are classified as a direct reduction of equity after deferred taxes.

### *Treasury shares*

Treasury shares are shown as a deduction of equity. The original cost of treasury shares and revenues arising on subsequent sale are recognized as changes in equity. The nominal value of the treasury shares owned is directly deducted from share capital, while the value exceeding the nominal value is used to reduce the treasury share reserve included in the retained earnings/(losses) reserves.

### *Employee benefits*

Post-employment benefit plans are classified, according to their characteristics, as either defined contribution plans or defined benefit plans.

Defined benefit plans, such as that of the "*fondo trattamento di fine rapporto*" ("TFR", severance indemnity provision) in place until the 2007 Italian Financial Law became effective, are plans under which guaranteed employee benefits are paid upon termination of employment. The defined benefit plan obligation is determined on the basis of actuarial assumptions and is recognized on an accrual basis consistently with the employment service necessary to obtain the benefits; the obligation is measured annually by independent actuaries.

The benefits accrued in the year, determined with actuarial methodology, are recognized in the income statement with the personnel costs, whereas the notional interest cost is recognized in net financial income/(costs). Actuarial gains and losses from changes in actuarial assumptions are recognized directly in the equity of the year they emerge, in accordance with Revised IAS 19.

On January 1, 2007, the 2007 Financial Law and related enactment decrees brought significant changes to employee severance indemnity regulations, including the possibility for the employee to choose, by June 30, 2007, how to allocate his or her accruing benefits. New accruing severance indemnities may be assigned by the employee to selected pension funds or kept within the company (in the latter case the company will pay the severance pay contributions into a treasury account held at the INPS).

Pursuant to these changes, the severance indemnity provision accrued up to the date of the employee's decision (defined benefit plans) was recalculated by independent actuaries, excluding the component of future salary raises. Severance indemnities accruing from the date of the employee's decision, and in any case from June 30, 2007, are considered a defined contribution plan, so the accounting treatment is similar to that in effect for all other contribution payments.

### *Provisions for risks and charges*

Provisions for risks and charges consist of allowances for present obligations (either legal or constructive) toward third parties that arise from past events, the settlement of which will probably require an outflow of financial resources, and the amount of which can be estimated reliably.

Provisions are stated at the discounted best estimate of the amount the company should pay to settle the obligation or to transfer it to third parties as at the reporting date.

Changes in estimates are reflected in the income statement of the period in which the change occurs.

Risks for which the emergence of a liability is merely possible are identified in the section relating to commitments and guarantees without making any allowances for them.

***Trade payables and other non-financial liabilities***

This item refers to payables originating from the purchase of goods or services that have not been settled by the end of the reporting period. They are not usually covered by guarantees and are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

***Financial liabilities***

Borrowings (loans) are initially recognized at cost, corresponding to the fair value of the liability less their transaction costs.

They are subsequently measured at amortized cost; any difference between the amount financed (net of transaction costs) and the nominal value is recognized in the income statement over the life of the loan, using the effective interest method. If there is a change in the anticipated cash flows and management is able to estimate them reliably, the value of borrowings is recalculated to reflect such changes.

Loans are classified among current liabilities if they mature in less than 12 months from the end of the reporting period and if the Group does not have an unconditional right to defer their payment for at least 12 months.

Loans are derecognized when they are paid off or when all risks and costs associated with them have been transferred to third parties.

***Revenues and income***

In accordance with the five-step model introduced by IFRS 15, the Company recognizes revenue after having identified the contracts with its customers and the performance obligations in the contract (transfer of goods and/or services), determined the amount of consideration to which it is entitled in exchange for satisfying each of the performance obligations, and evaluated how the performance obligations were satisfied (at a point in time or over time). The Group recognizes revenues only when all the following requirements have been met (requirements for identifying the contract(s) with the customer): a) the parties to the contact have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to performing their respective obligations; therefore, an agreement exists that creates the rights and obligations regardless of the form of such agreement; b) the Group can identify each party's rights in relation to the goods or services to be transferred; c) the Group can identify the payment terms of the goods or services to be transferred; d) the contract has commercial substance; and e) it is probable that the Group will collect the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer. If the above criteria are not met, the related revenues are recognized when: (i) the Group has already transferred goods and/or services to the customer and all, or substantially all, of the promised consideration has been received and is non-refundable; or (ii) the contract is terminated and the consideration received is non-refundable.

If the above criteria are met, the sales revenues are recognized when the control of the good sold is transferred to the customer, or when the good is delivered to the customer under the terms of the contract and the customer acquires the full ability to direct the use of it, and obtain substantially all of the remaining benefits from it. When the sale contract provides for retrospective volume discounts, the Company estimates their effect and treats it as a variable component of the agreed consideration. The Group also estimates the effect of possible returns from customers. This effect is accounted for as a variable component of the contractual consideration with the contextual presentation of a refund liability among the short-term risk provisions and the corresponding return asset among other current assets in the Statement of Financial Position. The estimate is based on the right-of-return policies and practices adopted by the Company and past trends of sales returns. The variable components of the consideration (discounts and returns) are recognized in the financial statements only when it is highly probable that a significant adjustment to the amount of revenue recognized will not occur. No post-delivery obligations exist besides the product warranties, where required by local regulations; the warranties do not constitute a separate service and they are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Interest income is accrued on a time basis by reference to the effective interest rate applicable to the related asset.

Dividends are recognized when the shareholder's rights to receive payment are established. This normally occurs when the dividend distribution resolution is approved at the General Meeting.

***Cost of sales***

The cost of sales includes the cost of producing or acquiring the goods and products sold. It includes all the costs of materials, processing, and expenses directly associated with production. It also includes the depreciation of buildings, plant and equipment, the amortization of the intangible assets used in production and inventory impairment losses.

***Royalties***

The Group accounts for royalty expense on an accrual basis according to the substance of the agreements stipulated.

***Other costs***

The costs are recognized according to the relevance and matching principles.

***Financial income and costs***

Interest is accounted for according to the accrual concept on the basis of the interest rate established by contract. If not established by contract, interest is recognized using the effective interest method, i.e. using the interest rate that makes all inflows and outflows of a specific transaction financially equivalent.

***Translation of foreign currency amounts***

Transactions in currency other than the Euro are translated into local currency using the exchange rates in force on the transaction date. Foreign exchange differences realized in the period are recognized in the Income Statement.

Foreign currency receivables and payables are adjusted at the exchange rate in force on the reporting date, recognizing the entire amount of profit or loss arising on exchange as financial income or finance costs in the income statement.

***Income taxes***

Income taxes are stated in the Income Statement, except for those regarding items recognized directly in equity, for which the tax effect is also recognized directly in equity.

Deferred taxes are calculated on the temporary differences generated between the value of the assets and liabilities reported in the financial statements and the value attributed to those assets and liabilities for tax purposes.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realized.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which they may be recovered. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, as necessary, is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any such reductions are reversed if the conditions causing them should cease to exist.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply when the assets are realized or the liabilities are settled, considering the tax rates in force and those that have been enacted or substantially enacted by the reporting date.

Other taxes not relating to income, such as property and equity taxes, are included in the operating items.

## FINANCIAL RISK FACTORS

***Financial risks***

Financial risk management is an integral part of Group’s activities and is performed centrally by the Parent Company based on strategies to cover specific areas, i.e. through hedges of foreign exchange risks and risks deriving from fluctuations of interest rates.

The Group seeks to minimize the impact of such risks on its results, and in previous years some hedging instruments were used.

Although the derivatives were designated exclusively to hedge against the risk of exchange rate variability on sales to customers in U.S. dollars, they do not qualify for hedge accounting because they do not fully meet the strict requirements, including formal ones, of the applicable accounting standard.

Those contracts were no longer stipulated in the period under review due to the natural hedge from which the Group benefits as a result of the current structure of revenues and expenses in foreign currency.

***Currency risk***

With respect to transaction risk, according to the sensitivity analysis performed, a change in exchange rates should not significantly impact the Consolidated Financial Statements.

With respect to translation risk, according to the sensitivity analysis performed, a 5% appreciation of the U.S. dollar as at December 31, 2020 would result in a euro 3.4 million increase in the translation reserve, whereas a 5% depreciation of the U.S. dollar as at December 31, 2020 would result in a euro 3.7 million decrease in the translation reserve.

***Supplier risks***

The Group uses contract manufacturers and third-party suppliers to manufacture and/or process some of its products.

The use of contract manufacturers and third-party suppliers involves additional risks, such as cancellation and/or termination of contracts, poor quality in the supplies and services provided and delivery delays.

Delays or defects of products supplied by third parties, or the cancellation or termination of supplier contracts without having adequate alternative sourcing available, could have a negative impact on the Company's business operations, financial position and performance.

Contract manufacturers and third-party suppliers, located mainly in Italy and Asia, are submitted to continuous controls by the responsible functions to verify compliance with quality and service standards, including those relating to delivery timing and methods, and fair prices with respect to the target margins.

The Company manages this risk by constantly monitoring the sourcing markets, also in order to identify alternative manufacturers and suppliers in case of temporary or structural difficulties with the current suppliers.

With respect to procurement, the Company monitors directly with certain subsidiaries the performance of the Asian suppliers, from a quantitative and qualitative point of view (quality, reliability and service), in light of the particular social and economic dynamics characterizing that sourcing market.

Another factor that mitigates supplier risk is the new factory in Longarone (in the Fortogna district), inaugurated in 2015, which has enabled to double the production of Italian manufactured goods, thereby reducing the dependence on external supplies.

Reasons for which the consolidation and development of its production capacity in Italy are important to Marcolin include reduced dependence on external suppliers (both Italian and Asian), which enable to shorten the manufacturing lead time and thus increase the ability to seize market opportunities (and improve the time to market), and the possibility to manage the inflation risk regarding the Chinese sourcing market, as production insourcing will result in greater control of production factors.

It is worth noting that the Company does not depend to a significant extent on a limited number of suppliers and is not affected by the price trends of the raw materials needed in the various phases of the eyewear production.

***Interest rate risk***

The section on liquidity risk provides a quantitative analysis of the Group's exposure to cash flow risk relating to interest rates on loans.

Information on outstanding loans is provided subsequently in these notes.

***Interest rate sensitivity analysis***

Interest rate sensitivity analysis was performed, assuming a 25 basis-point increase and a 10 basis-point decrease of the Euribor/Swap yield curves, published by Reuters for December 31, 2020. In this manner, the Group determined the impact that such changes would have on income and on equity.

The sensitivity analysis excluded financial instruments that are not exposed to significant interest rate risk, such as short-term trade receivables and payables.

The interest on bank borrowings was recalculated using the above assumptions and the investment position in the year, recalculating the higher/lower annual finance costs.

For cash and bank balances, the average balance of the period was calculated using the book values at the beginning and end of the year. The effect on income of a 25 basis-point increase/10 basis-point decrease in the interest rate from the first day of the period was calculated on the amount thus determined.

According to the sensitivity analysis performed on the basis of the above criteria, the Group is exposed to interest rate risk on its expected cash flows. If interest rates should rise by 25 basis points, income would decrease by Euro 106 thousand for the year ended December 31, 2020 (Euro 46 thousand and Euro 31 thousand for the year ended December 31, 2019 and 2018 respectively) due to higher interest expense with banks and third parties with respect to the increase in financial income on bank accounts.

If interest rates should fall by 10 basis points, income would increase by Euro 42 thousand for the year ended December 31, 2020 (Euro 18 thousand and Euro 12 thousand for the year ended December 31, 2019 and 2018 respectively).

***Credit risk***

The Group has no significant concentration of credit risk. Receivables are recognized net of the impairment calculated in accordance with IFRS 9. Guidelines have been implemented for managing customer credit, supervised by the designated business function (Credit Management), to ensure that sales are conducted only with reasonably reliable and solvent parties, and through the setting of differentiated credit ceilings (according to creditworthiness).

The trade receivables and other current assets excluding the returns provision are set forth below by the main areas in which the Group operates in order to evaluate the country risk. The section on accounting standards provides additional information thereon.

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2018** |
| Italy | 27,233 | 25,267 | 28,725 |
| Rest of Europe | 16,050 | 18,486 | 16,642 |
| North America | 19,269 | 26,346 | 24,959 |
| Rest of Word | 27,791 | 39,132 | 44,476 |
| **Total** | **90,343** | **109,230** | **114,801** |

Trade receivables not past-due are set forth below by geographical area (IFRS 7) below:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2018** |
| Italy | 10,424 | 11,340 | 13,301 |
| Rest of Europe | 12,955 | 13,375 | 13,984 |
| North America | 16,102 | 23,762 | 24,447 |
| Rest of Word | 20,406 | 31,912 | 32,216 |
| **Total** | **59,886** | **80,388** | **83,947** |

The following table shows the undisputed trade receivables due and past due (in an aging analysis):

| | Gross value | Provision | Net value |
|---|---|---|---|
| | | | *(in thousands of Euro)* |
| **12/31/2018** | | | |
| Not past due | 83,947 | (2,154) | 81,793 |
| Past due by less than 3 months | 9,000 | (504) | 8,496 |
| Past due by 3 to 6 months | 2,375 | (940) | 1,435 |
| Past due by more than 6 months | 4,304 | (4,211) | 93 |
| **Total** | **99,626** | **(7,809)** | **91,817** |
| **12/31/2019** | | | |
| Not past due | 80,388 | (2,280) | 78,108 |
| Past due by less than 3 months | 9,771 | (1,562) | 8,209 |
| Past due by 3 to 6 months | 5,338 | (1,388) | 3,950 |
| Past due by more than 6 months | 1,737 | (1,379) | 358 |
| **Total** | **97,235** | **(6,609)** | **90,626** |
| **12/31/2020** | | | |
| Not past due | 59,886 | (1,133) | 58,753 |
| Past due by less than 3 months | 8,207 | (1,736) | 6,471 |
| Past due by 3 to 6 months | 684 | (211) | 473 |
| Past due by more than 6 months | 8,908 | (3,577) | 5,331 |
| **Total** | **77,685** | **(6,657)** | **71,028** |

In some markets where the Group operates, receivables are regularly collected after the date stipulated by contract, without this necessarily indicating collection issues or financial difficulties.

Consequently, there are trade receivable balances that were not considered impaired even though they were past due.

The balance of these trade receivables is set forth in the table below by past-due category:

| | 12/31/2020 | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| | | | *(in thousands of Euro)* |
| Past due less than 3 months | 4,678 | 2,936 | 2,307 |
| Past due more than 3 months | 1,037 | 480 | 1,245 |
| **Total** | **5,715** | **3,415** | **3,552** |

For the sake of exhaustive disclosure, an aging analysis of disputed receivables and the related write-downs is set forth below:

| | Gross value | Provision | Net value |
|---|---|---|---|
| | | | *(in thousands of Euro)* |
| **12/31/2018** | | | |
| Past due by less than 12 months | 484 | (383) | 101 |
| Past due by more than 12 months | 4,676 | (4,602) | 74 |
| **Total** | **5,160** | **(4,985)** | **175** |
| **12/31/2019** | | | |
| Past due by less than 12 months | 594 | (567) | 27 |
| Past due by more than 12 months | 5,235 | (5,214) | 21 |
| **Total** | **5,829** | **(5,781)** | **48** |
| **12/31/2020** | | | |
| Past due by less than 12 months | 937 | (698) | 239 |
| Past due by more than 12 months | 6,925 | (6,540) | 385 |
| **Total** | **7,862** | **(7,238)** | **624** |

The changes in the provision for doubtful debts are set forth below:

| *(in thousands of Euro)* | 12/31/2020 | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| Opening amount | 12,390 | 12,794 | 8,277 |
| Adjustments opening balance as at 1 January 2018 in accordance with IFRS9 | — | — | 2,485 |
| Provisions/Reversal on P&L | 5,154 | 2,928 | 3,020 |
| Use | (2,497) | (3,466) | (1,023) |
| Reclassifications and other movements | 2 | 22 | 0 |
| Translation difference | (1,153) | 113 | 35 |
| **Period end Total** | **13,895** | **12,390** | **12,794** |

In accordance with IFRS 9, the expected losses on trade receivables were estimated upon initial recognition of the receivable and over its lifetime (lifetime expected credit loss). As allowed by the standard, a matrix was used to estimate the expected credit losses that took into account the geographical source of the receivable and the type of customer. The matrix considers different loss percentages according to the aging category of the receivables. The expected loss percentage rises when the receivable seniority rises.

***Liquidity risk***

Prudent management of liquidity risk entails keeping a sufficient level of liquidity and having sources of funding available to meet working capital requirements by means of adequate credit lines.

Due to the dynamic nature of its business, the Group has always preferred the flexibility of obtaining funding through the use of credit lines. Since February 2017 the Parent Company has had a revolving credit facility (RCF) of nominal Euro 40 million available for short-term cash flow requirements.

On June 24, 2020, Marcolin S.p.A. benefited from extraordinary measures enacted by the Italian government to cope with the economic and social impacts of the Covid-19 epidemic by taking out a new euro 50 million loan from UniCredit S.p.A., Banco BPM S.p.A., Deutsche Bank S.p.A. and Credit Suisse AG, Milan Branch, with UniCredit S.p.A. as the SACE S.p.A. (Italian Export Credit Agency) coordinator, maturing in 2025. The new loan, repayable in quarterly installments from June 2022 to June 2025, has 90% backing of its principal by SACE S.p.A. under the Liquidity Decree issued on April 8, 2020 (subsequently converted into law). In addition, on June 24, 2020 3 Cime S.p.A., Marcolin S.p.A.'s controlling shareholder, granted a subordinated euro 25 million loan maturing in December 2025, which accrues interest payable on maturity. The loan is structured as equity credit.

At present, based on its available sources of funding and credit facilities, the Group considers its access to funding to be sufficient for meeting the financial requirements of ordinary operations and for the capital expenditures planned.

***Liquidity analysis***

Liquidity analysis was performed on loans and trade payables. Principal repayments and non-discounted interest were specified by time brackets. Future interest amounts were determined using forward interest rates taken from the spot-rate curve published by Reuters at the end of the reporting period.

None of the cash flows included in the table were discounted. They also consider the Group's debt as of December 31, 2020, 2019 and 2018.

*(in thousands of Euro)*

| | Within 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years | Carrying value as of December 31, 2018 |
|---|---|---|---|---|---|
| Loans and bond (excluding capital lease) | 39,551 | 6,058 | 250,000 | 0 | 289,431 |
| Interest expenses on loans, bonds, leasing | 11,519 | 20,647 | 11,612 | 0 | 1,549 |
| Capital lease | 663 | 844 | 0 | 0 | 1,460 |
| Trade payables | 150,134 | 0 | 0 | 0 | 150,134 |

*(in thousands of Euro)*

| | Within 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years | Carrying value as of December 31, 2019 |
|---|---|---|---|---|---|
| Loans and bond (excluding capital lease) | 54,596 | 7,693 | 250,000 | — | 307,145 |
| Interest expenses on loans, bonds, leasing | 12,981 | 21,699 | 1,772 | 127 | 1,704 |
| Capital lease | 6,139 | 8,422 | 4,428 | 2,519 | 21,508 |
| Trade payables | 143,869 | — | — | — | 143,869 |

*(in thousands of Euro)*

| | Within 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years | Carrying value as of December 31, 2020 |
|---|---|---|---|---|---|
| Loans and bond (excluding capital lease) | 64,643 | 278,943 | 49,993 | 215 | 389,753 |
| Interest expenses on loans, bonds, leasing | 12,861 | 15,436 | 10,355 | 42 | 4,041 |
| Capital lease | 5,836 | 7,024 | 3,947 | 749 | 17,556 |
| Trade payables | 94,624 | — | — | — | 94,624 |

## CLASSIFICATION OF FINANCIAL INSTRUMENTS

The financial instruments are shown by type in the following table (in comparison with the amounts of the prior year), in accordance with IFRS 7. The financial instruments were classified in accordance with IFRS 9 and the amounts referring to 2020 and 2019 were classified in accordance with the new accounting standard, IFRS 16.

***Categories of financial assets***

*(in thousands of Euro)*

| | Trade receivables | Financial assets | Cash and cash equivalents |
|---|---|---|---|
| **2020** | | | |
| Loans and other financial receivables at amortized cost | 71,652 | 19,931 | 52,363 |
| Financial assets at fair value through P&L | — | — | — |
| Held to maturity investments | — | — | — |
| Financial asset available for sale | — | — | — |
| **Total** | **71,652** | **19,931** | **52,363** |

*(in thousands of Euro)*

| | Trade receivables | Financial assets | Cash and cash equivalents |
|---|---|---|---|
| **2019** | | | |
| Loans and other financial receivables at amortized cost | 90,674 | 18,149 | 45,872 |
| Financial assets at fair value through P&L | — | — | — |
| Held to maturity investments | — | — | — |
| Financial asset available for sale | — | — | — |
| **Total** | **90,674** | **18,149** | **45,872** |

| | (in thousands of Euro) | | |
|---|---|---|---|
| | **Trade receivables** | **Financial assets** | **Cash and cash equivalents** |
| **2018** | | | |
| Loans and other financial receivables at amortized cost | 91,992 | 23,807 | 34,184 |
| Financial assets at fair value through P&L | — | — | — |
| Held to maturity investments | — | — | — |
| Financial asset available for sale | — | — | — |
| **Total** | **91,992** | **23,807** | **34,184** |

***Categories of financial liabilities***

| | (in thousands of Euro) | | |
|---|---|---|---|
| | **Trade payables** | **Financial liabilities** | **Bond** |
| **2020** | | | |
| Financial liabilities at amortized cost | 94,624 | 144,597 | 249,197 |
| Lease financial liabilities | — | 17,556 | — |
| **Total** | **94,624** | **162,154** | **249,197** |

| | (in thousands of Euro) | | |
|---|---|---|---|
| | **Trade payables** | **Financial liabilities** | **Bond** |
| **2019** | | | |
| Financial liabilities at amortized cost | 143,869 | 60,881 | 247,968 |
| Lease financial liabilities | — | 21,508 | — |
| **Total** | **143,869** | **82,389** | **247,968** |

| | (in thousands of Euro) | | |
|---|---|---|---|
| | **Trade payables** | **Financial liabilities** | **Bond** |
| **2018** | | | |
| Financial liabilities at amortized cost | 150,134 | 44,187 | 246,745 |
| Lease financial liabilities | — | 1,507 | — |
| **Total** | **150,134** | **45,694** | **246,745** |

## FAIR VALUE MEASUREMENT HIERARCHY

The financial instruments measured at fair value are presented on the basis of the fair value hierarchy, described below:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – valuation techniques for which the inputs are unobservable for the asset or liability.

In the periods under review the Company did not own any financial instruments measured at fair value.

## *USE OF ESTIMATES*

The preparation of consolidated financial statements requires making estimates that could affect the carrying value of some assets, liabilities, income and expenses, and disclosures concerning contingent assets and liabilities at the reporting date.

Estimates were used mainly to determine the recoverability of intangible assets (including goodwill), the useful lives of tangible assets, the recoverability of receivables (including deferred tax assets), the valuation of inventories and the recognition or measurement of provisions for risks and charges.

The estimates and assumptions are based on data that reflect currently available information.

The estimates and assumptions that involve a significant risk of changes in the carrying amounts of assets and liabilities are described hereunder.

***Risks associated with the Covid-19 pandemic***

The spread of the coronavirus constitutes a complex global emergency, unprecedented in the modern world, with internationally relevant health, social, political, economic and geopolitical implications. From the start, the Marcolin Group adopted all the measures available to ensure the health and safety of its employees and to protect profitability and financial parameters. The new economic scenario resulting from the pandemic has determined management's business focus for the upcoming years, which aims to strengthen the financial structure through renegotiation with the main suppliers, increase supply chain efficiency through the implementation of new projects, develop the production and marketing of the brands, and boost the efficiency of the business processes. The common denominator of all these projects is the drive for digital transformation in processes and marketing developments. Despite the initiatives planned and undertaken, the persistence of the Covid-19 pandemic could adversely affect the Group's results over the next few years. Therefore, management has carefully evaluated the impact of this uncertainty on the main corporate assets, assuming various prospective scenarios in order to reflect the uncertainty associated with the continuation of the Covid-19 pandemic in the values stated in the financial statements.

***Goodwill***

Pursuant to IAS 36, the Group performs impairment tests at least annually.

Recoverable values are calculated based on "value in use".

The calculations require using estimates of the future performance of the cash-generating units (CGUs) to which goodwill belongs (business plan forecasts), the discount rate (weighted average cost of capital or "WAAC") and the prospective growth rate to be applied to the forecast cash flows ("g" rate).

***Impairment of non-current assets***

When there is indication that the net carrying amount could exceed the recoverable value, non-current assets are reviewed to determine whether they have suffered impairment losses, in accordance with the accounting standards adopted. The recoverable amount is analyzed by comparing the carrying amount of the asset with its fair value less costs to sell and value in use, whichever is greater.

If any such indication exists, management is required to perform subjective evaluations based on information available within the Group and on the market and based on the management's knowledge.

If indications of impairment should exist, the Group calculates the potential impairment using the valuation techniques it considers to be the most appropriate.

Proper identification of impairment indications and estimates of potential impairment are dependent on factors that may vary over time, affecting the measurements and estimates made by management.

***Provision for doubtful debts***

The provision for doubtful debts reflects management's estimates of future losses on trade receivables. The provision for doubtful debts is calculated in accordance with IFRS 9.

***Returns provision and product warranty provision***

The returns provision and product warranty provision reflect management's estimate of losses deriving from the customers' possibility under contact to return products sold. The product warranty provision gives the customer the possibility to return defective merchandise and receive in exchange an analogous (non-defective) product.

The returns provision is accounted for in accordance with IFRS 15, and the product warranty provision in accordance with IAS 37.

***Provision for inventory impairment***

The provision for inventory impairment reflects management's estimates regarding the losses expected by the Group, determined on the basis of past experience and both past and anticipated market trends.

***Deferred tax assets***

Recognition of deferred tax assets is based on expectations of profits in future years.
Estimates of future earnings used to recognize deferred tax assets are dependent on factors that may vary over time and significantly affect estimates of deferred tax assets.

In assessing the recoverability of the asset, Management considered the uncertainty due to the COVID 19 potential impacts to the business.

## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## 1. PROPERTY, PLANT, AND EQUIPMENT

The following table provides a breakdown of property, plant and equipment and movements during the periods under review:

*(in thousands of Euro)*

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other PP&E | Assets under construction | Total |
|---|---|---|---|---|---|---|
| **Net value at beginning of 2018** | **13,724** | **6,595** | **1,906** | **6,664** | **182** | **29,070** |
| Increases | 1,002 | 1,857 | 1,395 | 3,819 | 295 | 8,367 |
| Decreases | (342) | (41) | (14) | (156) | (32) | (585) |
| Depreciation | (919) | (1,734) | (1,353) | (3,069) | — | (7,075) |
| Translation difference | 38 | — | 16 | 99 | 9 | 163 |
| Reclassification and other movements | 97 | — | (85) | 93 | (105) | 0 |
| **Net value at end of 2018** | **13,600** | **6,676** | **1,865** | **7,450** | **349** | **29,941** |
| **Net value at beginning of 2019** | **13,600** | **6,676** | **1,865** | **7,450** | **349** | **29,941** |
| Increases | 17,338 | 4,345 | 2,534 | 8,178 | 351 | 32,745 |
| Decreases | 6 | (344) | (197) | (3) | — | (538) |
| Depreciation | (4,960) | (1,982) | (1,620) | (5,174) | — | (13,735) |
| Translation difference | 47 | — | 9 | 71 | 7 | 134 |
| Reclassification and other movements | 272 | — | — | — | (272) | (0) |
| **Net value at end of 2019** | **26,304** | **8,695** | **2,591** | **10,522** | **436** | **48,548** |
| **Net value at beginning of 2020** | **26,304** | **8,695** | **2,591** | **10,522** | **436** | **48,548** |
| Increases | 3,109 | 1,775 | 1,076 | 4,575 | 361 | 10,895 |
| Decreases | (268) | (347) | (100) | 46 | — | (669) |
| Depreciation | (4,822) | (2,211) | (1,412) | (5,979) | — | (14,424) |
| Translation difference | (925) | — | (48) | (316) | (12) | (1,302) |
| Reclassification and other movements | 13 | — | 297 | 12 | (322) | — |
| **Net value at end of 2020** | **23,409** | **7,911** | **2,404** | **8,860** | **463** | **43,047** |

The 2020 capital expenditures totaled Euro 10,895 thousand.

Nearly all the increases in "land and buildings" are attributable to the effects of IFRS 16 adoption on the stipulation of commercial property leases; excluding these, the capital expenditures mainly regarded:

- plant and machinery purchases of Euro 1,775 thousand needed to renew existing production lines;

- equipment purchases of Euro 1,076 thousand;
- other purchases totaling Euro 4,575 thousand, consisting primarily of computer hardware, office furniture and equipment and sales-related furnishings;
- increases of Euro 361 thousand referring to work in progress and advances.

The Group decided to limit and postpone investments not deemed strategic in 2020 in order to deal with the issues emerging from the effects of the Covid-19 pandemic on the business.

Depreciation is Euro 14,424 thousand and consists of:

- Euro 3,767 thousand recognized in the components of the cost of sales;
- Euro 9,018 thousand recognized in distribution and marketing expenses;
- Euro 1,639 thousand recognized in general and administration expenses.

The 2019 capital expenditures amounted to Euro 32,745 thousand and regarded mainly the following investments (the amounts include the effect of IFRS 16 adoption):

- Euro 17,338 thousand for factory buildings; the part not referring to the IFRS 16 effect regards primarily construction work done on some buildings owned;
- plant and machinery purchases of Euro 4,345 thousand; the part not referring to the IFRS 16 effect regards exclusively industrial plant and machinery purchased by the Parent Company to renew existing production lines;
- equipment purchases of Euro 2,534 thousand; the part not referring to the IFRS 16 effect regards mainly the Parent Company;
- other purchases totaling Euro 8,178 thousand; the part not referring to the IFRS 16 effect consists primarily of computer hardware, office furniture and other equipment and sales-related furnishings;
- increases of Euro 351 thousand refers to work in progress and advances.

Depreciation amounted to Euro 13,735 thousand and consists of:

- Euro 3,594 thousand recognized in the components of cost of sales;
- Euro 820 thousand recognized in distribution and marketing expenses;
- Euro 1,554 thousand recognized in general and administration expenses.

The 2018 capital expenditures totaled Euro 8,367 thousand and regarded mainly the following investments:

- an increase of Euro 1,002 thousand regards factory buildings, referring primarily to construction work done on some buildings owned;
- plant and machinery purchases of Euro 1,857 thousand refer to industrial plant and machinery purchased by the Parent Company to renew production lines;
- equipment purchases of Euro 1,395 thousand refer mainly to the Parent Company;
- other purchases totaling Euro 3,819 thousand consist primarily of computer hardware, office furniture and other equipment and sales-related furnishings;
- increases of Euro 295 thousand refer to work in progress and advances.

Depreciation is Euro 7,075 thousand and consists of:

- Euro 3,443 thousand recognized in the components of cost of sales;
- Euro 2,513 thousand recognized in distribution and marketing expenses;
- Euro 1,119 thousand recognized in general and administration expenses.

The undepreciated values of property, plant and equipment and their accumulated depreciation as of December 31, 2020, 2019 and 2018 are shown in the following table:

*(in thousands of Euro)*

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other PP&E | Assets under construction | Total 12/31/2020 |
|---|---|---|---|---|---|---|
| Undepreciated value | 45,275 | 26,898 | 22,716 | 29,887 | 463 | 125,241 |
| Accumulated depreciation | (21,866) | (18,987) | (20,312) | (21,028) | — | (82,193) |
| **Net value** | **23,409** | **7,911** | **2,404** | **8,860** | **463** | **43,047** |

*(in thousands of Euro)*

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other PP&E | Assets under construction | Total 12/31/2019 |
|---|---|---|---|---|---|---|
| Undepreciated value | 44,127 | 26,270 | 21,731 | 27,977 | 436 | 120,540 |
| Accumulated depreciation | (17,823) | (17,575) | (19,139) | (17,455) | — | (71,993) |
| **Net value** | **26,303** | **8,695** | **2,591** | **10,522** | **436** | **48,548** |

*(in thousands of Euro)*

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other PP&E | Assets under construction | Total 12/31/2018 |
|---|---|---|---|---|---|---|
| Undepreciated value | 26,602 | 25,550 | 19,350 | 19,962 | 349 | 91,813 |
| Accumulated depreciation | (13,002) | (18,874) | (17,485) | (12,512) | — | (61,873) |
| **Net value** | **13,600** | **6,676** | **1,865** | **7,450** | **349** | **29,941** |

The table below presents the carrying amount of the right-of-use assets recognized in accordance with IFRS 16 and included in the respective item to which the right of use refers:

*(in thousands of Euro)*

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Land and buildings | 11,368 | 13,108 |
| Industrial and commercial equipment | 692 | 881 |
| Cars | 2,066 | 2,745 |
| Other tangibles fixed assets | 84 | 111 |
| **Total Right-of-use assets** | **14,210** | **16,845** |

The following table lists depreciation of the right-of-use assets:

*(in thousands of Euro)*

| | 2020 | 2019 |
|---|---|---|
| Land and buildings | 4,008 | 3,632 |
| Industrial and commercial equipment | 249 | 191 |
| Cars | 1,536 | 1,268 |
| Other tangibles fixed assets | 42 | 41 |
| **Total depreciation of Right-of-use** | **5,835** | **5,132** |

## 2. INTANGIBLE ASSETS AND GOODWILL

The following table provides a breakdown of intangible assets and movements during the periods under review:

*(in thousands of Euro)*

| | Software | Concessions, licenses and trademarks | Other | Intangible assets under formation and advances | Total | Goodwill |
|---|---|---|---|---|---|---|
| **Net value at beginning of 2018** | **8,202** | **8,583** | **21,854** | **10,969** | **49,609** | **282,326** |
| Increases | 2,539 | — | 3,799 | 1,533 | 7,871 | — |
| Decreases | — | — | — | (10) | (10) | — |
| Amortization | (3,249) | (1,646) | (7,091) | — | (11,987) | — |
| Translation difference | 156 | 167 | 489 | 252 | 1,064 | 4,180 |
| Reclassification and other movements | 617 | — | — | (618) | 0 | — |
| **Net value at end of 2018** | **8,264** | **7,105** | **19,051** | **12,126** | **46,547** | **286,506** |
| **Net value at beginning of 2019** | **8,264** | **7,105** | **19,051** | **12,126** | **46,547** | **286,506** |
| Increases | 2,960 | 4,064 | 7,024 | 1,249 | 15,296 | — |
| Decreases | (29) | — | (6) | (22) | (57) | — |
| Amortization | (3,645) | (4,252) | (3,476) | — | (11,372) | — |
| Translation difference | 76 | 63 | 214 | 106 | 459 | 1,942 |
| Reclassification and other movements | 416 | — | — | (416) | (0) | — |
| **Net value at end of 2019** | **8,043** | **6,981** | **22,807** | **13,042** | **50,873** | **288,448** |
| **Net value at beginning of 2020** | **8,043** | **6,981** | **22,807** | **13,042** | **50,873** | **288,448** |
| Increases | 1,823 | — | 4,382 | 1,227 | **7,432** | — |
| Decreases | (145) | — | — | — | **(145)** | — |
| Amortization | (3,347) | (1,969) | (7,783) | — | **(13,099)** | — |
| Translation difference | (206) | (267) | (756) | (569) | **(1,798)** | **(8,171)** |
| Reclassification and other movements | 613 | — | — | (613) | **—** | — |
| **Net value at end of 2020** | **6,781** | **4,745** | **18,649** | **13,087** | **43,263** | **280,277** |

As reported for tangible assets, the Group decided to limit and postpone investments in intangible assets not deemed strategic in 2020 in order to deal with the issues emerging from the effects of the Covid-19 pandemic on the business.

The 2020 increase of Euro 7,432 thousand includes Euro 1,823 thousand for software, referring primarily to the Parent Company's new business software and the implementation thereof, and to other intangible assets regarding amounts paid by the Parent Company and by the American affiliate to some licensors to extend licenses.

Amortization is Euro 13,099 thousand and consists of:

- Euro 10,483 thousand recognized in distribution expenses;
- Euro 132 thousand recognized in manufacturing costs;
- Euro 2,484 thousand recognized in general and administration expenses.

The 2019 increase of Euro 15,296 thousand includes Euro 2,960 thousand for software, referring primarily to the Parent Company's new business software and the implementation thereof, and regards other intangible assets regarding amounts paid by the Parent Company and by the American affiliate to some licensors to extend licenses.

Amortization is Euro 11,372 thousand and consists of:

- Euro 7,963 thousand recognized in distribution expenses;
- Euro 120 thousand recognized in manufacturing costs;

- Euro 3,289 thousand recognized in general and administration expenses.

The 2018 increase of Euro 7,871 thousand includes Euro 2,539 thousand for software, referring primarily to the Parent Company's new business software and the implementation thereof, and regards other intangible assets regarding amounts paid by the Parent Company and by the American affiliate to some licensors to extend licenses.

Amortization is Euro 11,987 thousand and consists of:

- Euro 8,759 thousand recognized in distribution expenses;
- Euro 3,228 thousand recognized in general and administration expenses.

The unamortized value of intangible assets and goodwill and their accumulated amortization as of December 31, 2020, 2019 and 2018 are shown in the following table:

*(in thousands of Euro)*

| | Software | Concessions, licenses and trademarks | Other | Intangible assets under formation and advances | Total 12/31/2020 | Goodwill |
|---|---|---|---|---|---|---|
| Undepreciated value | 34,240 | 18,568 | 55,061 | 13,088 | 120,957 | 280,277 |
| Accumulated depreciation | (27,459) | (13,824) | (36,412) | — | (77,694) | — |
| **Net value** | **6,781** | **4,744** | **18,649** | **13,088** | **43,263** | **280,277** |

*(in thousands of Euro)*

| | Software | Concessions, licenses and trademarks | Other | Intangible assets under formation and advances | Total 12/31/2019 | Goodwill |
|---|---|---|---|---|---|---|
| Undepreciated value | 33,114 | 19,581 | 55,130 | 13,042 | 120,868 | 288,449 |
| Accumulated depreciation | (25,071) | (12,601) | (32,323) | — | (69,995) | — |
| **Net value** | **8,043** | **6,980** | **22,807** | **13,042** | **50,873** | **288,449** |

*(in thousands of Euro)*

| | Software | Concessions, licenses and trademarks | Other | Intangible assets under formation and advances | Total 12/31/2018 | Goodwill |
|---|---|---|---|---|---|---|
| Undepreciated value | 29,482 | 17,591 | 45,512 | 12,126 | 104,711 | 286,506 |
| Accumulated depreciation | (21,218) | (10,486) | (26,461) | — | (58,164) | — |
| **Net value** | **8,264** | **7,105** | **19,051** | **12,126** | **46,547** | **286,506** |

The value of goodwill at December 31, 2020 is euro 280,277 thousand (Euro 288,449 thousand and Euro 286,506 thousand as of December 31, 2019 and 2018 respectively). The change in the periods in question is attributable exclusively to the translation into Euro of the goodwill recognized by some Group companies in their local currency.

Goodwill was tested for impairment to assess the fairness of the carrying amount at each reporting date.

The recoverable amount of the net invested capital including goodwill was estimated using Group's value in use, assumed as the enterprise value emerging from the application of the unlevered free cash flow method to the projected cash flows of Group's continuing operation.

The following assumptions were made to determine value in use:

- the cash-generating unit was identified as the entire Group (cash flows from projected operating/financing activities of Marcolin S.p.A. and all its Italian and foreign subsidiaries) because the Group's organizational structure uses a centralized model headed by Marcolin S.p.A.;
- the main data sources used were the draft financial statements for the year ended December 31, 2020, the 2021 Budget and the 2022 – 2026 business plan[2] (for the year ended December 31, 2019, the 2020

[2] The impairment test document was approved by the Parent Company's Board of Directors on March 29, 2021. Management has prepared a five-year business plan to present the post-pandemic business outlook, recognizing the marketing and manufacturing strategies used.

Budget and the 2021 – 2022 business plan[3] and for the year ended December 31, 2018, the 2019 Budget and the 2020 – 2021 business plan[4]). The Group prepared various outlooks, given the uncertainty associated with the current economic situation, and it prudently used the most conservative scenario for the purpose of the impairment test;

- the terminal value was calculated using the EBITDA (estimated on the basis of the last year in the business plan) assuming perpetual growth at a "g" rate of 2.3% (2.4% in 2019 and 2.5%in 2018), conservatively considering the inflation projections for the countries in which Marcolin is present.

  The resulting cash flow is adjusted to normalize the cash flow expected in perpetuity, according to the standard measurement practice;

- the cash flow discount rate (WAAC) is 9.1% (9.7% in 2019 and 9.9% in 2018), calculated in line with the Capital Asset Pricing Model (CAPM) commonly used for valuation in doctrine and in standard practice. This rate reflects current market estimates referring to: 1) the cost of capital for debt (Kd = 4.5% in 2020, 3.0% in 2019 and 2.9% in 2018, after taxes); 2) the expected return on the risk capital invested in Marcolin (Ke = 10.2% in 2020, 10.3% in 2019 and 11.2% in 2018), weighted considering the source of the Group's main cash flows. Weighted Kd/Ke was determined under the applicable accounting standards by considering the average financial structure of Marcolin's main comparables, assuming that the value of the entity's projected cash flows does not derive from its specific debt/ equity ratio. WAAC was calculated considering the impact of IFRS 16, consistently with the amount of the net invested capital, which reflects such new accounting standard.

Based on the results of the analysis performed, goodwill did not suffer any impairment losses given that the value in use exceeds the carrying amount of the net invested capital as at December 31, 2020, 2019 and 2018 by a wide margin.

Moreover, sensitivity analysis was performed on the Group's enterprise value, determined with the previously described methods, assuming:

- changes in WAAC;
- changes in the g rate.

In this case, a half-percentage point increase in WAAC would result in a 4% (7% in 2019 and 2018) decrease in the enterprise value (given the same g), whereas a half-percentage point decrease in the g rate would result in an 5% (6% in 2019 and 2018) decrease in the enterprise value (given the same WAAC). Neither case would result in an impairment loss.

In addition, a stress test was performed assuming higher capital expenditures than those budgeted.

The stress test confirmed that the coverage amounts remain positive, with broad safety margins.

Concessions, licenses and trademarks include the Web trademark. This asset, which was obtained in November 2008 for Euro 1,800 thousand and whose purchase price was determined by an independent professional appraiser, is amortized over 18 years.

Concessions, licenses and trademarks also include Euro 10,000 thousand for an option, already exercised, that enabled the Group to extend a licensing agreement beyond its expiration date (2015) to December 2022. This cost is amortized over 7 years starting from 2016.

## 3. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The investments in associates consist exclusively of the investment in Thélios S.p.A., consolidated with the equity method.

As of December 31, 2020, the investments in associates is affected by the reclassification to current provisions of the effect of consolidating the investment in Thélios S.p.A. with the equity method. This negative amount of

[3] The impairment test document was approved by the Parent Company's Board of Directors on January 31, 2020.
[4] The impairment test document was approved by the Parent Company's Board of Directors on January 31, 2019.

Euro 17,577 thousand derives from the application of such consolidation method and corresponds to the Group's interest in the associate's equity. The amount at December 31, 2020 was impacted by the loss generated by the company during the year resulting from the high overheads incurred to support production, which will be balanced with sales from 2021 thanks to the marketing and distribution launch of the first Thélios collection for Dior in the global market.

In accordance with IFRS 12, the main provisional financial results of Thélios S.p.A. and its subsidiaries at December 31, 2020 include revenues of Euro 50,592 thousand (Euro 54,856 in 2019 and Euro 38,746 in 2018), a net loss of Euro 38,323 thousand (Euro 26,889 in 2019 and Euro 18,437 in 2018) and an equity deficit of Euro 35,872 thousand (Euro 921 in 2019 and Euro 2,809 in 2018).

The following table presents the reconciliation of the associate's net profit/loss with the carrying amount of the consolidated equity interest consolidated with the equity method in the Group' Statement of Financial Position.

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| January, 01 Equity | 921 | 2,809 | 1,246 |
| Period result | (38,323) | (26,889) | (18,437) |
| Other movements | 1,530 | — | — |
| Share capital increase | — | 25,000 | 20,000 |
| **31 December Equity** | **(35,872)** | **921** | **2,809** |
| % owned by Marcolin S.p.A. | 49% | 49% | 49% |
| **Carrying value** | **(17,577)** | **451** | **1,377** |

The associate did not pay any dividends to shareholders in the periods under review.

## 4. DEFERRED TAX ASSETS AND LIABILITIES

The net deferred tax assets as of December 31, 2020 are Euro 43,703 thousand (Euro 36,356 thousand and Euro 34,028 thousand as of December 31, 2019 and 2018 respectively), the balance of Euro 48,539 thousand in deferred tax assets and Euro 4,836 thousand in deferred tax liabilities.

The amount is primarily attributable to the Parent Company, for Euro 9,265 thousand (Euro 3,738 thousand and Euro 6,117 thousand as of December 31, 2019 and 2018, respectively), Marcolin USA Eyewear Corp. for Euro 25,920 thousand (Euro 23,905 thousand and Euro 19,002 thousand as of December 31, 2019 and 2018, respectively), and Marcolin France sas for Euro 3,167 thousand (Euro 3,240 thousand and Euro 3,597 thousand as of December 31, 2019 and 2018, respectively).

The amount refers to:

- Euro 30,456 thousand in temporary differences generated between the value of the assets and liabilities reported in the financial statements and the value attributed to those assets and liabilities for tax purposes;
- Euro 13,247 thousand in tax assets recognized on tax losses.

Recognition of deferred tax assets was made possible by the prospect of realizing the assets due to the expectation of future taxable profits according to the business plans prepared by the Group.

More information is provided in Note 29 on income taxes.

## 5. OTHER NON-CURRENT ASSETS

Other non-current assets amounted to Euro 271 thousand as of December 31, 2020 (Euro 315 thousand and Euro 469 thousand as of December 31, 2019 and 2018, respectively). The item consists principally of commissions on the Parent Company's Euro 40 million senior revolving credit facility, which was fully used as of December 31, 2020.

## 6. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets amounted to Euro 1,025 thousand as of December 31, 2020 (Euro 1,813 thousand as of December 31, 2019 and Euro 2,514 thousand as of December 31, 2018), referring primarily to a Euro 5,000 thousand loan granted by the Parent Company to a third party, on which interest accrues at market rates and whose repayments began in 2013 (with installments until 2022). The current portion receivable, recognized among current financial assets, is Euro 770 thousand as of December 31, 2020 (Euro 760 thousand and Euro 744 thousand as of December 31, 2019 and 2018 respectively).

## 7. INVENTORIES

Inventories are detailed below:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **As of December 31,** | | |
| | **2020** | **2019** | **2018** |
| Finished goods | 110,950 | 117,714 | 121,296 |
| Raw material | 15,466 | 17,187 | 15,867 |
| Work in progress | 19,058 | 18,137 | 19,754 |
| **Gross inventory** | **145,474** | **153,039** | **156,917** |
| Inventory provision | (39,611) | (30,262) | (30,856) |
| **Net inventory** | **105,863** | **122,777** | **126,061** |

The 2020 net inventories fell by Euro 16,914 thousand from the previous year. The reduction is attributable to a Euro 7,564 thousand decrease in gross inventory and a Euro 9,350 thousand increase in the inventory impairment provision. The annual decrease derives from an alignment of the provision for inventory impairment with the sales volumes and a net reduction of inventories.

The 2019 net inventories fell by Euro 3,284 thousand from the previous year. The reduction is attributable to a Euro 3,878 decrease in gross inventory and a fairly stable inventory impairment provision. The inventory decrease derives from the action taken by management to improve the efficiency of inventory management by reducing considerably the number of models produced and accelerating the sales period for them.

The inventory impairment provision provides adequate coverage for obsolete and slow-moving inventory, taking into account the composition of and possibility to sell such inventory.

## 8. TRADE RECEIVABLES

The composition of the trade receivables is as follows:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **As of December 31,** | | |
| | **2020** | **2019** | **2018** |
| Gross trade receivables | 85,547 | 103,064 | 104,786 |
| Provision for bad debts | (13,895) | (12,390) | (12,794) |
| **Net trade receivables** | **71,652** | **90,674** | **91,992** |

The trade receivables trend was affected by the Group's strategies to reduce the average collection period, or "days sales outstanding" (DSO).

The amount recognized was not discounted, since all receivables are due within 12 months.

The provision for doubtful debts was calculated in accordance with IFRS 9. More information is provided in the section on financial risk factors.

## 9. OTHER CURRENT ASSETS

The composition of other current assets is shown below:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **As of December 31,** | | |
| | **2020** | **2019** | **2018** |
| Tax credits | 4,818 | 7,892 | 12,793 |
| Prepaid expenses | 12,200 | 8,685 | 7,650 |
| Assets for rights to receive goods back | 7,349 | 8,840 | 8,353 |
| Other receivables | 1,673 | 1,979 | 2,366 |
| **Total other current assets** | **26,040** | **27,396** | **31,162** |

Other current assets amounted to Euro 26,040 thousand as of December 31, 2020 (Euro 27,396 thousand and Euro 31,162 thousand in 2019 and 2018, respectively), with a decrease of Euro 1,357 thousand from the prior year 2019 (Euro 3,766 thousand in 2019 compared to 2018).

The tax credits consist mainly of VAT and taxes paid on account. The annual decrease of Euro 3,073 thousand in 2020 and Euro 4,901 thousand in 2019 is attributable primarily to the Parent Company's lower VAT credits deriving from a different mix compared with the prior year of the purchasing and sales liable to VAT in the last few months of the year. The excess at the end of 2018 (Euro 6,602 thousand) was offset in the initial months of 2019.

"Other receivables" consists primarily of amounts due from 3 Cime S.p.A. under the tax consolidation agreement in effect with that company. The balance due from 3 Cime S.p.A. at December 31, 2020 is Euro 10,833 thousand, versus Euro 7,465 thousand at December 31, 2019 and Euro 7,037 thousand at December 31, 2018.

The 2020 increase is attributable to the recognition of receivables deriving from the benefits transferred to the tax consolidation as a result of the tax loss for IRES purposes reported by Marcolin S.p.A. in 2020. In addition, there was an IRES credit reconveyance of Euro 1,000 thousand from the consolidating entity, 3 Cime S.p.A., to Marcolin S.p.A.; also, receivables of Euro 951 thousand for foreign withholding tax transferred to the tax consolidation for the purpose of the 2020 tax return are recognized. The 2019 increase derives from the recognition of receivables for foreign withholding tax transferred to the head entity when the 2019 tax return was filed, which outweighed the tax consolidation expense as a result of Marcolin S.p.A.'s IRES for 2019. The 2018 increase derives mainly from the recognition of receivables transferred to the head entity emerging when the tax return was filed in October 2018, offset in part by tax consolidation expense as a result of Marcolin S.p.A.'s income subject to IRES in 2018.

The right-of-return assets comprise the estimated assets for the right to recover products returned, recognized in accordance with IFRS 15.

"Other assets" consists mainly of prepaid insurance premiums and other costs for projects relating to 2029.

## 10. CURRENT FINANCIAL ASSETS

Current financial assets amounted to Euro 18,906 thousand as of December 31, 2020 (Euro 16,336 thousand and Euro 21,294 thousand as of December 31, 2019 and 2018, respectively) and primarily refer to Euro 18,127 thousand due to Marcolin S.p.A. by Thélios S.p.A. under the loan agreement stipulated with the associate to enable the latter to finance the start-up of its business. Euro 780 thousand refers to the current portion due on a loan granted by Marcolin S.p.A. to a third party which accrues interest at market rates, and whose repayments began in 2013 (with installments until 2022).

## 11. CASH AND BANK BALANCES

This item represents the value of cash deposits and highly liquid financial instruments, i.e. those with a maturity of up to three months. For more details, please refer to the Statement of Cash Flows, which provides information on the movements in cash and cash equivalents.

## 12. EQUITY

The Parent Company's share capital is Euro 35,902,749.82 as of December 31, 2020, fully paid-in, comprised of 61,458,375 ordinary shares without par value and 6,828,708 Class B shares without par value issued on October 5, 2018 to the new shareholder, Vicuna Holding S.p.A. Vicuna Holding S.p.A. became a shareholder as part of a broader plan for a joint venture agreement with the LVMH Group, stipulated in 2017. The share capital was increased by euro 3,590,274.82 with a share premium of euro 18,309,725.18.

As of December 31, 2020, 90% of the share capital was owned by 3 Cime S.p.A. and 10% by Vicuna Holding S.p.A.

The share premium reserve was Euro 170,304 thousand as of December 31, 2020, and the capital reserve account amounted to Euro 46,108 thousand.

The legal reserve of Euro 6,437 thousand as of December 31, 2020 has not reached the limit imposed by Italian Civil Code Article 2430.

The foreign currency translation reserve, Euro -285 thousand as of December 31, 2020, refers to the translation into euros of the financial statements of Group companies whose functional currency differs from the euro. The Euro 10,195 thousand decrease from the prior year is directly attributable to changes in currency exchange rates during the year. It was affected mainly by the depreciation against the euro in 2020 of the U.S. dollar, Russian ruble, and British pound sterling, of 9%, 30% and 41% respectively from December 31, 2019 to December 31, 2020.

The other reserves, Euro -8,093 thousand as of December 31, 2020, include the Euro 5,241 thousand foreign exchange difference on the intercompany loan denominated in U.S. dollars granted by Marcolin S.p.A. to subsidiary Marcolin USA Eyewear Corp. On November 18, 2016, pursuant to a Board of Directors' meeting held on October 27, 2016 by Marcolin S.p.A., the intercompany loan's maturity date was terminated without providing for repayment of the loan in the foreseeable future. Therefore, in accordance with IAS 21, the loan to the American subsidiary is classified as a quasi-equity loan, so all the exchange differences associated with it are recognized in the consolidated financial statements in a specific equity reserve, like the exchange differences of financial statements denominated in foreign currency. At the end of October 2019, the company approved a partial waiver of the repayment of such loan with respect to a principal amount of USD 60 million, in order to rebalance the American subsidiary's financial structure. The amount of the loan waived was recognized in Marcolin USA Eyewear Corp.'s equity as a capital reserve constituting an item of equity. The conditions, terms and clauses previously governed by the loan agreement and subsequent amendments are still in effect for the remainder of the financial receivable excluded from the waiver.

The same transaction was carried out in 2020, in accordance with IAS 21, for the Euro 7,357 thousand loan to the Brazilian subsidiary, which is classified as a quasi-equity loan.

The actuarial reserve regards future employee benefits accounted for under IAS 19, corresponding to Marcolin S.p.A.'s provision for severance indemnities.

The Statement of Changes in Equity provides more detailed information.

## 13. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities amounted to Euro 340,859 thousand as of December 31, 2020 (Euro 269,622 thousand and Euro 252,226 thousand as of December 31, 2019 and 2018 respectively) and primarily refer to the bond notes subscribed on February 10, 2017 for Euro 250 million[5].

The notes issued, which mature in 2023, are classified as non-current financial liabilities, and the related payable is accounted for in accordance with IFRS 9 with the amortized cost method in order to defer the transaction costs pertaining to future periods and to recognize them with the effective interest rate method. With respect to this financing, costs totaling Euro 6,672 thousand were deferred, including Euro 1,266 thousand pertaining to 2020, for a total amount of Euro 2,174 thousand in costs still deferred.

The item also includes the amount of two loans of respectively Euro 50 million, secured under Decree Law 23/2020 and which benefits from a guarantee from SACE S.p.A. on 90% of its principal, and Euro 25 million granted by 3 Cime S.p.A.

In accordance with IFRS 9, costs totaling Euro 2,743 thousand on the Euro 50 million loan were deferred, including Euro 353 thousand pertaining to 2020, for a total amount of Euro 2,390 thousand in costs still deferred.

Within the scope of the refinancing transaction, a new super senior revolving credit facility of Euro 40 million was stipulated, entirely drawn down as at December 31, 2020, with Credit Suisse International, Deutsche Bank AG and Unicredit S.p.A., to be used for ordinary cash flow demands. With respect to this financing, accounted for among the current financial liabilities, costs totaling euro 60 thousand were deferred, including Euro 11 thousand pertaining to 2020, for a total amount of Euro 20 thousand in costs still deferred.

Net financial position is set forth below.

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **As of December 31,** | | |
| | **2020** | **2019** | **2018** |
| Cash and cash equivalents | 52,363 | 45,872 | 34,184 |
| Current and non-current financial assets | 19,931 | 18,149 | 23,807 |
| Current financial liabilities | (68,165) | (58,409) | (37,197) |
| Current portion of non-current financial liabilities | (2,326) | (2,326) | (3,017) |
| Non-current financial liabilities | (340,859) | (269,622) | (252,226) |
| **Net financial position** | **(339,056)** | **(266,336)** | **(234,449)** |
| IFRS16 effect | 15,111 | 17,566 | — |
| Loan from parent company 3 Cime S.p.A. | 25,779 | — | — |
| **Net financial position adjusted** | **(298,166)** | **(248,770)** | **(234,449)** |

In addition to the commitments described subsequently (Note 20) for the revolving credit facility, commitments to meet financial covenants exist at a consolidated level for Marcolin S.p.A. and its subsidiaries. On June 5, 2020 Marcolin S.p.A. obtained a suspension of the financial covenant on the SSRCF. The net leverage covenant is suspended until September 30, 2021 and has been replaced with a minimum liquidity covenant (fixed at Euro 10 million, the minimum cash level including any undrawn credit lines available, to be calculated on a quarterly basis for Marcolin S.p.A.).

[5] The notes, which have a six-year maturity and provide for voluntary early redemption, were issued in a single tranche on February 10, 2017. The key features are summarized below:

Purchasers: the notes may be offered and placed (1) in the United States, solely with qualified institutional buyers pursuant to Rule 144A of the U.S. Securities Act; (2) in Europe and in Italy solely with qualified investors pursuant to Directive 2003/71/EC, as subsequently amended and integrated, Italian Legislative Decree 58/1998 and CONSOB Regulation 11971/1999 for Issuers, unless in circumstances which are exempt from public offer rules.

Listing: (1) on the Luxembourg Stock Exchange for trading on the Euro MTF Market, and (2) with Borsa Italiana S.p.A. for trading on the ExtraMot pro multilateral trading facility.

Issue Price: 100% (one hundred percent) of the nominal value of the notes, plus any accrued interest from the issue date.

Maturity Date: February 15, 2023.

Form: notes issued in registered form represented by (1) a global certificate representing the notes issued pursuant to Regulation S of the 1933 U.S. Securities Act, and (2) a global certificate representing the notes issued pursuant to Rule 144A of the 1933 U.S. Securities Act.

Interest Rate: Three-month Euribor (with a 0% floor) plus 4.125% per annum, reset quarterly.

Interest Payment Dates: February 15, May 15, August 15 and November 15 of each year, commencing on May 15, 2017 to the maturity date.

## 14. NON-CURRENT PROVISIONS

The amounts of the long-term provisions and the relevant changes for the year and for the previous year are shown below:

*(in thousands of Euro)*

| | Provision for severance employee indemnities | Provision for agency terminations | Other funds | Total |
|---|---|---|---|---|
| **12/31/2017** | **3,104** | **1,253** | **2,978** | **7,336** |
| Allowances | 72 | 219 | 600 | 891 |
| Use / reversal | (215) | (173) | (1,423) | (1,810) |
| Actuarial loss / (gain) | (52) | — | — | (52) |
| Translation difference | — | (22) | 38 | 17 |
| **12/31/2018** | **2,908** | **1,277** | **2,194** | **6,382** |
| **12/31/2018** | **2,908** | **1,277** | **2,194** | **6,382** |
| Allowances | 184 | 273 | 680 | 1,136 |
| Use / reversal | (185) | (340) | (734) | (1,258) |
| Actuarial loss / (gain) | 63 | — | — | 63 |
| Reclassifications | 543 | — | — | 543 |
| Translation difference | — | (3) | 17 | 13 |
| **12/31/2019** | **3,514** | **1,207** | **2,157** | **6,878** |
| Allowances | 205 | 284 | 719 | 1,208 |
| Use / reversal | (215) | (274) | (689) | (1,178) |
| Actuarial loss / (gain) | (47) | — | — | (47) |
| Reclassifications | 6 | — | — | 6 |
| Translation difference | 0 | (57) | (46) | (103) |
| **12/31/2020** | **3,463** | **1,160** | **2,140** | **6,763** |

Employee benefits consist of the employee severance indemnity provision ("TFR") recognized in the Parent Company's financial statements for Euro 2,669 thousand as of December 31, 2020 (Euro 3,383 thousand and Euro 2,908 thousand as of December 31, 2019 and 218 respectively)[6], which was measured with an actuarial calculation at the end of the year[7].

The additional information required under Revised IAS 19 is provided hereunder:

- sensitivity analysis of each significant actuarial assumption at the end of the year, showing effects of changes in actuarial assumptions reasonably possible at that date, in absolute terms:

| Sensitivity analysis | DBO* al 12/31/2020 | DBO* al 12/31/2019 | DBO* al 12/31/2018 |
|---|---|---|---|
| Turnover rate +1,00% | 2.651 | 2.878 | 2.946 |
| Turnover rate -1,00% | 2.688 | 2.819 | 2.882 |
| Inflation rate +0,25% | 2.697 | 2.802 | 2.863 |
| Inflation rate - 0,25% | 2.641 | 2.897 | 2.966 |
| Actuarial rate +0,25% | 2.624 | 2.831 | 2.901 |
| Actuarial rate -0,25% | 2.715 | 2.868 | 2.928 |

* Defined Benefit Obligation

- next years' service cost and average vesting period of the defined benefit obligation:

[6] The provision consists of the benefits that accrued to employees until December 31, 2006 to be paid upon or subsequent to termination of employment: the TFR accruing from January 1, 2007 is treated as a defined contribution plan. By paying the contributions into (public and/or private) social security funds, the Company complies with all relevant obligations.

[7] The parameters used for the actuarial calculation are: 1) mortality rate: Table RG 48 of the Public Accounting Office; 2) disability rates: INPS table by age and gender; 3) personnel turnover rates: 5%; 4) frequency of severance payments: 2%; 5) discount/interest rate: -0.02% for 2020 (0.37% for 2019 and 0.88% for 2018); TFR growth rate: 2.1% for 2020, 2.4% for 2019, 2.625% for 2018; 7) inflation rate: 0.8% for 2020, 1.2% for 2019, 1.5% for 2018.

**Next year service cost**

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Next year service cost | — | — | — |
| Vesting period | 7.40 | 7.50 | 7.70 |

- payments foreseen under the plan:

| Years | Payments foreseen 2020 | Payments foreseen 2019 | Payments foreseen 2018 |
|---|---|---|---|
| 1 | 430 | 506 | 337 |
| 2 | 174 | 361 | 198 |
| 3 | 250 | 191 | 366 |
| 4 | 190 | 217 | 226 |
| 5 | 208 | 185 | 256 |

The provision for agency termination presents principally the liability regarding severance indemnities with respect to agents and is calculated in accordance with the applicable regulations.

The provision for risks and charges presents the estimated amount, in a medium/long-term time horizon, of future obligations toward third parties for liabilities arising in previous periods.

## 15. OTHER NON-CURRENT LIABILITIES

As of December 31, 2020, the amount of other non-current liabilities amounted to Euro 167 thousand (Euro 1,764 thousand as of December 31, 2019 and Euro 3,344 thousand as of December 31, 2018) and primarily refers to non-trade payables of Marcolin USA Eyewear Corp., that were paid in full during the years.

## 16. TRADE PAYABLES

The following table sets forth the trade payables by geographical area:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | As of December 31, | | |
| | 2020 | 2019 | 2018 |
| Italy | 32,502 | 44,478 | 72,340 |
| Rest of Europe | 4,994 | 7,019 | 3,092 |
| North America | 18,814 | 35,557 | 8,792 |
| Rest of Word | 38,314 | 56,815 | 65,909 |
| **Total** | **94,624** | **143,869** | **150,134** |

The recognized trade payables were not subject to discounting, as the amount is a reasonable representation of their fair value in consideration of the fact that there are no payables due beyond the short term.

In compliance with the disclosure requirements of IFRS 7, there were no past-due trade payables, excluding the accounts being disputed by the Company with suppliers, which are of immaterial amounts.

## 17. CURRENT FINANCIAL LIABILITIES

The current financial liabilities amounted to Euro 70,491 thousand as of December 31, 2020 (Euro 60,375 thousand as of December 31, 2019 and Euro 40,214 thousand as of December 31, 2018).

The item includes:

- Euro 59,581 thousand in short-term borrowings from banks (Euro 53,115 thousand and Euro 38,347 thousand in 2019 and 2018, respectively);
- Euro 6,236 thousand due to other financiers, primarily the interest accrued on the bond notes (Euro 2,403 thousand and Euro 1,866 thousand in 2019 and 2018, respectively);

- short-term lease liabilities of Euro 4,662 thousand regarding IFRS 16 application. More information is provided in the description of the Group's accounting policies.

The following table presents the maturities of the financial payables, which are classified as either current financial liabilities or non-current financial liabilities.

| Borrowings maturity | Within 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| Credit lines used | 9,333 | — | — | — | **9,333** |
| Loans | 55,257 | 28,053 | 24,214 | — | **107,524** |
| Financial liabilities as under IFRS 16 | 4,662 | 5,538 | 3,947 | 965 | **15,112** |
| Other financiers | 1,227 | 252,376 | 25,779 | — | **279,382** |
| **12/31/2020** | **70,479** | **285,967** | **53,940** | **965** | **411,350** |

No instruments to hedge against currency risk were in place for the periods in question.

## 18. CURRENT PROVISIONS

The table below presents the most significant changes of the year and of the previous year:

| Current funds | Other funds | Returns Reserve | Warranty provision | Total Other funds |
|---|---|---|---|---|
| **12/31/2017** | **418** | **—** | **—** | **418** |
| Adjustment for IFRS15 adoption | — | 10,164 | 2,895 | 13,059 |
| Allowances | 147 | 11,435 | 3,187 | 14,769 |
| Use / reversal | (235) | (10,164) | (2,895) | (13,294) |
| Translation difference | — | 199 | 11 | 210 |
| Other changes | — | — | — | — |
| **12/31/2018** | **330** | **11,634** | **3,198** | **15,162** |
| Allowances | 89 | 767 | 1,386 | 2,243 |
| Use / reversal | (69) | (618) | (644) | (1,330) |
| Translation difference | — | 164 | 23 | 187 |
| Other changes | 17 | — | — | 17 |
| **12/31/2019** | **368** | **11,947** | **3,964** | **16,278** |
| Allowances | 199 | 1,815 | 417 | 2,432 |
| Use / reversal | (332) | (1,389) | (1,730) | (3,450) |
| Translation difference | (3) | (799) | (418) | (1,219) |
| **12/31/2020** | **233** | **11,574** | **2,233** | **14,041** |

The other provisions refer to potential risks originating mainly from legal obligations. In accordance with IFRS 15, the returns provision and product warranty provision are recognized by reference to the future sales and/or qualitative returns expected to be received from customers based on the available contractual information and past statistics.

As specified in the note on investments in associates, the current provisions recognized as of December 31, 2020 also include Euro 17,578 thousand negative consolidation difference resulting from using the equity method for Thélios S.p.A.

## 19. OTHER CURRENT LIABILITIES

Below are the details of the other current liabilities:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **As of December 31,** | | |
| | **2020** | **2019** | **2018** |
| Payables to personnel and others | 17,995 | 27,533 | 29,737 |
| Payables to Shareholders for dividend | 1,107 | 1,107 | 1,110 |
| **Total other current liabilities** | **19,102** | **28,640** | **30,847** |

Other current liabilities consist primarily of amounts due to personnel and the related social security contributions.

The dividends due to Shareholders include the Euro 1,107 thousand residual amount due to 3 Cime S.p.A., as per the Euro 25,900 thousand dividend distribution approved with a General Meeting resolution on February 10, 2017.

The decrease in the portion due to personnel derives largely from greater use of vacation days and leaves of absence, as shown in the corresponding payable for 2020, in accordance with the government guidelines implemented to reduce the spread of the Covid-19 pandemic.

## 20. COMMITMENTS AND GUARANTEES

***Guarantees associated with the bond issue***

With a notarial deed dated January 31, 2017, the Board of Directors passed a resolution to issue non-convertible senior-secured notes; with a determination deed drawn up by a specifically designated director on February 3, 2017, and in implementation of the Board of Directors' mandate of January 31, 2017, the terms and conditions for the issuance of notes of nominal euro 250,000,000 were established.

The notes are secured by collateral provided by Marcolin S.p.A (the "Issuer") and by some subsidiaries of the Issuer for the exact amount of payment obligations assumed by the Issuer with the bondholders:

- a pledge over the shares of the Issuer representing 100% (one hundred percent) of share capital;
- an assignment of the Issuer's receivables under the intercompany loans due from the following companies: Marcolin Nordic AB (February 12, 2015 loan agreement) and Marcolin U.S.A. Eyewear Corp. (December 3, 2013 loan agreement) (Intercompany Loan Agreement, which originally also included the loan to Marcolin International B.V., subsequently extinguished when such company was absorbed by Marcolin S.p.A., effective for legal purposes on December 31, 2017);
- a pledge over all Marcolin (UK) Limited shares owned by the Issuer;
- a pledge over all Marcolin France S.a.s. shares owned by the Issuer;
- a pledge over all Marcolin (Deutschland) Gmbh shares owned by the Issuer;
- a pledge over all the Marcolin U.S.A. Eyewear Corp. shares owned by the Issuer.;
- a pledge and security agreement from Marcolin U.S.A. Eyewear Corp. over its material assets.

The guarantees extend to the 2017 super senior revolving credit facility and to the loan guaranteed by SACE S.p.A. from 2020. These two are also assisted by a special lien of Marcolin S.p.A. on a set of assets put up as collateral, including equipment, existing works, concessions and capital goods.

***Licenses***

The Group has contracts in effect to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses.

Those contracts require payment of guaranteed minimum royalties over the duration of the contracts; at December 31, 2020 these future commitments amounted to Euro 305,815 thousand (euro 373,487 thousand in 2019 and Euro in 353,890 thousand in 2018), including euro 65,439 thousand falling due within the next year.

| Guaranteed minimum Royalties due | 12/31/2020 | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| Within one year | 65,439 | 72,805 | 67,571 |
| In one to five years | 240,376 | 291,609 | 248,367 |
| After five years | — | 9,074 | 37,952 |
| **Total** | **305,815** | **373,487** | **353,890** |

The Group also has guarantees for third parties of Euro 2,237 thousand as of December 31, 2020 (Euro 1,798 thousand as of December 31, 2019 and Euro 213 thousand as of December 31, 2018).

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 21. REVENUE

The following table sets forth net sales revenue by geographical area:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **Year ended December, 31** | | |
| | **2020** | **2019** | **2018** |
| *Italy* | 24,568 | 35,033 | 34,204 |
| *Rest of Europe* | 131,872 | 169,239 | 161,171 |
| Europe | 156,440 | 204,271 | 195,375 |
| Americas | 143,540 | 202,144 | 197,466 |
| Asia | 12,863 | 34,783 | 36,372 |
| Rest of World | 27,135 | 45,472 | 53,006 |
| **Total** | **339,978** | **486,670** | **482,219** |

### 22. COST OF SALES

The following table shows a detailed breakdown of the cost of sales:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **Year ended December, 31** | | |
| | **2020** | **2019** | **2018** |
| Cost of product | 138,521 | 188,559 | 190,471 |
| Cost of personnel | 9,561 | 12,011 | 11,490 |
| Amortization, depreciation and writedowns | 3,899 | 3,714 | 3,482 |
| Other costs | 3,561 | 3,178 | 1,784 |
| **Total** | **155,543** | **207,464** | **207,227** |

The other expenses refer principally to purchasing charges (transport and customs) and business consulting services.

## 23. DISTRIBUTION AND MARKETING EXPENSES

Below is a detailed breakdown of distribution and marketing expenses:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **Year ended December, 31** | | |
| | **2020** | **2019** | **2018** |
| Cost of personnel | 47,841 | 59,020 | 55,636 |
| Commissions | 23,355 | 29,313 | 29,511 |
| Amortization, depreciation and writedowns | 19,500 | 16,549 | 11,272 |
| Royalties | 37,300 | 60,613 | 59,394 |
| Advertising and PR | 18,229 | 33,646 | 33,568 |
| Other costs | 20,860 | 29,207 | 32,143 |
| **Total** | **167,085** | **228,349** | **221,524** |

With respect to advertising and public relations (“PR”) expenses, such advertising and marketing expenditure continued to promote the brands managed, including both licensed and house brands; as a percentage of net sales, the expenditure remained consistent with that of the previous year.

Other costs include mainly business expenses such as shipping costs on sales, marketing expenses incurred for the sales network, services regarding the sales area, rent expense, travel expenses, telephone expenses, insurance costs and entertainment expenses.

## 24. GENERAL AND ADMINISTRATION EXPENSES

The general and administrative expenses are set forth below:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **Year ended December, 31** | | |
| | **2020** | **2019** | **2018** |
| Cost of personnel | 14,242 | 19,311 | 16,045 |
| Writedown of receivables | 5,154 | 2,928 | 3,020 |
| Amortization, depreciation and writedowns | 4,123 | 4,843 | 4,307 |
| Other costs | 15,294 | 16,927 | 16,430 |
| **Total** | **38,813** | **44,009** | **39,803** |

The other costs include the compensation of directors, statutory auditors, the independent auditing firm and other external professionals; general and administrative services, information technology expenses, general and administrative consulting services, telephone expenses, insurance costs, travel expenses, rent expense, rentals and other sundry expenses.

The increase in the 2019 cost of personnel is attributable mainly to non-recurring costs referring to the Board of Directors’ succession plans.

## 25. EMPLOYEES

The end-of-period and average numbers of employees of the various Group companies (including the work force on temporary contracts) are broken down below:

| **Employees Category** | **Final number** | | | **Average number** | | |
|---|---|---|---|---|---|---|
| | **12/31/2020** | **12/31/2019** | **12/31/2018** | **2020** | **2019** | **2018** |
| Managers | 71 | 74 | 118 | 76 | 96 | 102 |
| Staff | 989 | 1,059 | 1,066 | 1,023 | 1,058 | 1,060 |
| Manual workers | 663 | 745 | 766 | 678 | 748 | 786 |
| **Total** | **1,723** | **1,878** | **1,950** | **1,777** | **1,902** | **1,948** |

## 26. OTHER OPERATING INCOME AND EXPENSES

The operating income and expenses are set forth below:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **Year ended December, 31** | | |
| | **2020** | **2019** | **2018** |
| Other income | 3,643 | 12,898 | 15,366 |
| Other expenses | (9,451) | (219) | (148) |
| **Total** | **(5,808)** | **12,679** | **15,217** |

The item consists mainly of various amounts charged back to third parties, contingent gains and losses, and insurance compensation.

## 27. SHARE OF PROFITS/(LOSSES) OF ASSOCIATES

The item corresponds to the effect of consolidation using the equity method of the interest in Thélios S.p.A. and its subsidiaries. Additional information is provided in Note 3 on investments in associates.

## 28. FINANCIAL INCOME AND COSTS

The details for financial income and costs are presented below:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **Year ended December, 31** | | |
| | **2020** | **2019** | **2018** |
| Financial income | 11,309 | 14,977 | 8,127 |
| Financial costs | (34,145) | (36,477) | (32,201) |
| **Total** | **(22,836)** | **(21,500)** | **(24,073)** |

The composition of financial income is shown below:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **Year ended December, 31** | | |
| | **2020** | **2019** | **2018** |
| Interest income and others | 918 | 1,039 | 724 |
| Gains on currency exchange | 10,391 | 13,938 | 7,404 |
| **Total** | **11,309** | **14,977** | **8,127** |

The composition of finance costs is shown below:

| | *(in thousands of Euro)* | | |
|---|---|---|---|
| | **Year ended December, 31** | | |
| | **2020** | **2019** | **2018** |
| Interest expense | (20,104) | (19,095) | (17,907) |
| Losses on currency exchange | (14,041) | (17,382) | (14,294) |
| **Total** | **(34,145)** | **(36,477)** | **(32,201)** |

Financial income and costs result in net costs of Euro 22,836 thousand, compared with net costs of Euro 21,500 thousand for 2019 and with net costs of Euro 24,073 thousand for 2018.

Net finance costs are the balance between income of Euro 11,309 thousand (Euro 14,977 thousand and Euro 8,127 thousand in 2019 and 2018, respectively) and costs of Euro 34,145 thousand (Euro 36,477 thousand and Euro 32,201 thousand in 2019 and 2018, respectively). The components are classifiable in two different categories: financial income and costs, and exchange differences.

The first component consists of:

- interest and other financial income of Euro 918 thousand (Euro 1,039 thousand and Euro 724 thousand in 2019 and 2018, respectively);
- interest expense of Euro 17,893 thousand (Euro 16,500 thousand and 17,907 thousand in 2019 and 2018, respectively) consisting primarily of:
  - interest of Euro 10,484 thousand (Euro 10,313 thousand and Euro 10,313 thousand in 2019 and 2018, respectively) servicing the bond notes issued by Marcolin S.p.A., paid quarterly in February, May, August and November;
  - the reversal to the Income Statement of the transaction costs of the bond issuance and the loan 90% backed by SACE S.p.A., accounted for with the amortized cost method in accordance with IFRS;
  - Euro 7,509 thousand (Euro 4,970 thousand referring to Marcolin S.p.A. and Euro 2,539 thousand referring to subsidiaries) in net finance costs (Euro 7,575 thousand and Euro 6,506 thousand in 2019 and 2018, respectively) regarding to interest expense with other lenders and actualization differences.

With respect to the component of gains and losses on currency exchange, the balance is a net loss of Euro 3,649 thousand for 2020, compared with a net loss of Euro 3,445 thousand for the previous year 2019 (Euro 6,890 thousand for the year 2018). The 2019 loss is attributable primarily to the reclassification to the Income Statement of amounts present in the prior year's Statement of Comprehensive Income relating to a partial waiver of receivables due under the intercompany loan granted by Marcolin S.p.A. to Marcolin USA Eyewear Corp., as described previously herein. In accordance with IAS 21, since November 18, 2016 the translation adjustment to the loan denominated in U.S. dollars from Marcolin S.p.A. to Marcolin USA Eyewear Corp. has been recognized in an equity reserve because it is classifiable as a quasi-equity loan. The partial waiver in October 2019 resulted in a reclassification of the equity reserve to the Income Statement. Additional information is available in Note 12 on equity.

There were no currency hedges (on purchases and sales) in place as at December 31, 2020

## 29. INCOME TAXES

The details for income taxes are presented below:

| | *(in thousands of Euro)* For the year ended December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Current taxes | (275) | (1,687) | (2,922) |
| Deferred taxes | 7,889 | 3,607 | 5,971 |
| Income/(Expenses) from Tax Consolidation | 3,363 | (621) | (70) |
| Taxes relating to prior year | 148 | (975) | 394 |
| **Total income tax expense** | **11,125** | **324** | **3,372** |

Concerning Marcolin S.p.A., tax consolidation income/(loss) is recognized referring entirely to the Parent Company's IRES credit due from 3 Cime S.p.A. under the tax consolidation agreement with the ultimate parent company. Additional information is contained in the section on Italian tax consolidation at the beginning of these notes.

The current tax burden was determined on the basis of the taxable income of each company, taking into account the use of any accumulated tax losses and applying the tax rules and tax rates in force in each country.

The income taxes for the year are reconciled with the theoretical tax burden in the following table:

*(in thousands of Euro)*

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| **Results before tax** | **(68,136)** | **(15,150)** | **(4,202)** |
| Theoretical taxes | 16,352 | 3,636 | 1,009 |
| Impact of foreign tax rate different from italian tax rate | (1,054) | (267) | 1,199 |
| IRAP and other | 1,108 | 519 | (638) |
| Higher taxes due to non-deductible costs | (6,248) | (3,838) | (3,421) |
| Lower taxes for non-taxable income | 669 | 817 | 1,334 |
| Taxes relating to prior year | 205 | (975) | 394 |
| Unrecognised deferred tax assets on tax losses | (311) | 114 | (36) |
| Use of accumulated tax losses unrecognised deferred assets in previous year | 63 | 121 | 166 |
| Impact of tax change rates on taxes | — | — | — |
| Activation of deferred tax assets unrecognised previous years | 265 | 575 | 2,894 |
| Other | 77 | (378) | 471 |
| **Total income tax expense** | **11,125** | **324** | **3,372** |

Deferred taxes and the changes therein are presented in the following tables:

*(in thousands of Euro)*

| | **Temporary differences 12/31/2020** | **Tax on temporary differences 12/31/2020** | **Temporary differences 12/31/2019** | **Tax on temporary differences 12/31/2019** | **Temporary differences 12/31/2018** | **Tax on temporary differences 12/31/2018** |
|---|---|---|---|---|---|---|
| Accumulated tax losses | 54,162 | 13,228 | 48,044 | 11,440 | 57,284 | 13,518 |
| Grants and compensation deductible on a cash basis | 10,763 | 2,682 | 4,747 | 1,263 | 14,710 | 3,842 |
| Non-deductible financial interest | 40,909 | 8,897 | 36,233 | 9,483 | 21,776 | 5,485 |
| Inventory provisions | 33,624 | 8,542 | 26,685 | 6,871 | 26,409 | 6,716 |
| Provision for return risks | 1,415 | 405 | 1,659 | 473 | 7,368 | 1,930 |
| Intangible assets subject to taxation | 2,661 | 714 | 3,717 | 990 | 4,688 | 1,228 |
| Taxed provision for doubtful debts | 8,709 | 2,348 | 7,363 | 2,027 | 7,827 | 2,338 |
| Unrealized currency exchange differences | 3,633 | 1,117 | 3,407 | 1,100 | 3,268 | 1,062 |
| Non-deductible temporary amortization | 2,174 | 640 | 2,120 | 640 | 1,933 | 593 |
| Supplementary client indemnity provision | 319 | 89 | 372 | 104 | 638 | 178 |
| Other | 15,519 | 5,333 | 14,855 | 3,617 | 4,381 | 1,239 |
| Provisions for risks and charges | 9,240 | 2474 | 9872 | 2,628 | 3,172 | 831 |
| Intercompany profit | 7,213 | 2069 | 9719 | 2527 | 8,966 | 2,959 |
| **Total deferred tax assets** | **190,340** | **48,539** | **168,793** | **43,163** | **162,419** | **41,916** |

*(in thousands of Euro)*

| | **Temporary differences 12/31/2020** | **Tax on temporary differences 12/31/2020** | **Temporary differences 12/31/2019** | **Tax on temporary differences 12/31/2019** | **Temporary differences 12/31/2018** | **Tax on temporary differences 12/31/2018** |
|---|---|---|---|---|---|---|
| Unrealized currency exchange differences | (8,535) | (1,903) | (11,242) | (2,720) | (18,036) | (4,351) |
| Property, plant and equipment and intangible assets | (1,432) | (399) | (1,729) | (482) | (8,516) | (1,862) |
| Equity-method accounting of JV and other equity investments | (17) | (5) | (1,576) | (333) | — | — |
| Finance costs deducted on a cash basis | (2,095) | (503) | (3,386) | (813) | (4,598) | (1,104) |
| Other | (8,774) | (2,032) | (9,191) | (2,459) | (2,073) | (551) |
| Actuarial gain/ losses on TFR under IAS | (6) | (2) | (8) | (2) | (87) | (21) |
| **Total deferred tax assets** | **(20,860)** | **(4,842)** | **(27,132)** | **(6,808)** | **(33,310)** | **(7,889)** |
| **Total deferred tax assets/ liabilities** | **169,480** | **43,697** | **141,662** | **36,356** | **129,109** | **34,028** |

With reference to the year 2020, the difference compared with the prior year in the balance of deferred tax assets and liabilities in the Statement of Financial Position, Euro 7,341 thousand, diverges from the balance of Euro 7,889 thousand shown in the Income Statement for the following reasons:

- Deferred tax recognition on amounts accounted for in equity totaling Euro 1,871 thousand;
- Euro 477 thousand adjustment to deferred taxes pursuant to the preparation of the tax return in 2020, whose Income Statement component is classified as "taxes regarding prior periods;
- Adjustment deriving from the translation into euros of the accounts of Group companies whose functional currency differs from the euro.

The Group companies' tax losses are Euro 3.3 million for which, out of prudence, deferred tax assets were not recognized. Based on the tax rates of the various companies involved, such deferred tax assets would amount to Euro 0.9 million.

With reference to the year 2019,the difference compared with the prior year in the balance of deferred tax assets and liabilities in the Statement of Financial Position, Euro 2,328 thousand, differs from the balance of Euro 3,607 thousand shown in the Income Statement due to the following reasons:

- Deferred tax recognition on amounts accounted for in equity totaling Euro 1,233 thousand;
- Euro 397 thousand adjustment to deferred taxes pursuant to the preparation of the tax return in 2019, whose Income Statement component is classified as "taxes regarding prior periods";
- Euro -350 thousand adjustment deriving from the translation into euros of the accounts of Group companies whose functional currency differs from the euro.

The Group companies' tax losses are Euro 3.7 million for which, out of prudence, deferred tax assets were not recognized. Based on the tax rates of the various companies involved, such deferred tax assets would amount to Euro 0.9 million.

With reference to the year 2018, the difference compared with the prior year in the balance of deferred tax assets and liabilities in the Statement of Financial Position, euro 4,679 thousand, differs from the balance of euro 5,971 thousand shown in the Income Statement due to the following reasons:

- Recognition of deferred taxes on amounts accounted for in equity totaling euro 610 thousand, including Euro -597 thousand for IFRS 9 adoption;
- Euro 1,357 thousand adjustment to deferred taxes pursuant to the preparation of the tax return in 2018, whose Income Statement component is classified as "taxes regarding prior periods";
- Euro -675 thousand adjustment deriving from the translation into euros of the accounts of Group companies whose functional currency differs from the euro.

The Group companies' tax losses are Euro 4.7 million for which, out of prudence, deferred tax assets were not recognized. Based on the tax rates of the various companies involved, such deferred tax assets would amount to Euro 1.2 million.

## DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED-PARTY TRANSACTIONS

The information with respect to atypical and unusual transactions and transactions with related parties is disclosed in this section.

### *Significant non-recurring events and transactions*

Significant non-recurring events and transactions that impacted the Group's financial position, financial performance and cash flows in 2020, 2019 and 2018 regard some non-recurring costs, described in detail in the Report on Operations.

### *Atypical and unusual transactions*

There were no atypical and/or unusual transactions, including with other Group companies, nor were there any transactions outside the scope of the ordinary business activity that could significantly impact the financial position, financial performance or cash flows of the Group.

***Transactions with related parties with and equity-accounted associates***

In addition to the transactions between the consolidated companies, during the year transactions took place with the equity-accounted associates and other related parties.

Related-party transactions were of a trade nature, conducted on an arm's length basis, and regarded licensing agreements in particular.

The transactions and outstanding balances with respect to related parties as at December 31, 2020, 2019 and 2018, are shown below, as required by IAS 24:

*(in thousands of Euro)*

| Company | Expenses | Revenues | Payables | Receivables | Type |
|---|---|---|---|---|---|
| **Other related parties** | | | | | |
| Pai Partners Sas | 40 | — | 109 | — | Related party |
| Family Coffen Marcolin | 487 | — | 95 | — | Related party |
| 3 Cime S.p.A. | 779 | — | 25,779 | 10,833 | Consolidating |
| Thélios Group | 2,975 | 3,081 | 4,804 | 19,875 | Associates |
| **Total** | **4,280** | **3,081** | **30,787** | **30,707** | |

*(in thousands of Euro)*

| Company | Expenses | Revenues | Payables | Receivables | Type |
|---|---|---|---|---|---|
| **Other related parties** | | | | | |
| Pai Partners Sas | 60 | — | 60 | — | Related party |
| Family Coffen Marcolin | 524 | — | 136 | — | Related party |
| 3 Cime S.p.A. | — | — | — | 7,465 | Consolidating |
| Thélios Group | 15,554 | 11,364 | 5,643 | 18,446 | Associates |
| **Total** | **16,138** | **11,364** | **5,840** | **25,911** | |

*(in thousands of Euro)*

| Company | Expenses | Revenues | Payables | Receivables | Type |
|---|---|---|---|---|---|
| **Other related parties** | | | | | |
| Pai Partners Sas | 60 | — | 60 | — | Related party |
| Family Coffen Marcolin | 603 | — | 218 | — | Related party |
| 3 Cime S.p.A. | — | — | — | 7,038 | Consolidating |
| Thélios S.p.A. | 13,847 | 19,809 | 6,983 | 20,639 | Associates |
| **Total** | **14,510** | **19,809** | **7,261** | **27,677** | |

All related-party transactions are carried out at arm's length.

The remuneration of the Group's Directors, Statutory Auditors and Key Management Personnel ("Others") is reported below:

| | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| | Board of Directors | Statutory Auditors | Board of Directors | Statutory Auditors | Board of Directors | Statutory Auditors |
| Base fee | 215 | 100 | 255 | 100 | 255 | 100 |
| Salaries and benefits | 629 | — | 936 | — | 1,135 | — |
| **Total** | **844** | **100** | **1,191** | **100** | **1,390** | **100** |

During the periods in question other amounts were paid to the Board of Directors, as described in Note 24 on "general and administration expenses".

***Other information pursuant to Italian Civil Code Article 2427, point 16 bis***

The following table presents the fees of the auditing firm, PricewaterhouseCoopers S.p.A., for audit services performed by that firm, as required under Italian Civil Code Article 2427, point 16 bis:

| *(in thousands of Euro)* | 2020 | 2019 | 2018 |
|---|---|---|---|
| Audit for Marcolin S.p.A. | 110 | 76 | 70 |
| Audit for other subsidiaries | 60 | 105 | 105 |
| Other services for Marcolin S.p.A. not for Audit | 31 | 29 | 15 |
| **Total** | **201** | **210** | **190** |

***Government grants***

The 2017 annual law for market and competition required disclosure in the notes to the financial statements of grants, subsidies, paid engagements and all financial benefits in general received from public entities and companies controlled by public entities (Law n. 124 of August 4, 2017 – Article 1, paragraphs 125 to 129 – hereinafter "Law 124/2017"). Mandatory disclosure is effective from 2019 regarding all financial benefits received from January 1, 2018. The related information for Marcolin S.p.A., presented on a cash basis, is set out below.

*Super-deprecation benefit*

For the periods under review, Marcolin S.p.A. incurred costs for investments in new capital goods for which it benefited from "superammortamento", i.e. extra depreciation under Law 208/2015, Article 1, paragraph 91 and subsequent extensions. The related benefit was included in the tax return filed in 2020 in an amount of Euro 604.150 (Euro 665,197 in 2019 and Euro 448,576 in 2018).

*Hyper-depreciation benefit*

For the periods under review, Marcolin S.p.A. incurred costs for investments in new capital goods for which it benefited from "iperammortamento", i.e. extra deprecation under Law 232/2016, Article 1, paragraphs 8 to 11 and subsequent extensions. The related benefit was included in the tax return filed in 2020 in an amount of Euro 290,689 (Euro 290,639 in 2019).

*New tax credit for purchases of capital goods*

The 2020 Budget Law (Law 160/2019, Article 1, paragraphs 184-197) fully replaced the super/hyper-depreciation regulations with those regarding a new tax credit available for investments in new capital goods.

The new tax credit applies to investments made from January 1, 2020 to December 31, 2020, or to June 30, 2021 if by the end of 2020 the relevant order has been accepted by the seller and an advance payment corresponding to at least 20% of the purchase price has been received. After the approval of the 2021 Budget Law, the regulations for such credit were amended in part to envision, for orders issued from November 16, 2020, different rates and the possibility to include intangible assets as well.

During 2020 Marcolin S.p.A. incurred eligible expenses of Euro 1,759,768, which generated a tax credit of Euro 132,983.

*Personal protective equipment (PPE)*

Article 125 of Law Decree 34/2020 (the "Relaunch Decree") introduced tax incentives for taxpayers that, during the Covid-19 epidemiological emergency, adapted their work environment with sanitization measures and purchases of personal protective equipment.

During 2020 Marcolin S.p.A. incurred eligible expenses of Euro 113,250, for which it obtained a tax credit of Euro 28,297.

*"Industria 2015" – New Technologies for Made in Italy, from the District to the Production Line: Eyewear and manufacturing innovation*

In 2010, the research, development and innovation project "Industria 2015" – New Technologies for Made in Italy, from the District to the Production Line: Eyewear and manufacturing innovation, Objective B Area, Project Number MI00153 was launched. The purpose of the project was to create a platform for supply chain integration that operates on the technical and operational aspects of the companies, which should encourage the competitive and technological development of Italian eyewear business systems. The platform should enable marketing and supply chain events to be communicated quickly to the entire production process, and any critical issues leading to changes in supply chain planning to be made visible rapidly to all interested parties. The platform will also create interactive communications between the various parties in the supply chain.

Under Ministry of Economic Development Decree n. 00098MI01 dated December 21, 2013, expenses of Euro 13,747,949 and total facilities of euro 4,247,627 were granted. Marcolin S.p.A.'s investment is Euro 849,686.49 with a total contribution to expenses of euro 182,790.90, as budgeted. In 2016 the Company received Euro 25,108.85 of the grant.

*Optional tax incentive regime for income deriving from the use of intellectual property*

In 2015 the Company filed an application with the Italian Revenue Agency for the assessment of tax benefits available under the Ministerial decree of July 30, 2015 regarding the optional tax incentive regime for income deriving from the use of intellectual property, patents, trademarks, industrial designs and models as well as processes, formulas and trade secrets obtained in legally protected industrial, business or scientific fields. Following the necessary preliminary activities, on July 31, 2018 an agreement was stipulated with the Italian Revenue Agency. This resulted in a direct tax benefit that was included in the tax return presented in 2020 in an amount of euro 2,988,502 (Euro 0.3 million in 2019 and Euro 4.3 million in 2018). The benefit was determined through the identification, gathering and processing of financial information directly attributable to certain brands that are part of the Company's portfolio.

*R&D credit*

Marcolin S.p.A. incurred expenditure for research and development (R&D) activities in 2015 and subsequent years. During 2020 the activities to determine and validate the R&D credit regarding the costs incurred in the 2015 tax period were completed and the related supplementary return was filed, after which a credit of Euro 93,392 was recognized.

*Exemption from INPS contributions on new employees*

In 2020 Marcolin used the following exemption from INPS contributions:

- Relief for hiring individuals under the age of 35 (GECO) with their first open-ended contract, in an amount of Euro 9,294 (Euro 90,676 in 2019).

*Investment bonus*

In 2019 the Company offset tax liabilities with Euro 52 thousand, through Form F24, constituting the third of three installments granted as a benefit under Decree-Law 91/2014 totaling Euro 155 thousand referring to investments made in 2015.

In 2018 the Company offset tax liabilities with Euro 8 thousand, through Form F24, constituting the last of three installments granted as a benefit under Decree-Law 91/2014 totaling euro 25 thousand referring to investments made in 2014.

*Other grants*

Marcolin received Euro 19,380 from the Ministry of Economic Development as the balance of the grant issued with Concession Decree 477 of June 26, 2003 regarding the facility for technological innovation under the A16/0205/0 program (for making innovative ski goggles).

***Subsequent events***

Between December 31, 2020 and the date of approval of the Consolidated Financial Statements, no events occurred that could have material effects on the financial results reported (IAS 10). Business has performed very well in the initial months of 2021, and sales in particular have experienced strong recovery in the Group's key markets.

No other significant events took place after the end of 2020.

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