



Shiba BidCo S.p.A.

€550.0 million 4.500% Senior Secured Notes due 2028

Shiba BidCo S.p.A. (the “**Issuer**”), a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy (“**Italy**”), is offering €550.0 million aggregate principal amount of its 4.500% Senior Secured Notes due 2028 (the “**Notes**”). The proceeds of the offering of the Notes (the “**Offering**”) will be used in connection with the financing for the proposed acquisition by the Issuer of the entire issued share capital of Noah 2 S.p.A. (the “**Target**”) and, together with Arcaplanet (as defined herein), the “**Target Group**”) from Permira and Winch (each, as defined herein) (the “**Arcaplanet Acquisition**”). The Arcaplanet Acquisition is expected to close concurrently with, or shortly after (i) an acquisition by Topco (as defined herein) of the entire issued share capital of Maxi Zoo Italia S.p.A. (“**Maxi Zoo**”), a joint stock company (*società per azioni*) incorporated under the laws of Italy, from Fressnapf Beteiligungs GmbH (“**Fressnapf**”) in exchange of an issuance of certain new shares by Topco to Fressnapf (the “**Maxi Zoo Acquisition**”); and (ii) subsequent contributions of Maxi Zoo by (a) Topco to Midco (as defined herein) and (b) by Midco to the Issuer (all such transactions, collectively, the “**Maxi Zoo Contribution**”). See “**Summary—The Transactions**” and “**Summary—Summary Corporate and Financing Structure**.”

The Notes will bear interest at a rate of 4.500% per annum. The Issuer will pay interest on the Notes semi-annually in arrears on each of 30 April and 31 October, commencing on 30 April, 2022. All or a portion of the Notes may be redeemed at any time prior to October 31, 2024, at a redemption price equal to 100% of the principal amount of the Notes redeemed *plus* accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date *plus* a “make-whole” premium, as described in these listing particulars (the “**offering memorandum**”). Prior to October 31, 2024, the Issuer may during each twelve month period following the Issue Date (as defined herein) redeem up to 10% of the aggregate principal amount of Notes (including any additional Notes) at a redemption price equal to 103% of the principal amount thereof *plus* accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date. At any time prior to October 31, 2024, up to 40% of the aggregate principal amount of the Notes may be redeemed with the net proceeds of one or more specified equity offerings at a redemption price equal to 104.500% of the principal amount of the Notes redeemed, *plus* accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, provided that at least 50% of the original aggregate principal amount of the Notes remains outstanding after the redemption (unless all Notes are redeemed substantially concurrently). The Notes may be redeemed at any time on or after October 31, 2024, at the redemption prices set forth in this offering memorandum. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, *plus* accrued and unpaid interest and additional amounts, if any. However, a change of control will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event. In addition, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. See “**Description of the Notes**.”

Concurrently with the closing of the Offering, and pending consummation of the Arcaplanet Acquisition, the Initial Purchasers (as defined herein) will deposit the gross proceeds of the Notes into an escrow account (the “**Escrow Account**”) held in the name of, and controlled by, the Escrow Agent (as defined herein). On the Issue Date (as defined herein), the Issuer will grant a first-priority security interest in its beneficial interest in the Escrow Account and the Escrowed Property (as defined herein) in favor of the Trustee (as defined herein) and for the benefit of the holders of the Notes. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including that the funds required to pay the consideration for the Arcaplanet Acquisition will be applied promptly (and in any event within three business days). The consummation of the Arcaplanet Acquisition is subject to the satisfaction of certain conditions, including, among others, certain regulatory approvals and the performance of certain closing actions. If the conditions to the release of the escrow proceeds have not been satisfied on or prior to the Escrow Longstop Date (as defined herein) or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of the Notes will be equal to 100% of the aggregate issue price of the Notes, *plus* accrued and unpaid interest and additional amounts, if any, to, but excluding such special mandatory redemption date.

The Notes will be senior obligations of the Issuer and will rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes. The Notes will not be guaranteed on the Issue Date. Within 150 days from (and excluding) the Arcaplanet Acquisition Closing Date (as defined herein) and substantially simultaneously with the guarantees granted in favor of obligations under the Original Revolving Facility (as defined herein), subject to the Agreed Security Principles (as defined herein) and customary guarantee limitations, the Notes are expected to be guaranteed by the Guarantors (as defined herein) on a senior basis; *provided that* Maxi Zoo will only guarantee the Notes if the Maxi Zoo Contribution occurs on or prior to the Arcaplanet Acquisition Closing Date (as defined herein). See “**The Offering—Guarantors**,” “**Risk Factors—Risks Related to the Transactions—The Maxi Zoo Acquisition is subject to certain conditions**” and “**Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations**.” Within approximately 15 months of the Arcaplanet Acquisition Closing Date, we intend to merge the Issuer, the Target and Maxi Zoo into Agrifarma S.p.A. (“**Agrifarma**”), with Agrifarma being the ultimate surviving entity, pursuant to Article 2501-bis of the Italian Civil Code (such transactions, “**Post Closing Mergers**”). On the Issue Date, the Notes will be secured by (i) a first-priority security interest in the Issuer’s beneficial interest in the Escrow Account and the Escrowed Property; and (ii) subject to the Agreed Security Principles, by first-priority security interests in the Issue Date Collateral (as defined herein). Within 30 days and 150 days from (and excluding) the Arcaplanet Acquisition Closing Date, subject to the Agreed Security Principles and substantially simultaneously with the obligations under the Original Revolving Facility, the Notes will be secured by the Post Closing Collateral (as defined herein and together with the Issue Date Collateral, the “**Collateral**”). The Collateral will also secure, on a first-priority basis, the Note Guarantees (as defined herein), once provided. Under the terms of the Intercreditor Agreement, in the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from such collateral only after lenders under the Original Revolving Facility and counterparties to certain hedging agreements have been repaid in full. In addition, following the Post Closing Mergers, and to the extent applicable, certain security interests in the Collateral may be released and certain other security interests in the Collateral may be confirmed, extended and/or granted (as applicable) in accordance with the covenants described under “**Description of the Notes—Certain Covenants—Impairment of Security Interests**.” Any Note Guarantees and the security interests in the Collateral may be released under certain other circumstances and any Note Guarantees and the Collateral will be subject to legal and contractual limitations. See “**Risk Factors—Risks Related to the Notes, the Note Guarantees and the Collateral**,” “**Description of Certain Financing Arrangements—Intercreditor Agreement**,” “**Description of the Notes—Security**” and “**Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations**.”

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

There is currently no public market for the Notes. Application will be made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange (the “**Exchange**”) and admitted to trading on the Euro MTF Market thereof. This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019. There is no assurance that the Notes will remain listed and admitted to trading on the Euro MTF Market of the Exchange.

Investing in the Notes involves a high degree of risk. See “**Risk Factors**” beginning on page 63 of this offering memorandum.

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

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

This offering memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in any jurisdiction where such offer or solicitation is unlawful. The Notes and the Note Guarantees (collectively, the “**Securities**”) have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or the securities laws of any state of the United States or any other jurisdiction, and therefore may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act (“**Regulation S**”)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state or local securities laws or laws of other jurisdictions. The Securities are being offered and sold in the United States only to qualified institutional buyers (“**QIBs**”) in reliance on Rule 144A under the U.S. Securities Act (“**Rule 144A**”), and to certain persons who are not U.S. persons purchasing the Securities in offshore transactions outside the United States in reliance on Regulation S other than to retail investors in the European Economic Area (the “**EEA**”) or the United Kingdom of Great Britain and Northern Ireland (the “**United Kingdom**”). For these purposes, (1) a “retail investor” in relation to the EEA is a person in the EEA who is one (or more) of the following: (a) retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (b) a customer within the meaning of Directive 2016/97/EU (as amended or superseded, 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 (2) a “retail investor” in relation to the United Kingdom is a person who is one (or more) of: (x) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (y) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (“**FSMA**”) and any rules or regulations made under the FSMA to implement Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA (“**UK MiFIR**”). Prospective purchasers that are QIBs are hereby notified that the seller of the Securities may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The Notes are not transferable except in accordance with the restrictions described under “**Transfer Restrictions**.”

Sole Global Coordinator and Joint Bookrunner

Deutsche Bank

Joint Bookrunners

BofA Securities

Crédit Agricole
CIB

IMI—Intesa
Sanpaolo

Mizuho
Securities

Nomura

Société
Générale

UniCredit

The date of these listing particulars is October 21, 2021.

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IMPORTANT INFORMATION FOR INVESTORS

We accept responsibility for the information contained in this offering memorandum and, to the best of our knowledge (having taken reasonable care to ensure that such is the case), the information is true and accurate in all material respects and contains no omission likely to affect the import of such information. As used in this offering memorandum, unless the context otherwise requires, references to the “Issuer” are to Shiba BidCo S.p.A. and references to “we,” “us,” “our”, and the “Combined Group” are to the Issuer and its consolidated subsidiaries from time to time including, after the Arcaplanet Acquisition Closing Date, both the Target Group and Maxi Zoo.

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

You should rely only on the information contained in this offering memorandum. We have not, and BofA Securities Europe SA, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Aktiengesellschaft, Intesa Sanpaolo S.p.A., Mizuho Securities Europe GmbH, Nomura Financial Products Europe GmbH, Société Générale and UniCredit Bank AG (the “**Initial Purchasers**”) have not, authorized anyone to provide you with information that is different from the information contained herein. We are not, and the Initial Purchasers are not, making an offer of the Securities in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum. This offering memorandum is based on information provided by us and other sources believed by us to be reliable. The Initial Purchasers are not responsible for, and are not making any representation or warranty to you concerning, our future performance or the accuracy or completeness of this offering memorandum.

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.

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

In making an investment decision regarding the Securities, you must rely on your own examination of the Issuer, the Combined Group and the terms of the Offering, including the merits and risks involved. You should rely only on the information contained in this offering memorandum. We have not, and the Initial Purchasers have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. By purchasing the Notes, you will be deemed to have acknowledged that you have reviewed this offering memorandum and have had an opportunity to request, and have received all additional information that you need from us. You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, financial condition, results of operations, prospects and the information set forth in this offering memorandum may have changed since that date.

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

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

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

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

Application will be made to the Official List of the Exchange for the Notes to be listed and admitted to trading on the Exchange's Euro MTF Market.

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 therefore may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state or local securities laws or laws of other jurisdictions. The Securities are being offered and sold outside the United States in reliance on Regulation S and within the United States to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that the seller of the Securities to QIBs may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of these and certain other restrictions on offers, sales and transfers of the Securities and the distribution of this offering memorandum, see "*Transfer Restrictions*."

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

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

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

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

STABILIZATION

IN CONNECTION WITH THE OFFERING, DEUTSCHE BANK AKTIENGESELLSCHAFT (THE "STABILIZING MANAGER") (OR AFFILIATES ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT OF THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR AFFILIATES ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZING ACTION. SUCH STABILIZING ACTION MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFERING, AND, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE

ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZING ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR AFFILIATES ACTING ON BEHALF OF THE STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES AND WILL BE UNDERTAKEN AT THE OFFICES OF THE STABILIZING MANAGER (OR AFFILIATES ACTING ON BEHALF OF THE STABILIZING MANAGER) AND ON THE EURO MTF MARKET OF THE EXCHANGE OR THE OVER THE COUNTER MARKET.

NOTICE TO U.S. INVESTORS

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

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

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

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This offering memorandum has been prepared on the basis that all offers of the Securities will be made pursuant to an exemption under the Prospectus Regulation (as defined below) from the requirement to produce a prospectus for offers of the Securities. The expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129 (as amended and superseded).

Prohibition of sales to EEA retail investors

The Securities 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 MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**EU 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 EU PRIIPs Regulation.

MiFID II 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 Securities 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 such Securities to ECPs and professional clients are appropriate. Any person subsequently offering, selling or recommending such Securities (for the purposes of this provision, a “**distributor**”) should

take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels. For the purposes of this provision, the term "manufacturers" shall mean such of the Initial Purchasers (as listed in this offering memorandum) as are subject to the product governance rules under MiFID II.

United Kingdom

This offering memorandum has been prepared on the basis that any offer of Securities in the UK will be made pursuant to an exemption under the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**") and the FSMA from the requirement to publish a prospectus for offers of the Securities.

Prohibition of sales to UK retail investors

The Securities 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 United Kingdom. For these purposes, "retail investor" means a person who is on (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK 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 the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no key information document required by the EU PRIIPs Regulation as it forms part of UK 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 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.

Any distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") (for the purposes of this paragraph, a "**distributor**") subsequently offering, selling or recommending the Securities is responsible for undertaking its own target market assessment in respect of the Securities and determining the appropriate distribution channels. Neither the Issuer nor any of the Initial Purchasers make any representations or warranties as to a distributor's compliance with the UK MiFIR Product Governance Rules.

Italy

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

- (i) to qualified investors (*investitori qualificati*), as defined by Article 2, paragraph (e) of the Prospectus Regulation and any applicable provision of the Italian laws and regulations (including Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended from time to time (the "**Italian Financial Services Act**")); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 100 of the Italian Financial Services Act, Article 34-ter of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time ("**Regulation No. 11971**"), and any other applicable Italian laws and regulations.

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

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No. 20307 of February 15, 2018, as amended ("**Regulation No. 20307**"), Legislative Decree No. 385 of September 1, 1993, as amended (the "**Italian Banking Act**") and any other applicable Italian laws and regulations; and
- (b) in compliance with all relevant Italian securities, tax and exchange control and any other applicable laws

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

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

Grand Duchy of Luxembourg

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

The Securities may not be offered or sold to the public within the territory of the Grand Duchy of Luxembourg unless: (a) the offer is made to “qualified investors” as described in points (1) to (4) of Section I of Annex II to MiFID II, and persons or entities who are, on request, treated as professional clients in accordance with Section II of that Annex, or recognized as eligible counterparties in accordance with Article 30 of MiFID II, unless they have entered into an agreement to be treated as non-professional clients in accordance with the fourth paragraph of Section I of that Annex; or; (b) the offer of the Securities benefits from an exemption from, or constitutes a transaction not subject to, the requirement to publish a prospectus pursuant to the Luxembourg law dated July 16, 2019 on prospectuses for securities, which has implemented into Luxembourg law the Prospectus Regulation.

Switzerland

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

CERTAIN DEFINITIONS

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

- “**2018 Agrifarma Financial Statements**” refers to the audited standalone financial statements of Agrifarma as at and for the year ended December 31, 2018 prepared in accordance with Italian GAAP, together with notes thereto;
- “**2019 Agrifarma Financial Statements**” refers to the audited standalone financial statements of Agrifarma as at and for the year ended December 31, 2019 prepared in accordance with Italian GAAP, together with notes thereto;
- “**2020 Agrifarma Financial Statements**” refers to the audited standalone financial statements of Agrifarma as at and for the year ended December 31, 2020 prepared in accordance with Italian GAAP, together with notes thereto;
- “**2020 Maxi Zoo Financial Statements**” refers to the audited standalone financial statements of Maxi Zoo as at and for the year ended December 31, 2020 prepared in accordance with Italian GAAP, together with notes thereto;
- “**Agreed Security Principles**” has the meaning ascribed to such term under “*Description of the Notes*”;
- “**Agrifarma**” refers to Agrifarma S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy under the registration number 01421010487, which is the sole wholly owned direct subsidiary of the Target;
- “**Agrifarma Annual Financial Statements**” refers to, collectively, the 2018 Agrifarma Financial Statements, the 2019 Agrifarma Financial Statements and the 2020 Agrifarma Financial Statements;
- “**Agrifarma Financial Statements**” refers to, collectively, the Agrifarma Annual Financial Statements and the Agrifarma Interim Financial Statements;
- “**Agrifarma Interim Financial Statements**” refers to the interim condensed standalone financial statements of Agrifarma as at and for the six months ended June 30, 2021 prepared in accordance with Italian GAAP, together with notes thereto;
- “**Agrifarma Subsidiaries**” refers to Agrifarma and (i) as at and for the year ended December 31, 2018, its subsidiaries Mondial Pet Distribution and Arcaplanet S.A.; (ii) as at and for the year ended December 31, 2019, its subsidiaries Arcaplanet S.A. and Arcawip S.r.l. and (iii) as at and for the year ended December 31, 2020, its subsidiaries Arcaplanet S.A., Arcawip S.r.l. and First One S.r.l.; for details of revenue, assets and liabilities of each of Arcaplanet S.A., Arcawip S.r.l. and First One S.r.l., see “*Presentation of Financial and Other Information—Historical Financial Information—Historical financial information of Agrifarma*”;
- “**Arcaplanet**” refers to Agrifarma and the Agrifarma Subsidiaries, taken together;
- “**Arcaplanet Acquisition**” refers to the acquisition, directly or indirectly, by the Issuer from Permira and Winch of all of the issued share capital of the Target pursuant to the Arcaplanet Purchase Agreement; see “*The Transactions—Arcaplanet Acquisition*”;
- “**Arcaplanet Acquisition Closing Date**” refers to the date on which the Arcaplanet Acquisition is consummated;
- “**Arcaplanet Purchase Agreement**” refers to the Purchase Agreement dated June 24, 2021 by and among the Sellers and the Issuer relating to the Arcaplanet Acquisition;
- “**Arcaplanet Stores**” refers to the stores part of Arcaplanet’s physical store network from time to time;
- “**Arcaplanet Store Format**” refers to the store layout and format which was first introduced in the Arcaplanet flagship store in Genoa in 2017;
- “**Brand Awareness**” refers to the percentage of respondents that have named “ARCAPLANET” in response to the question “Which chain of specialized stores of food / pet products in the list do you know?”;
- “**Brexit**” refers to the withdrawal of the United Kingdom from the European Union;
- “**CAGR**” refers to compound annual growth rate;
- “**Città degli Animalì**” has the meaning given to such term under “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network*”;

- “**Cinven**” refers to, depending on the context, any of or collectively, Cinven Capital Management (VII) Limited Partnership Incorporated, acting through its general partner Cinven Capital Management (VII) General Partner Limited, Cinven Partners LLP, Cinven Limited, Cinven Holdings Guernsey Limited and Cinven (Luxco 1) S.à r.l and their respective affiliates and, where applicable, the Cinven Funds;
- “**Cinven Funds**” refers to funds managed or advised by Cinven, in each case (whether individually or as a group) including any affiliates (but excluding any portfolio companies and their subsidiary undertakings) of such funds;
- “**Clearstream**” refers to Clearstream Banking S.A. or any successor thereof;
- “**Collateral**” refers to the Issue Date Collateral and the Post Closing Collateral, collectively;
- “**Combined Group**,” “**we**,” “**us**” or “**our**” refers to, as the context requires, the Issuer and its consolidated subsidiaries from time to time, including, after the Arcaplanet Acquisition Closing Date, both the Target Group and Maxi Zoo;
- “**COVID-19**” refers to the infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2);
- “**COVID-19 pandemic**” refers to the global pandemic declared by the World Health Organization in respect to the recent novel strain of coronavirus SARS-CoV-2 and the respiratory disease that it causes;
- “**Decree No. 239**” refers to the Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time);
- “**Decree No. 461**” refers to the Italian Legislative Decree No. 461 of November 21, 1997 (as the same may be amended or supplemented from time to time);
- “**E-commerce Platform**” has the meaning given to such term under “*Business—Arcaplanet—Distribution—E-commerce Platform*”;
- “**EEA**” refers to the European Economic Area;
- “**Equity Commitment Letter**” refers to one or more agreements pursuant to which Midco will be required to fund the Issuer with any funding shortfall, in the event of a special mandatory redemption, as further described in “*Summary—The Transactions—Escrow Account*”;
- “**ERISA**” has the meaning given to such term under “*Certain ERISA Considerations*”;
- “**Escrow Account**” refers to an escrow account, which will be held in the name of, and controlled by, the Escrow Agent, into which the Initial Purchasers will deposit the gross proceeds of the Offering on the Issue Date pursuant to the Escrow Agreement. The Issuer’s beneficial interest in the Escrow Account will be pledged as collateral to secure the Notes. See “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*”;
- “**Escrow Agent**” refers to Lucid Agency Services Limited;
- “**Escrow Agreement**” refers to the escrow agreement dated on or about the Issue Date among the Issuer, the Trustee and the Escrow Agent relating to the deposit of the gross proceeds of the Offering of the Notes in the Escrow Account. “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*”;
- “**Escrow Charge**” refers to the charge over the Issuer’s beneficial interest in the Escrow Account and the Escrowed Property in favor of the Trustee, which will secure the Notes on a first-priority basis as of the Issue Date;
- “**Escrow Longstop Date**” refers to March 31, 2022;
- “**Escrow Release Date**” refers to the date upon which the proceeds from the Offering are released from the Escrow Account to the Issuer (or its respective designee) upon the satisfaction of certain conditions described in the Escrow Agreement;
- “**Escrowed Property**” refers to the initial funds deposited into the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited into the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement);
- “**EU**” refers to the European Union;
- “**euro**,” “**EUR**” and “**€**” refers to the lawful currency of the European Monetary Union of the Treaty Establishing the European Community;

- “**Euroclear**” refers to Euroclear Bank SA/NV or any successor thereof;
- “**Exchange Act**” refers to the U.S. Securities Exchange Act of 1934, as amended;
- “**Exclusive Brands**” has the meaning given to such term under “*Business—Products and Services—Products*”;
- “**Existing UniCredit Facilities**” refers to certain term loan and revolving facilities, available to the Target Group pursuant to the Existing UniCredit Facilities Agreement;
- “**Existing UniCredit Facilities Agreement**” refers to the €135.0 million Facilities Agreement dated April 26, 2016 (as amended and restated on May 13, 2016 and as further amended on April 7, 2017 and December 14, 2017) for Noah 3 S.p.A arranged by certain arrangers named therein, with UniCredit Bank AG, Milan Branch, as agent and security agent, which is described in more detail in “*Description of Certain Financing Arrangements—Existing UniCredit Facilities Agreement*”;
- “**Feederco**” refers to Shiba Feederco Limited, a private limited company incorporated under Jersey law with registered number 138180;
- “**Financial Statements**” refers to, collectively, the Agrifarma Financial Statements and the Maxi Zoo Financial Statements;
- “**Fressnapf**” refers to Fressnapf Beteiligungs GmbH;
- “**GDPR**” refers to the EU General Data Protection Regulation;
- “**Guarantors**” refers to the Target, Agrifarma and Maxi Zoo, collectively;
- “**IFRS**” refers to the International Financial Reporting Standards;
- “**Indenture**” refers to the indenture governing the Notes to be dated the Issue Date by and among, *inter alios*, the Issuer, the Trustee and the Security Agent;
- “**Initial Purchasers**” refers to, collectively, BofA Securities Europe SA, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Aktiengesellschaft, Intesa Sanpaolo S.p.A., Mizuho Securities Europe GmbH, Nomura Financial Products Europe GmbH, Société Générale and UniCredit Bank AG;
- “**Investors**” refers to, collectively, the Cinven Funds and Fressnapf;
- “**Issue Date**” refers to October 21, 2021, the date of original issuance of the Notes;
- “**Issue Date Collateral**” has the meaning given to such term under “*Summary—The Offering—Collateral*”;
- “**Issuer**” refers to Shiba BidCo S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy. Upon completion of the Post Closing Mergers, Agrifarma will be substituted as the issuer of the Notes;
- “**Italy**” refers to the Republic of Italy;
- “**Italian GAAP**” refers to the provisions of Article 2423 and following Articles of the Italian Civil Code and Italian Legislative Decree No. 127/91, interpreted in the context of and integrated by the reporting standards promulgated by the Italian Accounting Standard Setter;
- “**Intercreditor Agreement**” refers to the intercreditor agreement to be entered into on or about the Issue Date, by and among, *inter alios*, the Issuer, the Trustee, the Security Agent and Deutsche Bank AG, London Branch, as agent under the Revolving Facility Agreement;
- “**LTV/CAC ratio**” refers to the lifetime value to customer acquisition costs ratio; the LTV/CAC ratio compares the expected value generated by a customer, typically gross profit, over a customers’ lifetime, to the cost associated with acquiring it (including all advertising costs (TV, radio, newspapers, billboards digital) and media costs for stores inaugurations and e-commerce excluding marketing);
- “**Maxi Zoo**” refers to Maxi Zoo Italia S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy under the registration number 03503300232;
- “**Maxi Zoo Acquisition**” refers to the acquisition, pursuant to the Maxi Zoo Acquisition Agreement, by Topco of all of the issued share capital of Maxi Zoo (the “**Maxi Zoo Shares**”) from Fressnapf in exchange for an issuance of certain new shares in Topco to Fressnapf;
- “**Maxi Zoo Acquisition Agreement**” refers to the Agreement for the Sale and Purchase of the Entire Issued Share Capital of Maxi Zoo Italia S.p.A. and Subscription for the Shares in the Purchaser dated June 24, 2021 between Seventh Cinven Fund (No. 1) Limited Partnership, Fressnapf and Topco, as amended and/or restated from time to time;

- “**Maxi Zoo Contribution**” refers to, collectively, (i) the Maxi Zoo Acquisition; and (ii) subsequent contributions of the Maxi Zoo Shares by (a) Topco to Midco and (b) Midco to the Issuer; see “*Summary—The Transactions*” and “*Summary—Summary Corporate and Financing Structure*”;
- “**Maxi Zoo Financial Statements**” refers to, collectively, the 2020 Maxi Zoo Financial Statements and the Maxi Zoo Interim Financial Statements;
- “**Maxi Zoo Interim Financial Statements**” refers to interim condensed standalone financial statements of Maxi Zoo as at and for the six months ended June 30, 2021 (with comparative financial information for the six months ended June 30, 2020) prepared in accordance with Italian GAAP, together with notes thereto;
- “**Maxi Zoo Stores**” refers to the stores part of Maxi Zoo’s physical store network from time to time;
- “**Midco**” refers to Shiba Midco Limited, a private limited company incorporated under the laws of England and Wales with company number 13475897;
- “**Mondial Pet Distribution**” has the meaning given to such term under “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network*”;
- “**Net Promoter Score**” is a customer loyalty and satisfaction measurement taken from asking customers how likely they are to recommend a product or service to others on a scale of 0-10; “promoters” are considered respondents who respond with an 9 or 10, “passives” are those that respond with a 7 or 8 and “detractors” are those responding with a score of 6 or below; the total number of “detractors” is subtracted from the total number of “promoters” to give a number ranging between -100 and 100;
- “**Note Guarantees**” refers to the guarantees provided by the Guarantors pursuant to the Indenture;
- “**Notes**” refers to the €550.0 million aggregate principal amount of 4.500% senior secured notes due 2028 offered hereby;
- “**Offering**” refers to the offering of the Notes;
- “**Permira**” refers to certain funds advised by Permira;
- “**Post Closing Collateral**” has the meaning given to such term under “*Summary—The Offering—Collateral*”;
- “**Post Closing Mergers**” has the meaning given to such term under “*Summary—The Transactions—Post Closing Mergers*”;
- “**Proceeds Loan**” refers to the loan of Tranche B of the Notes (as defined in “*Use of Proceeds*”) by the Issuer to Agrifarma pursuant to one or more proceeds loans, upon the release of such proceeds from the Escrow Account;
- “**Recurring Revenue Share**” has the meaning given to such term under “*Summary—Summary Historical Financial Information of Agrifarma—Other Financial and Operating Information of Agrifarma*”;
- “**Regulation S**” refers to Regulation S under the U.S. Securities Act;
- “**Original Revolving Facility**” refers to the multicurrency revolving credit facility of up to €80.0 million to be made available to the Issuer as borrower pursuant to the terms and conditions of the Revolving Facility Agreement;
- “**Revolving Facility Agreement**” refers to the revolving credit facility agreement to be entered into on or prior to the Issue Date between, *inter alios*, the Issuer and Deutsche Bank AG, London Branch, as agent, which is described in more detail in “*Description of Certain Financing Arrangements—Revolving Facility Agreement*”;
- “**Security Agent**” refers to Lucid Trustee Services Limited, as security agent under the Indenture, the Intercreditor Agreement and the Revolving Facility Agreement and as representative (*rappresentante*) of the holders of the Notes pursuant to and for the purposes set forth under article 2414-bis, paragraph 3, of the Italian Civil Code;
- “**Security Documents**” has the meaning ascribed to such term under “*Description of the Notes—Security—Security documents*”;
- “**Sellers**” refers to, collectively, (i) Noah 1 S.p.A., an entity controlled by Permira; (ii) Winch International Holdings 3 S.A. and Winch Italia Sicaf S.p.A., entities controlled by Winch; and (iii) certain individuals holding their shares in the Target through Cordusio Fiduciaria per Azioni;
- “**SKU**” refers to stock keeping units;

- “**Topco**” refers to Shiba Topco Limited, a private limited company incorporated under Jersey law with registered number 136419;
- “**Target**” refers to Noah 2 S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy under the registration number 09485990965;
- “**Target Group**” refers to the Target and Arcaplanet, collectively;
- “**Target Guarantors**” refers to the Target and Agrifarma, together;
- “**Tranche A**” has the meaning given to such term under “*Use of Proceeds*”;
- “**Tranche B**” has the meaning given to such term under “*Use of Proceeds*”;
- “**Transactions**” has the meaning given to such term under “*Summary—The Transactions*”;
- “**Transformation Program**” refers to our transformation program comprising various synergies and other transformation initiatives that we intend to implement in connection with the Transactions;
- “**Trustee**” refers to Lucid Trustee Services Limited, in its capacity as trustee and legal representative (*mandatario con rappresentanza*) under the Indenture;
- “**United Kingdom**” or “**UK**” refers to the United Kingdom of Great Britain and Northern Ireland;
- “**United States**” or the “**U.S.**” refers to the United States of America;
- “**U.S. GAAP**” refers to generally accepted accounting principles in the United States;
- “**U.S. Securities Act**” refers to the U.S. Securities Act of 1933, as amended;
- “**Winch**” refers to certain funds advised by Winch & Co; and
- “**Zoodom**” has the meaning given to such term under “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network.*”

ITALIAN “WHITE LIST STATES”

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

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

Faroe Islands
Finland
France
Georgia
Germany

Nigeria
Niue
Norway
Oman
Pakistan

Uzbekistan
Venezuela
Vietnam
Zambia

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

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under “*Risk Factors*,” as well as those included elsewhere in this offering memorandum. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, without limitation:

- operating within a highly competitive industry, including the potential loss of our market share and/or the resulting pricing pressure on our business;
- adverse and uncertain global and regional economic conditions and their effect on consumer sentiment;
- risks related to the outbreak of COVID-19 or any future pandemics and their impact on our business and results of operations;
- changes in consumer preferences and behavior and our ability to anticipate and effectively respond to consumer tastes and trends;
- changes in the strength of the “ARCAPLANET” brand, our Exclusive Brands or our reputation;
- the effectiveness of our marketing and advertising initiatives;
- our reliance on key vendors, suppliers and third-party service providers;
- the quality and safety of our pet products and services and any associated negative publicity;
- disruptions, malfunctions or increased costs in our supply or distribution chains;
- our E-Commerce Platform and any risks associated with it, including, but not limited to, a lack of customer acceptance, cyber-attacks, the possible misappropriation of customer data and/or our inability to maintain attractive online stores;
- a failure to adopt and apply technological advances in a timely manner and to successfully expand our omni-channel capabilities;
- risks related to our information systems and cyber security;
- changes in the prices and availability of certain commodities;
- economic developments in the EU, including with regards to the instability of the Euro and Brexit;
- the success of our Vertical Integration Project;
- risks and costs associated with our leasehold property portfolio, our substantial operating lease obligations and our ability to obtain financing to fund our planned operations execute our growth strategy;
- our ability to execute future acquisitions or joint ventures and deliver the anticipated benefits thereof;

- our ability to manage our growing business activities effectively;
- our ability to maintain an effective system of internal controls to prevent fraud;
- our ability to attract, hire, train and retain experienced management and personnel;
- the risk of labor disruptions and our dependence on good relationships with our employees;
- misappropriation of funds and products in our stores, warehouses and logistic centers and of customer data;
- the sufficiency of our insurance coverage and increases to our insurance premiums;
- changes in existing or new laws and regulations or regulatory enforcement priorities;
- antitrust regulation and related enforcement actions and damage claims;
- legal disputes and regulatory proceedings;
- exposure to additional tax liabilities;
- our substantial leverage and ability to generate sufficient cash to service our debt and to refinance these borrowings upon maturity;
- risks related to the Transactions, our capital structure and the Notes; and
- other factors discussed under “*Risk Factors*”.

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

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer

The Issuer was incorporated on June 21, 2021 to facilitate the Transactions. As of the date of this offering memorandum, the Issuer had no material assets or liabilities, did not have any revenue generating activities of its own and had not engaged in activities other than those related to its incorporation and in preparation of the Transactions. As a result, no historical financial information of the Issuer is included in this offering memorandum. Prior to the Post Closing Mergers, the Issuer is not expected to engage in any activities other than those related to the Transactions and any other future potential transactions permitted by the Indenture.

Historical Financial Information

Historical financial information of Agrifarma

Unless otherwise stated, historical financial information relating to Agrifarma presented in this offering memorandum has been extracted without material adjustment from (i) (a) the audited standalone financial statements of Agrifarma as at and for the year ended December 31, 2020, together with notes thereto (the “**2020 Agrifarma Financial Statements**”); (b) the audited standalone financial statements of Agrifarma as at and for the year ended December 31, 2019, together with notes thereto (the “**2019 Agrifarma Financial Statements**”); and (c) the audited standalone financial statements of Agrifarma as at and for the year ended December 31, 2018, together with notes thereto (the “**2018 Agrifarma Financial Statements**” and, together with the 2020 Agrifarma Financial Statements and the 2019 Agrifarma Financial Statements, the “**Agrifarma Annual Financial Statements**”); and (ii) the interim condensed standalone financial statements of Agrifarma as at and for the six months ended June 30, 2021, together with notes thereto (the “**Agrifarma Interim Financial Statements**” and, together with the Agrifarma Annual Financial Statements, the “**Agrifarma Financial Statements**”). The Agrifarma Annual Financial Statements and independent auditors’ reports thereon, as well as the Agrifarma Interim Financial Statements are all included in the financial pages of this offering memorandum.

In this offering memorandum, historical financial information relating to Agrifarma is presented on a standalone basis only. Agrifarma’s only subsidiaries Arcaplanet S.A., Arcawip S.r.l. and First One S.r.l. are all accounted for at cost in the Agrifarma Financial Statements. See “*Summary—Summary Corporate and Financing Structure.*” Under paragraphs 3 and 4 of Article 27 of the Italian Legislative Decree No. 127 of April 9, 1991, Agrifarma has been exempt from the requirement to prepare consolidated financial statements.

The table below sets out selected financial information as at and for the year ended December 31, 2020 for each of Arcaplanet S.A., Arcawip S.r.l. and First One S.r.l., on a standalone basis, prepared in accordance with Italian GAAP:

	As at and for the year ended December 31,		
	2020		
	Arcaplanet S.A.	Arcawip S.r.l.	First One S.r.l.
	(€ thousands)		
Revenue from sales and services	1,540	4,688	—
Total value of production	1,542	4,981	—
Total assets	1,053	2,257	769
Total liabilities	1,053	2,257	769

The Agrifarma Financial Statements have been prepared in euros.

Historical financial information of Maxi Zoo

Unless otherwise stated, historical financial information relating to Maxi Zoo presented in this offering memorandum has been extracted without material adjustment from (i) the audited standalone financial statements of Maxi Zoo as at and for the year ended December 31, 2020, together with notes thereto (the “**2020 Maxi Zoo Financial Statements**”); and (ii) the interim condensed standalone financial statements of Maxi Zoo as at and for the six months ended June 30, 2021 (with comparative financial information for the six months ended June 30, 2020), together with notes thereto (the “**Maxi Zoo Interim Financial Statements**” and, together with the 2020 Maxi Zoo Financial Statements, the “**Maxi Zoo Financial Statements**”). The 2020 Maxi Zoo Financial Statements and an independent auditors’ report thereon, as well as the Maxi Zoo Interim Financial Statements are all included in the financial pages of this offering memorandum.

In this offering memorandum, historical financial information relating to Maxi Zoo is presented on standalone basis only. Maxi Zoo does not have any subsidiaries. See “*Summary—Summary Corporate and Financing Structure.*” The Maxi Zoo Financial Statements have been prepared in euros.

In making an investment decision, investors must rely upon their own examination of our business, the terms of the Offering and the financial information presented in this offering memorandum.

Basis of preparation of historical financial information

The Financial Statements have been prepared and presented in accordance with Italian GAAP. Italian GAAP differs in certain significant respects from IFRS and U.S. GAAP. You should consult your own professional advisors for an understanding of: (i) the differences in Italian GAAP and other generally accepted accounting principles and how those differences could affect the financial information contained in this offering memorandum; and (ii) the impact that future additions to, or amendments of, Italian GAAP principles, or the adoption of IFRS or U.S. GAAP principles, may have on our results of operations and/or financial condition, as well as on the comparability of prior periods. For example, IFRS reporting standards including, but not limited to, “IFRS 9—Financial Instruments,” “IFRS 15—Revenue from Contracts with Customers” and “IFRS 16—Leases”, differ to current Italian GAAP reporting standards. See “*Summary of Certain Differences between Italian GAAP and IFRS*” for a discussion of these and certain other significant differences. Future developments or changes in Italian GAAP and IFRS may give rise to additional differences between Italian GAAP and IFRS.

In the future, we may choose to report our financial results in accordance with IFRS. Due to this, our future financial statements could be materially different once we commence reporting under IFRS and may not be comparable to the Agrifarma Financial Statements included in this offering memorandum. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations*” and “*Risk Factors—Risks related to our Business and Industry—The Financial Statements are based on Italian GAAP and there may be differences between our financial position and results of operations prepared in accordance with Italian GAAP and IFRS or U.S. GAAP. In addition, in the future, we may adopt IFRS as our accounting reporting method, and this could potentially result in material changes to certain of our financial information from our information presented in this offering memorandum.*”

The preparation of financial statements in conformity with Italian GAAP requires the use of certain critical accounting estimates. It also requires the board of directors to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to Agrifarma Financial Statements, are described in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Critical Accounting Policies—Estimates.*”

Impact of acquisitions carried out by Agrifarma in the periods under review

Agrifarma’s operating results and their comparability for the periods under review are impacted by the effects of certain acquisitions made by Agrifarma. Since January 1, 2018, Agrifarma completed four acquisitions. Consequently, Agrifarma’s results of operations in the periods under review may not be entirely comparable. For further information, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Results of Operations—Growth of the physical stores network.*”

LTM Financial Information

The historical financial information included in this offering memorandum for the twelve months ended June 30, 2021, is calculated by taking the results of operations for the six months ended June 30, 2021 and adding to them the difference between the results of operations for the year ended December 31, 2020 and the six months ended June 30, 2020 (the “**LTM Financial Information**”).

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

Unaudited Pro Forma Consolidated Financial Information of the Combined Group

This offering memorandum includes the following unaudited *pro forma* consolidated financial information of the Combined Group (i) consolidated balance sheet as at June 30, 2021; and (ii) consolidated income

statements for (a) the year ended December 31, 2020, (b) the six months ended June 30, 2021 and (c) the twelve months ended June 30, 2021, as well as related explanatory notes (together, the “**Unaudited Pro Forma Consolidated Financial Information**”). The Unaudited *Pro Forma* Consolidated Financial Information has been prepared as though the Transactions (save for the Post Closing Mergers) had occurred on June 30, 2021 for the purpose of the unaudited *pro forma* consolidated balance sheet; as at January 1, 2020 for the purpose of the unaudited *pro forma* consolidated income statement for the year ended December 31, 2020; as at January 1, 2021 for the purpose of the unaudited *pro forma* consolidated income statement for the six months ended June 30, 2021 and as at July 1, 2020 for the purpose of the unaudited *pro forma* consolidated income statement for the twelve months ended June 30, 2021. See “*Summary—Summary Unaudited Pro Forma Consolidated Financial Information and Other Data of the Combined Group*,” “*Capitalization*,” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma*” and for a description of the *pro forma* effect of the Transactions.

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

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

Rounding

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

Non-GAAP Measures

In this offering memorandum, we present certain financial measures that are not recognized by Italian GAAP or any other generally accepted accounting principles. We refer to these measures as “non-GAAP measures” as they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with Italian GAAP, or are calculated using financial measures that are not calculated in accordance with Italian GAAP. In particular, we present certain financial measures of the Combined Group, Arcaplanet, Agrifarma and Maxi Zoo and ratios related thereto in this offering memorandum, including: Agrifarma EBITDA; Maxi Zoo Adjusted EBITDA; Arcaplanet Adjusted EBITDA; *Pro forma* Adjusted EBITDA; *Pro forma* total financial debt; *Pro forma* cash and cash equivalents; *Pro forma* net financial debt; *Pro forma* cash interest expense and other measures and ratios that are not recognized by, or presented in accordance with Italian GAAP (collectively, the “**Non-GAAP Measures**”). We use such measures to assess the financial performance and liquidity of our business. We believe that these and similar measures are used widely by the investment community, securities analysts and other interested parties, as supplemental measures of performance and liquidity and are intended to assist in the analysis of our results of operations, profitability and ability to service debt.

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

An explanation of the relevance of each of the Non-GAAP Measures, a reconciliation of the Non-GAAP Measures to the most directly comparable measures calculated and presented in accordance with Italian GAAP and a discussion of their limitations is set out in this offering memorandum. See “*Summary—Summary Unaudited Pro Forma Consolidated Financial Information and Other Data of the Combined Group*” and “*Summary—Summary Historical Financial Information and Other Data of Agrifarma and Arcaplanet*.” We do not regard these Non-GAAP Measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with Italian GAAP or other generally accepted accounting principles or those calculated using financial measures that are calculated in accordance with Italian GAAP or other generally accepted accounting principles.

Our primary Non-GAAP Measures are defined as follows:

- at the Combined Group level:
 - **Pro forma Adjusted EBITDA** is defined as the sum of Arcaplanet Adjusted EBITDA and Maxi Zoo Adjusted EBITDA, adjusted for the effects of certain reclassification / accounting adjustments, MaxiZoo stand-alone adjustments related to supply chain costs, run-rate adjustments and synergies that we expect to realize from our Transformation Program;
 - **Pro forma Adjusted EBITDA Margin** is defined as *Pro forma* Adjusted EBITDA divided by *Pro forma* revenue from sales and service;
 - **Pro forma total financial debt** is defined as consolidated *pro forma* financial debt of the Issuer, after giving effect to the Transactions (save for the Post Closing Mergers) as if they had occurred on June 30, 2021;
 - **Pro forma cash and cash equivalents** is defined as cash and cash equivalents of the Issuer, as adjusted for the effects of the Transactions (save for the Post Closing Mergers) as if they had occurred on June 30, 2021;
 - **Pro forma net financial debt** is defined as *pro forma* total financial debt net of *pro forma* cash and cash equivalents; and
 - **Pro forma cash interest expense** reflects the estimated cash out for interest expense for the twelve-months ended June 30, 2021 as if the Transactions (save for the Post Closing Mergers) had occurred on July 1, 2020.
- at Arcaplanet level:
 - **Arcaplanet combined revenue from retail sales under Exclusive Brands** is defined as combined revenue from retail sales under Exclusive Brands generated by (i) Agrifarma and (ii) Agrifarma Subsidiaries;
 - **Arcaplanet combined revenue from retail sales through physical stores** is defined as combined revenue from retail sales through physical stores generated by (i) Agrifarma and (ii) Agrifarma Subsidiaries;
 - **Arcaplanet combined Like-for-Like revenue** is defined as the aggregate revenue generated by: (A) for the physical stores, (organic growth and acquisitions) by all Arcaplanet Stores in the network for each of the two consecutive years, calculated as follows: (i) 100% credit in each year is given to revenue generated by each store that was part of the network for the entire 24 months; and (ii) if a store was part of the network for less than 12 months in one of the years (the “**Relevant Period**”), credit is only given (a) in that year, for the revenue generated for the Relevant Period; and (b) if such store was part of the network in the other year, for the revenue generated in the corresponding Relevant Period of such other year and; (B) for the E-commerce Platform, by online sales through such E-commerce Platform, by online sales through such E-commerce Platform in each of the relevant years;
 - **Arcaplanet Adjusted EBITDA** is defined as Agrifarma EBITDA, combined with EBITDA of Arcaplanet S.A., Arcawip S.r.l and First One S.r.l., as applicable for the relevant period (and, for the year ended December 31, 2018, Mondial Pet Distribution), in each case, calculated in accordance with the above definition of “Agrifarma EBITDA” on the basis of standalone financial statements of the relevant entity prepared under Italian GAAP for the relevant periods, adjusted for certain (i) Covid-19 adjustments related to costs incurred as a result of the pandemic; (ii) non-recurring consulting costs; (iii) capital gain / (losses) and (iv) other adjustments relating to income and expenses which are non-recurring or exceptional in nature;
 - **Arcaplanet Adjusted EBITDA per store** is defined as Arcaplanet Adjusted EBITDA for a period divided by the number of Arcaplanet Stores at the end of such period; and
 - **Arcaplanet Adjusted EBITDA Margin** is defined as Arcaplanet Adjusted EBITDA divided by Agrifarma’s revenue from sales and service.

- at Agrifarma level:
 - **Agrifarma EBITDA** is defined as the profit/(loss) for the period, adjusted by the following items: (i) income tax expense; (ii) valuation adjustments to financial assets and liabilities; (iii) total financial charges; (iv) amortization, depreciation and impairments and (v) provisions for risks and other accruals. We present EBITDA because it is widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. EBITDA eliminates potential differences in performance caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), and the cost and age of tangible assets (affecting relative depreciation expense), the extent to which intangible assets are identifiable (affecting relative amortization expense);
 - **Agrifarma EBITDA Margin** is defined as Agrifarma EBITDA divided by Agrifarma's revenue from sales and service;
 - **Agrifarma changes in net working capital** are defined as the sum of the movements in inventories, receivables from customer, payables to suppliers, accrued income and prepaid expenses, accrued expenses and deferred income and other net working capital assets and liabilities;
 - **Agrifarma capital expenditures** are defined as investments in tangible and intangible fixed assets; and
 - **Agrifarma cash conversion** is defined as Agrifarma EBITDA plus/less Agrifarma changes in net working capital, less Agrifarma capital expenditures.
- at Maxi Zoo level:
 - **Maxi Zoo Adjusted EBITDA** is defined as profit for the period, adjusted by the following items: (i) income tax expense, (ii) finance income and expense, (iii) depreciation and amortization and (iv) non-recurring or exceptional items in nature;
 - **Maxi Zoo changes in net working capital** are defined as the sum of the movements in inventories, trade receivables, trade payables, prepayments accrued income, accrued expenses and deferred income and other net working capital assets and liabilities; and
 - **Maxi Zoo capital expenditures** are defined as investments in tangible and intangible fixed assets.

Market and Industry Data

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

In addition, certain information in this offering memorandum for which no source is given, regarding our market position relative to our competitors in the Italian pet products industry, is not based on published statistical data or information obtained from independent third parties. Such information and statements reflect our best estimates based upon information obtained from trade and business organizations and associations and other contacts within the industry, in which we compete, as well as information published by our competitors. To the extent that no source is given for information contained in this offering memorandum, or such information is identified as being our belief, that information is based on our experience, our evaluation of industry information, our determination of our addressable markets and our own investigation of market conditions including on the following: (i) in respect of market share, industry and market projections, industry

publications, trade and business organizations and associations and other contacts within the industry, in which we compete and internal analysis of our sales data, and unless otherwise stated, market share is based on turnover; (ii) in respect of industry trends, our senior management team's general business experience, as well as their experience in our industry and the markets, in which we operate; and (iii) in respect of the performance of our operations, our internal analysis of our audited and unaudited financial and other information. As some of the foregoing information was compiled or provided by our management or advisers and is not publicly available, such information accordingly may not be considered to be as independent as that provided by other third party sources.

Tax Considerations

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

Trademarks and Trade Names

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

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

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

The tables below set out, for the periods indicated, the period end, period average, high and low Bloomberg Composite Rate (London) (the “**Bloomberg Composite Rate**”) expressed in U.S. dollars per €1.00. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The below rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. We make no representation that the euro or U.S. dollar amounts referred to in this offering memorandum have been, could have been or could, in the future, be converted into U.S. dollars or euro, as the case may be, at any particular rate, if at all.

The Bloomberg Composite Rate of the euro on September 23, 2021 was \$1.1713 per €1.00.

	U.S. dollars per €1.00			
	Period-end	Average ⁽¹⁾	High	Low
Year				
2016	1.0547	1.1068	1.1527	1.0384
2017	1.2022	1.1297	1.2026	1.0427
2018	1.1452	1.1811	1.2492	1.1245
2019	1.1229	1.1196	1.1533	1.0903
2020	1.2225	1.1417	1.2289	1.0667
Month				
January 2021	1.2132	1.2173	1.2300	1.2075
February 2021	1.2080	1.2095	1.2213	1.1961
March 2021	1.1750	1.1899	1.2080	1.1718
April 2021	1.2027	1.1967	1.2118	1.1761
May 2021	1.2228	1.2143	1.2240	1.1994
June 2021	1.1849	1.2046	1.2233	1.1849
July 2021	1.1859	1.1823	1.1885	1.1763
August 2021	1.1807	1.1772	1.1870	1.1688
September 2021 (through September 23, 2021)	1.1713	1.1800	1.1890	1.1713

Note:

- (1) The average rate for a year means the average of the Bloomberg Composite Rates on the last business day of each month during the year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

SUMMARY

The following summary highlights certain information about us and the Offering. This summary should be read as an introduction to this offering memorandum. It does not contain all the information that may be important to you or that you should consider before investing in the Notes, and it is qualified in its entirety by the remainder of this offering memorandum. You should read the entire offering memorandum, including the Financial Statements and related notes, before making an investment decision. You should also carefully consider the information set out in this offering memorandum under the heading “Risk Factors” for factors that you should consider before investing in the Notes and “Information Regarding Forward-Looking Statements” for information relating to the statements contained in this offering memorandum that are not historical facts before making any decision as to whether to invest in the Notes. Unless otherwise indicated, references to “Combined Group,” “we,” “us” or “our” are to the Issuer and its consolidated subsidiaries from time to time, including, after the Arcaplanet Acquisition Closing Date, both the Target Group and Maxi Zoo.

Overview

We are a leading omni-channel pet products and services specialist in Italy. As at June 30, 2021, Arcaplanet had 382 stores (including 371 stores of Agrifarma and 11 stores of Agrifarma Subsidiaries (Arcaplanet S.A., Arcawip S.r.l. and First One S.r.l.)) and Maxi Zoo had 130 stores; therefore, following completion of the Transactions we will have Italy’s largest network of 512 specialized pet care stores. Arcaplanet’s in-store services include “Self Wash” (self-service washing machines and dryers for pet clothing and accessories), “Pet Wash” (dedicated self-service facilities for pet grooming with adjacent hair dryer areas), “Agility” (dedicated areas for dog training and entertainment) and “Para-pharmacy” (through which we offer non-prescription veterinary drugs). In addition to its extensive store network, Arcaplanet offers its products through a leading proprietary e-commerce platform with 7.3 million active users as at June 30, 2021.

Through its stores and e-commerce platform, Arcaplanet offers a diverse range of pet food, accessories, and health products under its 18 own exclusive proprietary brands (the “**Exclusive Brands**”) and under more than 100 third-party brands. It categorizes its Exclusive Brands in the following segments: “Specialist,” “Super Premium,” “Premium” and “Mainstream.” Arcaplanet primarily focuses on the first three segments, which have higher margins. Sales of Exclusive Brands products generated 25.1%, 31.9%, 40.8% and 44.4% of Agrifarma’s revenue from sales and services for the years ended December 31, 2018, 2019 and 2020 and the twelve months ended June 30, 2021, respectively.

The graphics below present Arcaplanet’s assortment of its Exclusive Brands:



In addition, Maxi Zoo has a largely complementary exclusive brand offering with a significant margin upside (as it currently offers exclusive brands products in all of the above higher margin segments). Following completion of the Transactions, we expect to capture this margin upside through the combination of store networks and the harmonization of product assortment within the Combined Group.

Since our founding in 1995, we have grown both organically and through acquisitions (see “*Business—Arcaplanet—Distribution—Stores—Recent acquisitions*”). The Combined Group is expected to have one of the largest shares (approximately *pro forma* 13% for the year ended December 31, 2020) of the €3.5 billion Italian pet care market. We have a large and loyal customer base with approximately 1.5 million Arcacub® loyalty program members as at June 30, 2021, who generate up to 80% of Arcaplanet’s in-store revenue from retail sales. The “ARCAPLANET” brand enjoys high awareness levels in Italy (91% as of 2021) and we have

the highest off-line and online Net Promoter Scores compared to all other competitors in the country. Arcaplanet is currently building a state-of-the-art facility for the manufacturing of dry pet food in San Vito al Tagliamento, Friuli-Venezia Giulia (the “**Tagliamento Facility**”), which will make us the first vertically integrated only-Italian pet products and services specialist with its own dry pet food production capabilities. Upon commencement of operations, which is currently expected by August 2022, the Tagliamento Facility will ensure full control over the production cycle of dry pet food for our key Exclusive Brands and is expected to significantly enhance product quality, R&D focus and reduce costs.

For the years ended December 31, 2019 and 2020 and the twelve months ended June 30, 2021: Agrifarma had €305.9 million, €339.2 million and €369.1 million of revenue from sales and services, respectively and (ii) Maxi Zoo had €108.9 million, €124.6 million and €142.3 million of revenue from sales and services, respectively. For the twelve months ended June 30, 2021, our *pro forma* revenue from sales and services was €511.4 million.

For the years ended December 31, 2019 and 2020 and the twelve months ended June 30, 2021, Arcaplanet Adjusted EBITDA was €40.4 million, €52.8 million and €65.3 million, respectively. For the same periods: (i) Maxi Zoo’s profit for the period was €0.6 million, €3.2 million and €3.3 million, respectively, and (ii) Maxi Zoo Adjusted EBITDA was €7.9 million, €9.8 million and €10.0 million, respectively. For the twelve months ended June 30, 2021, our *Pro forma* Adjusted EBITDA was €109.0 million.

Our Competitive Strengths

We believe that the following are among our key competitive strengths:

We are a leading player in one of the most attractive pet care markets in Europe

We operate in the Italian pet care market, which is one of the most attractive markets in Europe with significant size, consistent growth and resilience and high level of fragmentation. Following the completion of the Transactions, we expected to continue benefiting from these structural factors due to our leading market position (see “—*We have an extensive physical network and a solid position in the nascent online segment, supported by a superior brand recognition, high customer satisfaction and a premium price positioning*”). According to a leading international consulting firm, the Italian pet care market has been experiencing consistent year-on-year growth at a CAGR of approximately 2-3% for more than a decade, reaching approximately €3.5 billion by the end of 2020. This growth has been driven by what is referred to as pet “humanization,” which is the tendency of owners to consider their pets as family members. Due to such “humanization” and the increasing concerns relating to pets’ health and well-being, owners are willing to pay a premium for high quality products for their pets (the so called “premiumization”). In addition, the Italian pet care market’s growth experienced a strong acceleration in 2020 largely due to increasing pet adoption rates during the COVID-19 pandemic, which is expected to continue well beyond 2021 leading to a run-rate growth rate of approximately 5% by 2025.

The Italian pet care market’s highly resilient, non-discretionary nature has been evident throughout numerous economic downturns, such as the global financial crisis between mid 2007 and early 2009, the Eurozone sovereign financial crisis and the COVID-19 pandemic, during which it continued to grow consistently despite overall GDP contractions. For example, during the global financial crisis, Italian GDP decreased by 3.7% from 2008 to 2009, whereas, according to a leading international consulting firm, the country’s pet care market grew by 4.9%, by value, during the same period. Outside Italy, such resilience of the pet care industry has been demonstrated across all major markets, including the UK, Germany, France, Spain and the US.

From a structural perspective, the Italian pet care market still has a very large share of independent (“mom & pop”) stores (particularly when compared to other mature European markets). According to a leading international consulting firm, in 2020, independent (“mom & pop”) stores had an approximately 37% share, by revenue, of the Italian pet care market, compared to approximately 6% in Germany and approximately 8% in the UK. At the same time, specialist retail chains had an approximately 17% share, by revenue, of the Italian pet care market, compared to approximately 44% in Germany and approximately 28% in the UK. Therefore, there is significant room in Italy for specialist retail chains to continue growing in competition with smaller independent players and grocery stores. According to a leading international consulting firm, over the last 5 years, independent (“mom & pop”) stores in Italy lost an approximately 8% market share to specialist retail chains. We expect this trend to continue.

In addition, pet care markets have unique and protected distribution dynamics, which are very attractive for large omni-channel specialist players. A critical success factor in distributing pet food is the ability to handle a significant amount of bulky, heavy and relatively low priced (per Kg) SKUs, which can only be achieved via a developed network of physical stores and makes it less appealing for pure online players, given significant

related logistical costs. For these reasons, online penetration in the pet care market (even in major countries, such as the UK and Germany where internet penetration for online shopping is particularly high) has been increasing relatively slowly to date at approximately 1 percentage point of market share gain per year. As a result, omni-channel players, which combine physical and online distribution and have large and loyal customer bases, have captured solid positions across all sales channels (including online) in their respective markets. Over the recent years, such specialized omni-channel pet care chains (including Arcaplanet) have built strong e-commerce capabilities and currently offer a multi-channel experience to their customer.

We have an extensive physical network and a solid position in the nascent online segment, supported by a superior brand recognition, high customer satisfaction and a premium price positioning

Following completion of the Transactions, we will be a leading player on the Italian pet care market with a *pro forma* market share of approximately 13% for the year ended December 31, 2020. For the same period, the second largest specialist pet care chain had a market share of approximately 4%.

With 382 stores as at June 30, 2021, Arcaplanet has the largest physical store network in Italy. The extensive footprint of Arcaplanet's network allows it to:

1. be in close proximity to customers, showcase its broad product offering and provide best-in-class complementary advice and services. Pet care industry continues to be primarily driven by the physical channel, due to the importance of in-store shopping experience, including complementary advice and services. In addition, certain products (such as lower cost pet foods) come in big and bulky packages, which are more difficult to sell online;
2. benefit from greater relative bargaining power when negotiating with pet food manufacturers;
3. significantly improve its "ARCAPLANET" Brand Awareness;
4. increase the quality and assortment of products and complementary services, providing what we believe to be best-in-class "one-stop-shop" experience to customers with longer opening hours, less queuing and wider assortment.

We believe that the Maxi Zoo Acquisition will put the Combined Group in a favorable position to seize the full potential of the addressable market. As at June 30, 2021, *pro forma* for the Transactions, our network consisted of 512 stores with an established presence in northern Italian regions for both Arcaplanet and Maxi Zoo. At the same time, there is significant room to expand the combined network in the underpenetrated areas in the north western, central and southern parts of the country.

The graphic below illustrates the Italian store network of the Combined Group:



Source: Leading consulting firm
(1) As of June 2021

In addition, we are well positioned in the nascent Italian online market and are growing rapidly in this space. From 2018 to 2020, Agrifarma's revenue from retail sales through the E-commerce Platform grew at a CAGR of 45.0% (compared to 19.0% CAGR of a leading pure player in the market), driven by significant improvements in the number of online sessions (from 7.2 million to 14.4 million) and conversion rate (from 1.8% to 2.2%). Arcaplanet is the only specialist pet food retailer in the market with a meaningful online presence and was the most searched online Italian pet care market player in 2020. Given the cash flows that are generated by Arcaplanet's extensive physical store network, we are able to invest in both channels and provide an attractive shop-like online experience and an extensive product offering, compared to pure online players that have historically tended to reduce the number of SKUs. For each of the year ended December 31, 2020 and the twelve months ended June 30, 2021, the E-commerce Platform generated €23.6 million of revenue from retail sales. We expect that the strength of our online offering will allow us to capitalize on the further growth of the Italian online pet care market, which is expected to reach a penetration of 12-16% by 2025 in line with trajectories seen in similar European countries, accelerated by the ongoing COVID-19 pandemic.

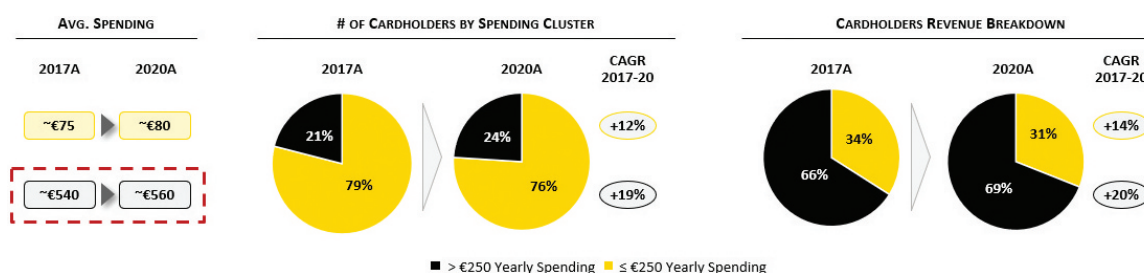
Arcaplanet's performance in both the physical and the online channels has been driven by its superior brand recognition, high customer satisfaction and premium price positioning. According to a leading international consulting firm, "ARCAPLANET" is among the most recognized specialist pet care brands in Italy with 91% Brand Awareness as of 2021. Arcaplanet has been continuously investing in its overall Brand Awareness, the awareness of its Exclusive Products and other marketing initiatives. Over the last years, Agrifarma's advertising costs have increased significantly from €6.5 million for the year ended December 31, 2018 to €11.0 million for the year ended December 31, 2020, which we believe is significantly higher than that of any other pet care chain in Italy. In addition, according to a leading international consulting firm, Arcaplanet has demonstrated high levels of customer satisfaction in both the physical and the online channels with a Net Promoter Score of 43 in the offline market (with the next closest competitor having a Net Promoter Score of 37) and Net Promoter Score of 57 in the online market (with the next closest competitor having a Net Promoter Score of 44), all as of 2021. These consistent investments in marketing and customer satisfaction over many years have allowed Arcaplanet to ensure a very attractive premium price positioning within the market. For the twelve months ended June 30, 2021, more than 75% of Arcaplanet's combined revenue from sales of pet food under Exclusive Brands came from sales of "Specialist" (price above €5 per Kg) and "Super Premium" (price between €4 and €5 per Kg) segments. We followed a similar strategy with regards to the assortment of third party brands offering, which are mainly focused on the premium, super premium and specialist segments, allowing Arcaplanet to take advantage of the "humanization" and premiumization trends of the Italian pet care market.

Our highly loyal customer base delivers growth in yearly spend per customer, high Recurring Revenue Shares, and unmatched LTV/CAC ratios

Arcaplanet has a highly loyal customer base. According to a leading international consulting firm, more than 60% of Arcaplanet clients purchase pet products only at Arcaplanet Stores (compared to 24% for the closest competitor), while more than 85% of them consider "ARCAPLANET" as their brand of reference when purchasing for their pets.

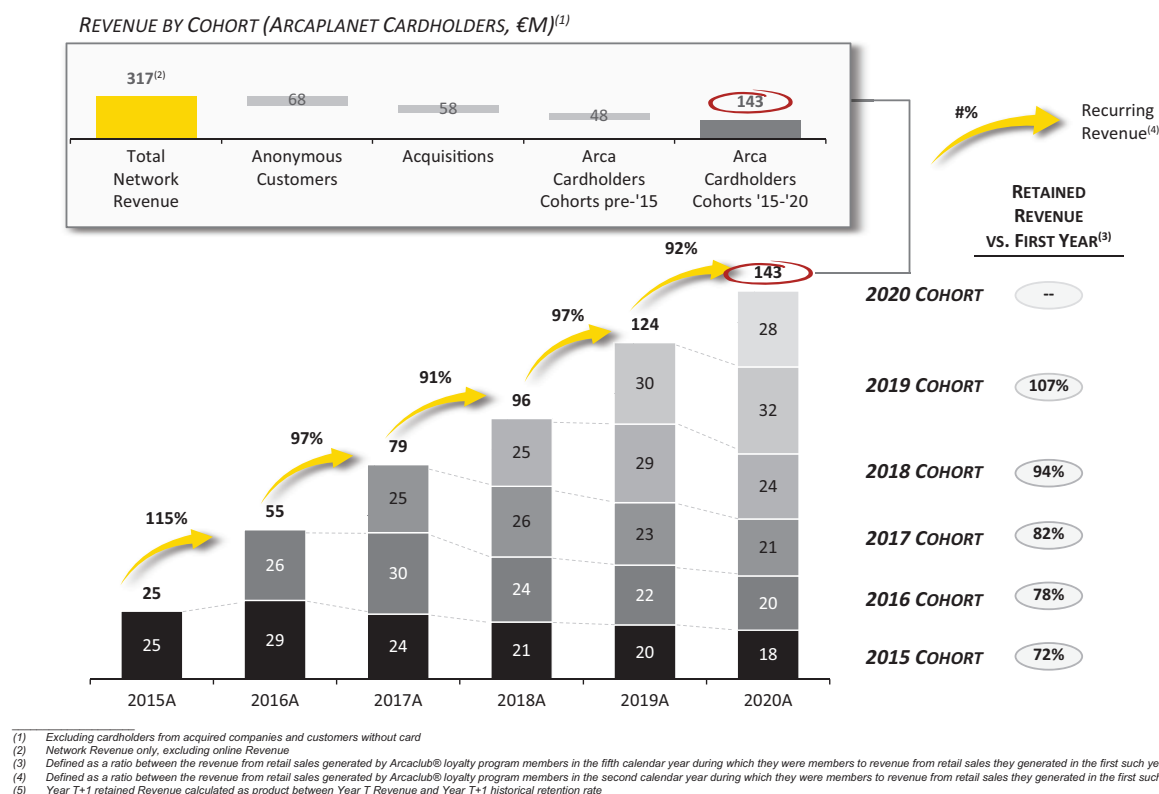
The loyal and constantly growing base of 1.5 million Arcacard[®] cardholders (as at June 30, 2021) generates over 75% of Agrifarma's revenue from sales and services. The Arcacard[®] loyalty program provides Arcaplanet with intimate knowledge of its customers' spending habits and needs, allowing it to continuously evaluate its offering of products and services. In 2017—2020, the Arcacard[®] cardholders base increased from 0.9 million to 1.3 million, at a CAGR of 13.5%. During the same period: (i) the number of high-spender (over €250 yearly spend) Arcacard[®] cardholders increased from approximately 184,000 to approximately 308,000, at a CAGR of 19.0%; and (ii) average spending in this customer group increased from approximately €540 per year to approximately €560 per year. As a result, Arcaplanet's combined revenue from retail sales to high-spender Arcacard[®] cardholders increased from €99.0 million, or 66% of total revenue from retail sales to Arcacard[®] cardholders, for the year ended December 31, 2018 to €172.0 million, or 69% of total revenue from retail sales to Arcacard[®] cardholders, for the year ended December 31, 2020. Also in 2017—2020, Arcaplanet increased the number of its other cardholders from approximately 680,00 to approximately 956,000, at a CAGR of 12.0%, while their average spending grew from approximately €75 per year to approximately €80 per year.

The graphics below present the distribution of Arcacard[®] loyalty program members by spending group, breakdown of Agrifarma's revenue from retail sales by such spending group and evolution of average spending for each group, in each case, for the periods indicated:



Arcaplanet's exceptional customer loyalty translates into high Recurring Revenue Shares (approximately 80% on a five year basis and over 90% on a one year basis) and little attrition over the years.

The graphics below present Arcaplanet's Recurring Revenue Shares for the periods indicated:



As a result of increasing spend per customer and high Recurring Revenue Shares, we estimate that Arcaplanet has one of the highest Lifetime Value to Cost of Acquisition (“LTV/CAC”) ratios in the Italian pet care market. Assuming a lifespan of three years, Arcaplanet's LTV/CAC ratio is estimated to be approximately 6x, which is very high even compared to other industries (such as sport apparel) that generally have higher LTV/CAC ratios.

Our omni-channel approach increases value for customers, drives customer loyalty and lays the foundation for further growth

We believe that our omni-channel offering is the best distribution model in the pet care market. It provides a well-developed ecosystem that maximizes customer expenditure at every point of interaction and enables us to seamlessly serve our customers across physical and online platforms, allowing for a more efficient marketing spend.

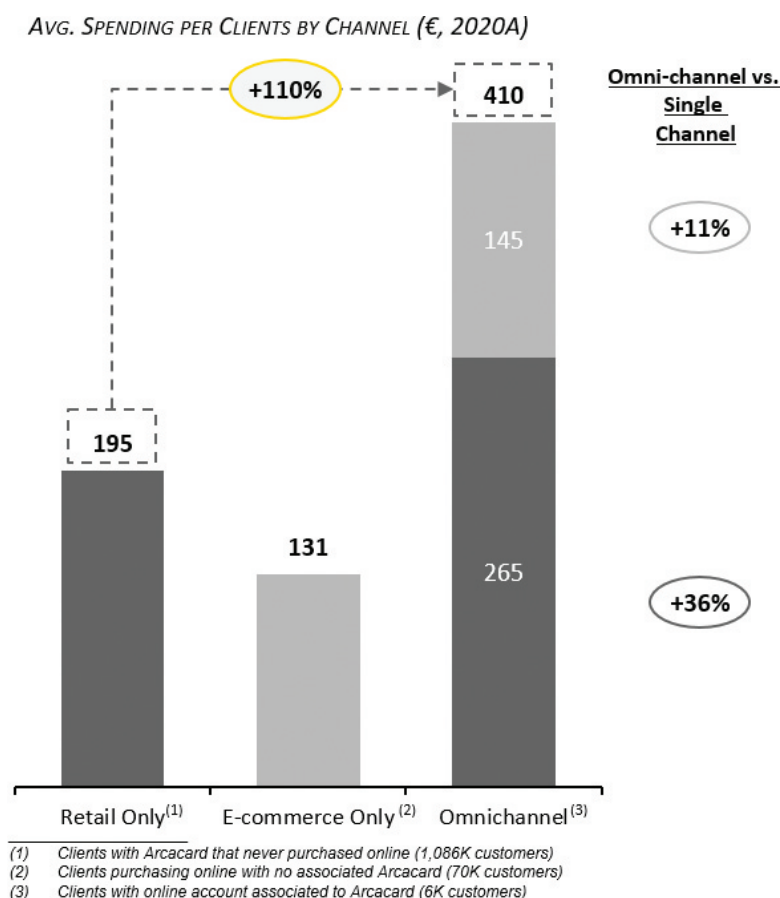
With 382 physical stores as at June 30, 2021, Arcaplanet benefits from the largest specialized store network in Italy. The extent of this network is particularly important as this is a critical success factor in distributing pet food, differentiating omni-channel players from pure online competitors (see “—We are a leading player in one of the most attractive pet care markets in Europe”) and because we believe that proximity remains one of the key reasons why customers choose to shop in-store. Arcaplanet has invested heavily in its physical stores that offer a modern boutique in-store experience to customers in a variety of formats (such as standalone, retail park, shopping center or in-town stores). In addition to a wide selection of Exclusive Brands products (which are only available on Arcaplanet platforms) and third-party products, Arcaplanet offers valuable practical advice and various complementary services to pet owners in Arcaplanet Stores. We believe that such complementary services are appreciated by the customers and further strengthen Arcaplanet's customer relationships. Arcaplanet's innovative services are the forefront of new market trends: (i) 106 Arcaplanet Stores currently have on-site “Para-pharmacies” (through which we offer non-prescription veterinary drugs); (ii) 102 Arcaplanet Stores offer “Self Wash” (self-service washing machines and dryers for pet clothing and accessories) and/or “Pet Wash” (dedicated self-service facilities for pet grooming with adjacent hair dryer areas) services; and (iii) dedicated “Agility” spaces for training and entertaining dogs in select Arcaplanet Stores. Clients express a high satisfaction rate (more than 4 out of 5 stars) in every service category, resulting in a higher average spend per transaction in 2020 when customers purchase pet food and accessories bundled with services. Following completion of the Transactions, we expect to add 130 Maxi Zoo Stores to this network, increasing the number of stores operated by the Combined Group to 512, of a *pro forma* basis, as at June 30, 2021.

For the year ended December 31, 2020, sales through physical stores accounted for approximately 93% of Agrifarma's revenue from retail sales.

Arcaplanet's physical store network is complemented by its fast-growing online business, which benefits from what we believe to be the widest product assortment on the market. We believe that high satisfaction with such product assortment is one of the key reasons why online clients are loyal to Arcaplanet's E-commerce Platform. According to a leading international consulting firm, online customers are very loyal and are generally unwilling to shift from their current online pet care store. Arcaplanet has been successful in driving online interest supported by superior "ARCAPLANET" Brand Awareness and the widest product range in the market, resulting in significant traffic and conversion rate improvements in 2018—2020. We believe that the online channel is critical for customer value maximization and promotion of our Exclusive Brands. Increased online sales of our Exclusive Brands products allowed Arcaplanet's E-commerce Platform to achieve profitability in 2020 and has positioned us for strong future growth through the online sales channel.

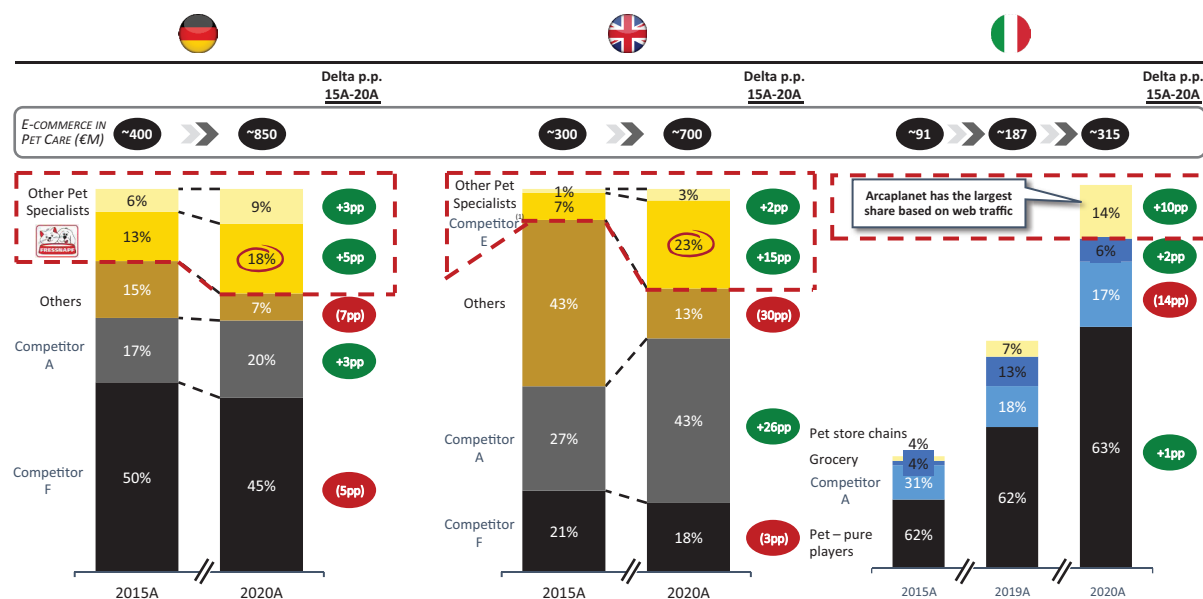
For the year ended December 31, 2020, sales through the E-commerce Platform accounted for approximately 7% of Agrifarma's revenue from retail sales.

We believe that our omni-channel approach is the optimal strategy to ensure continuous growth and loyalty of our customer base, as we offer our physical stores' customers the option of shopping online (and vice versa), all under the umbrella of our leading "ARCAPLANET" brand. The extent of our physical stores operations and traditional customer base allow us to be at the forefront of the ongoing digitalization of the Italian pet care market. Our omnichannel proposition enables us to serve as a one-stop-shop for the majority of pet care needs of our customers. It increases cross-selling across platforms, drives customer retention and helps capture customer spend, while promoting higher expenditures per customer. According to research performed by a leading international consulting firm, on average, Arcaplanet's omni-channel customers tend to spend approximately 2.1x more per year than either pure retail or pure online customers:



We believe that the trends in the Italian and wider European pet care markets are supportive of our omni-channel proposition. According to a leading international consulting firm, omni-channel specialists increased their share of the Italian online market from 4% in 2010 to 7% in 2015 and to 14% in 2020, while the share of online-only businesses decreased over the same period. This is in line with similar developments in more

mature online pet care markets. For example, in Germany, omni-channel specialists increased their market share from 19% in 2015 to 27% in 2020, while local online-only businesses lost their share over the same period.



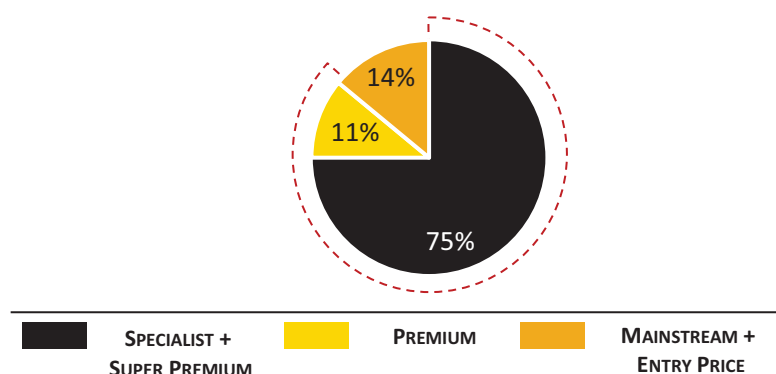
We have a best-in-class assortment of high-margin Exclusive Brands with premium price positioning, that will be supported by in-house dry pet food manufacturing

Exclusive Brands products are core to Arcaplanet's product offering. Sales of Exclusive Brands products generated 25.1%, 31.9%, 40.8% and 44.4% of Agrifarma's revenue from sales and services for the years ended December 31, 2018, 2019 and 2020 and the twelve months ended June 30, 2021, respectively.

Our Exclusive Brands offering comprises both food and non-food products positioned at the high-end of the market to capture increasing customer demand for quality products. Some of our bestselling Exclusive Brands for pet food are Hi[®], Next[®] and Virtus[®], while our bestselling non-food brands include Lovedi[®], Perfect[®] and Next[®]. Our Virtus[®] brand has the highest Net Promoter Score amongst all our Exclusive Brands, which is also twice as high as the Net Promoter Score on the Italian market of a leading international brand. Which is a leading global brand. Exclusive Brands increase overall "ARCAPLANET" Brand Awareness which, in turn, drives customer loyalty.

For the twelve months ended June 30, 2021, more than 75% of Arcaplanet's combined revenue from sales of pet food under Exclusive Brands came from the higher margin "Specialist" and "Super Premium" segments:

% OWN EXCLUSIVE BRAND REVENUES BY PRICE POSITIONING



Exclusive Brands products generate a gross margin of approximately 62-63%, which has grown over time as Arcaplanet's business has increasingly focused on premium products. Meanwhile, the gross margin of third-party brands has been approximately 36% (without supplier's bonus) over the last 3 years. Because Exclusive Brands products have higher margins, Arcaplanet Adjusted EBITDA Margin increased to 17.7% for the twelve months ended June 30, 2021 from 13.6% for the year ended December 31, 2018, as the share of its revenue generated by sales of Exclusive Brands products increased. Our Exclusive Brands products can be

purchased only at Arcaplanet's physical stores or via our E-commerce Platform, which drives foot traffic and repeated purchases. Increasing penetration of Exclusive Brands products is facilitated by the extensive Arcaplanet store network and the high awareness of Arcaplanet's Exclusive Brands and the overall "ARCAPLANET" brand. In the recent years, Arcaplanet has been investing significantly in increasing the awareness of its Exclusive Brands and its overall Brand Awareness. Exclusive Brands cater well to the pet "humanization" and premiumization trends, which are the key drivers of the Italian pet care market's growth.

In addition, Maxi Zoo has a largely complementary exclusive brand offering with a significant margin upside (as it currently offers exclusive brands products in all of the higher margin segments). Following completion of the Transactions, we expect to capture this margin upside through the combination and harmonization of product assortment within the Combined Group.

To further strengthen our Exclusive Brand offering, we invested in the construction of the Tagliamento Facility, a state of the art facility for manufacturing dry pet food with a capacity of 60 kilotons (which we will have the flexibility to double in the future with very limited capital investments). Upon the Tagliamento Facility's commencement of operations, which is currently expected by August 2022, we will become the first only-Italian vertically-integrated pet specialist business. Our margins on dry food products are expected to further improve as the result of the internalization of manufacturing costs and economies of scale. In addition, we expect to benefit from greater control over product quality and R&D, an accelerated innovation cycle and additional potential synergies in future acquisitions.

Our strong financial track record is expected to be further enhanced by tangible synergies resulting from the implementation of the Transformation Program

Since 2018, Arcaplanet consistently delivered year-on-year growth of Agrifarma's revenue from sales and services and Agrifarma EBITDA, both in the double digits, supported by increasing sales of Exclusive Brands and significant marketing expenditure. Arcaplanet Adjusted EBITDA margins have consistently expanded across various store sizes and formats, as well as across different locations. Arcaplanet's consistent performance is attributable to its ability to optimize product category mix and cost structure (resulting in a homogenous P&L structure across all Arcaplanet Stores network) and a successful M&A strategy. We believe that we have demonstrated the ability to identify attractive opportunities to grow our physical store network and deliver such growth in an efficient manner, while ensuring consistent and predictable profitability of new stores. The performance of Arcaplanet Stores opened in 2019 and 2020 is superior to older store clusters, both in terms of revenue from sales and services and Arcaplanet Adjusted EBITDA per store. Arcaplanet combined revenue from retail sales through 186 organic growth physical stores that were part of the network as at December 31, 2017 and remained part of the network as at December 31, 2020 grew from €180.2 million for the year ended December 31, 2018 to €188.6 million for the year ended December 31, 2019 to €191.1 million for the year ended December 31, 2020. For the same periods, Arcaplanet Adjusted EBITDA per store increased from €100,100 to €116,200 to €142,300. In addition, Arcaplanet combined Like-for-Like revenue increased by 5.2% in 2016, by 2.1% in 2017, by 5.0% in 2018, by 5.9% in 2019 and by 6.3% in 2020.

Arcaplanet's omni-channel model has proven resilient during the COVID-19 pandemic, with Agrifarma's revenue from sales and services growing by €33.3 million, or 10.9%, from €305.9 million for the year ended December 31, 2019 to €339.2 million for the year ended December 31, 2020 and Agrifarma EBITDA by €11.8 million, or 31.7%, from €37.1 million to €48.9 million for the same period. Arcaplanet Adjusted EBITDA grew by €12.4 million, or 30.6%, from €40.4 million to €52.8 million for the same periods. This momentum has continued into 2021, with Agrifarma's revenue from sales and services growing by €29.8 million, or 18.9%, from €157.5 million for the six months ended June 30, 2020 to €187.3 million for the six months ended June 30, 2021, Agrifarma EBITDA growing by €10.4 million, or 54.3%, from €19.2 million to €29.6 million and Arcaplanet Adjusted EBITDA growing by €12.5 million, or 59.0%, from €21.1 million to €33.6 million for the same periods.

Increasing penetration of Exclusive Brands is a key driver of Arcaplanet Adjusted EBITDA Margin profile, as products sold under such brands generally have higher margins than third party branded products. Our focus on Exclusive Brands products has enabled us to increase Arcaplanet Adjusted EBITDA Margin from 13.6% for the year ended December 31, 2018 to 15.6% for the year ended December 31, 2020 and to 17.7% for the twelve months ended June 30, 2021. Arcaplanet is highly cash generative due to limited capital expenditures and a structurally negative net working capital profile. Its overall capital intensity is minimal with start-up capital expenditure per store at approximately €0.3-0.4 million, depending on size. Low maintenance capital expenditure allows Arcaplanet to generate consistently high returns after each new store opening. Approximately 50% of newly opened stores generate positive Arcaplanet Adjusted EBITDA after one month from opening. On average, Arcaplanet's new stores reach maturity in their third year, when they reach average

retail sales of €1 million and average EBITDA margin of 24.9% per year. Arcaplanet's high profitability is demonstrated by Agrifarma's cash conversion, which improved from €14.3 million for the year ended December 31, 2018 to €36.1 million for the year ended December 31, 2020 and €52.6 million for the twelve months ended June 30, 2021.

Following completion of the Transactions, we intent to implement our Transformation Program, which is expected to result in significant synergies and will further strengthen the Combined Group's financial profile. Key synergies reflected in the *Pro forma* Adjusted EBITDA include store network consolidation, harmonization of product offerings, products' purchase price improvements, HQ optimization, marketing centralization and in-store personnel optimization. This synergetic potential is expected to be fully realized by 2023, resulting in an increase of *Pro forma* Adjusted EBITDA by €20.0 million.

Visionary founder-led management team with strong track record and a clear vision for the future

Our management team has a market leading expertise in the Italian pet care industry and is composed of eleven senior members, including Mr. Michele Foppiani (our Chief Executive Officer and founder) and Mrs. Tiziana Gargiulo (our Chief Financial Officer). For many years, this team has consistently delivered above-market growth. Some recent notable achievements include establishment of the Arcacub® loyalty program, successful penetration of high-margin Exclusive Brands, our ongoing Vertical Integration Project and the continued expansion into the online channel.

The experience of our management team is further enhanced by the combined expertise of our investors, Cinven and Fressnapf, who possess deep market knowledge and have a track record of successful execution of similar transactions and delivery of synergies in similar environments. In particular, Fressnapf is one of the largest omni-channel pet retailers in Europe and will make its infrastructure and expertise available to the Combined Group (including extensive experience with rebranding stores post acquisition, support with procurement of branded and private label products, offline retail and online execution).

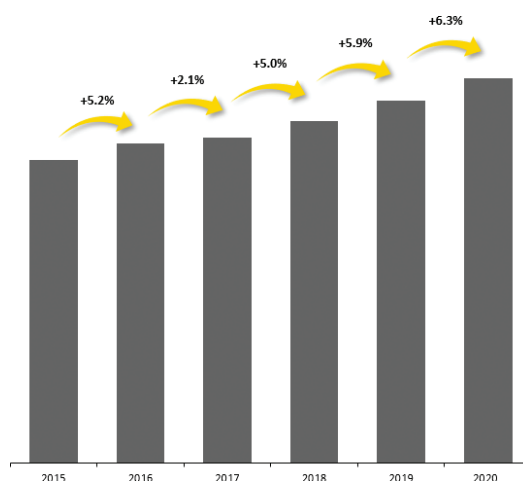
Going forward, the management team has a clear roadmap to continue capturing customer spend with new store openings and introduction of new services. Key current strategic initiatives include further roll-out of service offerings to other locations, e-vet services with online one-on-one video consultations, pet insurance offerings, an e-commerce marketplace on the Arcaplanet website and online educational services with the support of pet care experts.

Our Strategy

Continue like-for-like growth trajectory

We have a long track record of consistent like-for-like top-line growth underpinned by our omni-channel proposition, high customer loyalty, constant improvement of product assortment, introduction of new services, store refurbishments and marketing investments. Following the completion of the Transactions, 130 Maxi Zoo Stores will be rebranded in accordance with the Arcaplanet Store Format, which will allow the Combined Group to reach a broader consumer base and generate new demand.

The table below sets out the evolution of the Arcaplanet combined Like-for-Like revenue for the periods indicated:



Market trends are expected to remain supportive with 4.9% projected yearly growth of the Italian pet care market in 2020-2025. The primary market trends are pet “humanization”, premiumization, increased customer awareness of the benefits of specialist products, further penetration of the online channel and increasing pet adoptions due to COVID-19 tailwinds.

Continue increasing online penetration

According to a leading consulting firm, overall online penetration of the Italian pet care market is expected to reach 12-16% by 2025, and we are well positioned to benefit from that growth. We already have a profitable online E-commerce Platform, supported by superior “ARCAPLANET” Brand Awareness, but there is room for upside in our marketing mix and search engine optimization performance, among other areas. In early 2021, we launched the new VTEX E-commerce Platform, which boosts online activity by offering new complementary functionalities, resulting in a superior customer experience with a smart check-out process, card storage and an improved user interface. Since the launch of the VTEX E-commerce Platform, we have experienced an increase in conversion rates. We are planning to launch a variety of new initiatives in 2022, including online one-on-one vet visits, educational services, “buy now, pay later” services and a digital tool to provide customers with customized diet recommendations for their pets.

Continue expanding our physical stores network through organic growth and opportunistic acquisitions

We have identified numerous potential whitespace opportunities in Italy that could support between approximately 1,500 and approximately 1,800 total new physical pet care stores in the next several years. Therefore, we believe that our own physical stores network could be expanded to over 800 stores in that period. Our unit economics are consistent across store vintages, size and locations. Arcaplanet Stores generally mature in their third year, when they reach average revenue of retail sales of €1 million and average EBITDA margin of 24.9% per year.

In addition to organic growth, we expect to continue growing our physical store network through opportunistic acquisitions. The Italian pet care market remains fragmented with large consolidation potential. According to a leading international consulting firm, small independent (“mom & pop”) stores accounted for approximately 37% share, by revenue, in 2020. Arcaplanet has a clear track record of value-accretive acquisitions with six bolt-on and one transformational M&A transactions successfully executed in the last 5 years. In all instances, it has successfully integrated new and existing businesses and delivered significantly improved performance and margins. Following completion of the Transactions, we expect to continue a proactive opportunistic M&A strategy.

Implement the Vertical Integration Project securing in-house production of dry pet food for our Exclusive Brands

Our Tagliamento Facility for manufacturing dry pet food will make us the first only-Italian vertically-integrated pet specialist business in the country. It will be built in accordance with the highest technology standards, ensuring improved control over product quality and R&D. Once operational, the Tagliamento Facility is expected to enable us to internalize the margin currently paid out to third party manufacturers and further realize production and operational cost savings. With current volumes of dry pet food sold under our Exclusive Brands, the Tagliamento Facility is expected to contribute to further increases of our *Pro forma* Adjusted EBITDA. We currently expect the Tagliamento Facility to begin operations by August 2022 and estimate the overall cost of construction to be approximately €45 million. In accordance with Italian Ministerial Decree of December 9, 2014 (*Development contracts: adjustment of rules on state aid*), Invitalia, Italy’s National Agency for Inward Investment and Economic Development, provides state support to projects that are expected to significantly advance the country’s economic development. In August and December 2020, Arcaplanet filed two separate applications to Invitalia for state co-funding of, in aggregate, approximately €17 million, or 40%, of the Tagliamento Facility’s then expected total construction costs. As part of the application process, Arcaplanet submitted detailed documentation relating to the proposed construction and expected impact of the Tagliamento Facility on local and national economies. Both applications have been approved. Although there is no definitive schedule for Arcaplanet’s receipt of funds, we expect the first tranche of approximately €9 million to be made available during the course of 2022 and the second tranche of approximately €8 million in 2022 or 2023. In addition, instead of receiving lump sums up front, Arcaplanet is entitled to claim reimbursement of actual costs incurred up to the aggregate approximately €17 million limit. Arcaplanet will be under no obligation to repay any money it receives from Invitalia and no such funding will be subject to any additional conditions other than compliance with the terms of the underlying applications.

If required, we expect to be able to double the currently planned 60 kiloton dry pet food capacity of the Tagliamento Facility with limited investments. We will also have the option to buy adjacent land to build a 60

kiloton wet pet food facility. Internalization of the production process and the associated full control over the R&D activity is expected to accelerate innovation and reduce the time to market of our Exclusive Brands products. The Tagliamento Facility is expected to be cost efficient due to the minimization of human interaction and its industry 4.0 design that enables remote control and 100% product traceability. It is expected to be compliant with the highest safety and environmental standards, which will make it eligible for six ISO certifications. The Tagliamento Facility is currently expected to become operational in August 2022.

Execute the Transformation Program

We believe that the Transactions have strong potential for tangible synergies that will allow the Combined Group to benefit from enhanced scale, Brand Awareness and operational flexibility, among other things. In particular, we have identified certain initiatives and synergy levers that will strengthen our financial profile through cost rationalization.

Following a detailed review of operations of Arcaplanet and Maxi Zoo, several operational initiatives have been identified as part of the Transformation Program. For instance, harmonization of product offerings in conjunction with the rebranding of Maxi Zoo Stores in accordance with the Arcaplanet Store Format is expected to deliver a €5.8 million impact on our *Pro forma* Adjusted EBITDA. We are confident that such alignment can be achieved given our substantial track record of successful integration projects. In addition, currently both businesses operate their own headquarters with two management teams in place, which creates significant headroom for cost reductions. We expect synergies from HQ optimization to deliver a €4.6 million impact on *Pro forma* Adjusted EBITDA. Furthermore, we believe that current physical store networks of Arcaplanet and Maxi Zoo may overlap in certain locations. Consolidation of stores located in close proximity is expected to result in immediate cost savings while transferring revenue to nearby stores. We expect a €3.3 million impact of store network optimization on our *Pro forma* Adjusted EBITDA. Centralization of marketing activities and in-store personnel optimization are expected to deliver €1.9 million and €2.6 million of synergies, respectively. Finally, the Transactions are expected to result in the Combined Group's ability to secure improved procurement terms due to higher volumes and overall stronger business setup. We expect such improvements to have a €1.8 million impact on our *Pro forma* Adjusted EBITDA. In total, we expect our Transformation Program to render €20.0 million of synergies by 2023. In addition, the rebranding of Maxi Zoo Stores may lead to an increase in online penetration of former Maxi Zoo clients, which represents potential further upside.

Maintain financial discipline to support deleveraging

We intend to maintain a high focus on integration, profitability, cash flow generation and deleveraging. Our strategy is expected to be supported by rapid EBITDA growth resulting from execution of the business plan, synergies from the Transactions and underlying growth trends in the Italian pet care market, among other factors. Our commitment to deleveraging is reinforced by the investment of a conservative strategic shareholder, Fressnapf, that will hold a meaningful 32.5% of the Combined Group. The Combined Group is therefore expected to have a conservative capital management strategy. In addition, we expect to pay no dividends for at least 24 months from the Arcaplanet Acquisitions Closing Date, as we will be focused on executing the Transformation Program. The Combined Group is expected to have strong profitability and financial discipline to provide a generous liquidity cushion for our ongoing business needs. Our liquidity position is expected to be supported by the €80 million Revolving Credit Facility, structurally negative working capital and limited capital requirements. Notwithstanding our intention to delever, we also intend to selectively evaluate acquisition opportunities to increase the scale of the business as and when they arise.

The Transactions

Arcaplanet Acquisition

On June 24, 2021, the Issuer entered into the Arcaplanet Purchase Agreement with the Sellers to acquire, directly or indirectly, the Target. We currently expect the Arcaplanet Acquisition to complete during the course of March 2022. The consummation of the Arcaplanet Acquisition is, however, subject to the satisfaction of certain closing conditions, including customary antitrust approvals and the performance of certain closing actions. The Issuer has agreed to take all necessary steps to obtain the required clearances following the signing of the Arcaplanet Purchase Agreement. If such closing conditions have not been fulfilled or waived by the last day of the eight month following the one in which the Arcaplanet Purchase Agreement was executed, the Arcaplanet Purchase Agreement may be terminated.

The Arcaplanet Purchase Agreement contains customary warranties given by the Sellers as to capacity, title and certain business matters as well as customary signing to closing covenants given by the Sellers regarding,

among other things, the conduct of the business and the affairs of Arcaplanet pending closing of the Arcaplanet Acquisition. The Sellers' liability for any breach of a warranty is subject to certain thresholds and limitations.

See "*The Transactions—Arcaplanet Acquisition*" for additional details on the Arcaplanet Acquisition.

Maxi Zoo Contribution

Also on June 24, 2021, Seventh Cinven Fund (No. 1) Limited Partnership (the "**Seventh Cinven Fund**"), Topco and Fressnapf entered into the Maxi Zoo Acquisition Agreement. Under the terms of such Maxi Zoo Acquisition Agreement, Topco will purchase the Maxi Zoo Shares from Fressnapf in exchange for an issuance of certain new shares in Topco to Fressnapf (concurrently with the direct or indirect subscription for certain additional new shares in Topco by each of the Seventh Cinven Fund (and/or its permitted assignees) and Fressnapf). We currently expect the Maxi Zoo Acquisition to complete shortly before, or substantially concurrently with, the Arcaplanet Acquisition. In accordance with the Maxi Zoo Acquisition Agreement, the consummation of the Maxi Zoo Acquisition is subject to certain antitrust approvals and the performance of certain closing actions. As soon as practicable after the completion of the Maxi Zoo Acquisition: (i) Topco will contribute (directly or indirectly) the Maxi Zoo Shares to Midco and (ii) Midco will contribute such Maxi Zoo Shares to the Issuer. The Maxi Zoo Acquisition and such subsequent contributions are, collectively, referred to in this offering memorandum as the "**Maxi Zoo Contribution**". Fressnapf will be a strategic investor in the Combined Group (see "*Principal Shareholders*" and "*—Our Strategy—Maintain financial discipline to support deleveraging*") and following completion of the transactions envisaged by the Maxi Zoo Acquisition Agreement and the Arcaplanet Purchase Agreement, Cinven and Fressnapf will become majority shareholders in the Combined Group with the governance rights described in "*Related Party Transactions—Shareholders' Agreement*."

The Investors remain committed to complete both transactions as soon as practicable following satisfaction of the applicable closing conditions (see "*The Transactions*.")

The Maxi Zoo Acquisition Agreement contains customary warranties given by Fressnapf as to capacity, title and certain business matters, as well as customary signing to closing covenants given by Fressnapf regarding, among other things, the conduct of the business and the affairs of Maxi Zoo pending closing of the Maxi Zoo Acquisition. Fressnapf's liability for any breach of a warranty is subject to certain thresholds and limitations. In addition, pursuant to the Maxi Zoo Acquisition Agreement, Fressnapf has agreed, in order to facilitate the ability of Maxi Zoo to operate outside of Fressnapf's wider organization following completion of the Maxi Zoo Acquisition, to provide, or procure the provision by other Fressnapf entities, of certain services to Maxi Zoo until such time as Fressnapf and Topco otherwise agree, and for such consideration as may be agreed between them.

See "*The Transactions—Maxi Zoo Contribution*" for additional details on the Maxi Zoo Contribution and "*Related Party Transactions*" for additional details on such arrangements between Fressnapf and Topco.

Financing

Assuming the Arcaplanet Acquisition Closing Date occurs in March 2022, we expect that the consideration for the Arcaplanet Acquisition will be financed by: (i) a direct or indirect cash equity contribution from the Investors and management to the Issuer on or about the Arcaplanet Acquisition Closing Date in an estimated aggregate amount of €499.6 million (the "**Cash Equity Contribution**"); and (ii) a portion of the proceeds of the Offering in an estimated aggregate amount of €449.3 million. A portion of the Offering proceeds in an estimated aggregate amount of approximately €100 million is also expected to be used to refinance the Existing UniCredit Facilities. See "*Description of Certain Financing Arrangements—Existing UniCredit Facilities Agreement*." The Cash Equity Contribution, the Offering and the use of proceeds therefrom are collectively referred to in this offering memorandum as the "**Financing**."

In addition, on or prior to the Issue Date, the Issuer will enter into the Revolving Facility Agreement, under which a €80.0 million super senior revolving credit facility (the "**Original Revolving Facility**") will be made available to the Issuer and certain of its subsidiaries on the Arcaplanet Acquisition Closing Date. Borrowings under the Revolving Facility Agreement will be available for general corporate and working capital purposes. For a more detailed description of the Revolving Facility Agreement, see "*Description of Certain Financing Arrangements—Revolving Facility Agreement*." We currently expect no amounts to be drawn in cash under the Original Revolving Facility on the Arcaplanet Acquisition Closing Date. See "*Capitalization*."

Post Closing Mergers

Within approximately 15 months of the Arcaplanet Acquisition Closing Date, we expect to merge the Issuer, the Target and Maxi Zoo into Agrifarma, with Agrifarma being the ultimate surviving entity, all pursuant to Article 2501-*bis* of the Italian Civil Code (such transactions, “**Post Closing Mergers**”).

Following the completion of the Post Closing Mergers, Agrifarma will be substituted as the issuer of the Notes. While we intend to use commercially reasonable efforts to complete the Post Closing Mergers, their completion will be subject to certain conditions and may not occur within the currently envisaged time frame or at all. See “*Risk Factors—Risks Related to the Transactions—We may be unable to complete the Post Closing Mergers within the anticipated time frame, or at all.*” Following the Post Closing Mergers, and to the extent applicable, certain security interests in the Collateral may be released. In addition, certain other security interests in the Collateral may be confirmed, extended and/or granted (as applicable) in accordance with the covenants described under “*Description of the Notes—Certain Covenants—Impairment of Security Interest.*”

In this offering memorandum, we refer to the Arcaplanet Acquisition, the Maxi Zoo Contribution, the Financing, the entry into the Revolving Facility Agreement and the Post Closing Mergers, collectively, as the “**Transactions**”.

The table below sets out the estimated sources and uses of funds necessary to consummate the Transactions (other than the Post Closing Mergers):

Sources of Funds	Amount (€ millions)	Uses of Funds	Amount (€ millions)
Notes offered hereby ⁽¹⁾	550.0	Consideration in connection with the	
Cash and cash equivalents ⁽²⁾	86.9	Arcaplanet Acquisition ⁽⁶⁾	948.9
Cash Equity Contribution		Refinancing of the existing bank debt	
Cinven Funds ⁽³⁾	420.2	facilities ⁽⁷⁾	147.6
Fressnapf ⁽³⁾	54.4	In kind consideration in connection	
Management ⁽⁴⁾	25.0	with the Maxi Zoo Acquisition ⁽⁵⁾ . . .	160.0
Total Cash Equity Contribution	499.6	Estimated transaction fees and	
In kind equity contribution ⁽⁵⁾	160.0	expenses ⁽³⁾⁽⁸⁾	40.0
Total sources	1,296.5	Total uses⁽⁹⁾	1,296.5

Notes:

- (1) Represents €550.0 million aggregate principal amount due at maturity, assuming the Notes are issued at par. Pursuant to the Escrow Agreement, we may fund the interest payments on the Notes prior to the Arcaplanet Acquisition Closing Date with the escrowed proceeds from the Offering.
- (2) Represents estimated cash and cash equivalents on balance sheets of the Target Group entities that will be acquired as part of the Arcaplanet Acquisition and are expected to be used to consummate the Transactions (other than the Post Closing Mergers). The amounts of such cash and cash equivalents may be increased or decreased depending on the final total consideration payable to the Sellers (see footnote 6 below).
- (3) Represents expected cash equity contributions from the Investors. The actual amounts of such cash equity contributions may be increased or decreased: (i) depending on (a) the aggregate amount of the Ticking Fee accrued under the Arcaplanet Purchase Agreement as at the Arcaplanet Acquisition Closing Date and the aggregate amount of cash and cash equivalents generated by the Target Group from the Lock Box Date to the Arcaplanet Acquisition Closing Date, that remains on the balance sheets of the Target Group entities as at the Arcaplanet Acquisition Closing Date; (b) the final agreed amount of cash equity contribution from the management; and (ii) if the transaction fees and expenses are greater or less than our current estimate. See “*The Transactions—Arcaplanet Acquisition.*”
- (4) Represent the expected cash equity contribution from the management. The final amount of such contribution will be determined following the Issue Date, but prior to the Arcaplanet Acquisition Closing Date.
- (5) Represents the base purchase price under the Maxi Zoo Acquisition Agreement. The purchase price under the Maxi Zoo Acquisition Agreement may be increased or decreased in accordance with a completion accounts adjustment process provided for in the Maxi Zoo Acquisition Agreement. Any adjustment in respect of an increase or decrease in the purchase price under the Maxi Zoo Acquisition Agreement will be settled in cash by Topco (as purchaser) or Fressnapf (as seller), as applicable, in accordance with the terms of the Maxi Zoo Acquisition Agreement. See “*The Transactions—Maxi Zoo Contribution.*”
- (6) Represents the base purchase price payable to the Sellers pursuant to the Arcaplanet Purchase Agreement on the Arcaplanet Acquisition Closing Date. The final total consideration may change depending on (a) the aggregate amount of the Ticking Fee accrued under the Arcaplanet Purchase Agreement as at the Arcaplanet Acquisition Closing Date and (b) the aggregate amount of cash and cash equivalents generated by the Target Group from the Lock Box Date to the Arcaplanet Acquisition Closing Date, that remains on the balance sheets of the Target Group entities as at the Arcaplanet Acquisition Closing Date.
- (7) Represents the aggregate principal amount outstanding under the Existing UniCredit Facilities, that will be refinanced using Tranche B of the Notes. Does not include accrued but unpaid interest and amortized debt costs in relation to the Existing UniCredit Facilities.
- (8) Represents estimated fees and expenses associated with the Transactions (other than the Post Closing Mergers), including net

interest expense that will accrue on proceeds of the Notes deposited into escrow, underwriting, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees.

- (9) Proceeds from a portion of the Notes designated as Tranche A (“**Tranche A**”), equal to an aggregate principal amount of €449.3 million, will be used to fund a portion of the purchase price under the Arcaplanet Purchase Agreement as per footnote (6) above, and proceeds from a separate portion of the Notes designated as Tranche B (“**Tranche B**”), equal to an aggregate principal amount of approximately €100 million, will be used to: (i) refinance the Existing UniCredit Facilities as per footnote (7) above and (ii) pay the costs, fees and expenses incurred in connection with such refinancing as per footnote (9) above. For the avoidance of doubt, the “virtual tranching” of the Notes is aimed at identifying the separate portions of the proceeds being used to consummate the Arcaplanet Acquisition and the refinancing of the Existing UniCredit Facilities, respectively, and will not entail issuing separate identifiers (CUSIPs, ISINs or common codes) for each such tranche.

Prior to the Arcaplanet Acquisition Closing Date, the Issuer will not have control over the boards of directors of the Target Group. Such boards of directors of the Target Group and its management will be required, prior to the Arcaplanet Acquisition Closing Date, to manage the Target Group under their own responsibility and in a manner that is in the best interests of the Target Group. See “*Risk Factors—Risks Related to the Transactions—The Issuer does not currently control the Target Group or Maxi Zoo and will not control the Target Group and Maxi Zoo until the Arcaplanet Acquisition Closing Date and the closing date of the Maxi Zoo Contribution, respectively.*”

Prior to completion of the Maxi Zoo Contribution, the Issuer will not have control over the board of directors of Maxi Zoo. Such board of directors and Maxi Zoo’s management will be required, prior to such completion, to manage Maxi Zoo under their own responsibility and in a manner that is in the best interests of Maxi Zoo. See “*Risk Factors—Risks Relating to the Transactions—The Issuer does not currently control the Target Group or Maxi Zoo and will not control the Target Group and Maxi Zoo until the Arcaplanet Acquisition Closing Date and the closing date of the Maxi Zoo Contribution, respectively.*”

Escrow Account

Pending the consummation of the Arcaplanet Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering into the Escrow Account. The Escrow Account will be in the name of, and controlled by, the Escrow Agent, and, on the Issue Date, the Issuer will grant a first-priority security interest in its beneficial interest in the Escrow Account and the Escrow Property in favour of the Trustee on behalf of the holders of the Notes. See “*—The Offering—Collateral.*”

The release of proceeds of the Offering from the Escrow Account is subject to the satisfaction of certain conditions, including that the funds required to pay the consideration for the Arcaplanet Acquisition will be applied promptly (and in any event within three business days). See “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*” If these conditions are not satisfied on or before the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price for the Notes will be equal to 100% of the aggregate issue price of the Notes *plus* accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of such special mandatory redemption. See “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*”

In the event of a special mandatory redemption, Midco will be required to fund the Issuer in such aggregate amounts as are required in order to enable the Issuer to pay any funding shortfall, including Escrow Account fees, negative interest on the Escrow Account balance and costs and accrued and unpaid interest and additional amounts, if any, owing to the holders of the Notes on such special mandatory redemption date (the “**Escrow Equity Commitment**”), pursuant to the Equity Commitment Letter. The holders of the Notes will not have any direct right to enforce the Escrow Equity Commitment, and must rely on the Issuer’s rights to enforcement under the Escrow Equity Commitment. See “*Risk Factors—Risks Relating to the Transactions—If the conditions precedent to the release of Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Account may not have sufficient funds to cover such redemption without relying on the Escrow Equity Commitment.*”

Information about the Issuer

The Issuer is a joint stock company (*società per azioni*) incorporated under the laws of Italy and is registered with the Companies’ Registry (*Registro delle Imprese*) of Milan-Monza-Brianza-Lodi under No. 11462410967. The registered office of the Issuer is located at Via Alessandro Manzoni No. 38, Milan, Italy.

Following the completion of the Arcaplanet Acquisition, and within approximately 15 months of the Arcaplanet Acquisition Closing Date, along with certain other Post Closing Mergers, we intend to merge the

Issuer, the Target and Maxi Zoo into Agrifarma, with Agrifarma being the ultimate surviving entity. Following the completion of the Post Closing Mergers, Agrifarma will be substituted as the issuer of the Notes.

Investors

Cinven

Cinven is a leading international private equity firm focused on building world-class global companies leveraging its European focus and expertise. Cinven uses a matrix of sector and local country expertise to target companies where it can strategically drive revenue growth and operational improvement, both in Europe and globally, and which typically require an equity investment of €200 million or more. Since 1988, the Cinven Funds have invested in more than 140 companies and led transactions with an aggregate Enterprise Value of more than €140 billion across six key sectors: Business Services, Consumer, Financial Services, Healthcare, Industrials and Technology, Media and Telecommunications (TMT). Cinven has offices in London, New York, Frankfurt, Madrid, Paris, Milan, Guernsey and Luxembourg.

Fressnapf

Fressnapf is one of the largest pet care omni-channel retailers in Europe. Founded in 1990 by Torsten Toeller as a pet specialty retail chain, Fressnapf quickly achieved rapid growth via its German franchise system, began internationalization in 1997 (with the international brand Maxi Zoo) and the business was successfully transformed into a profitable, fast-growing international group.

Today, Fressnapf, headquartered in Krefeld, is one of Europe's leading omni-channel specialty retail chains for pets, operating more than 1,700 stores in 11 countries and 9 web-shops. Fressnapf generated customer sales of over €2.6 billion for the year ended December 31, 2020 from its Franchise, Retail and Online segments and is aiming to generate customer sales of over €3 billion for the year ending December 31, 2021. While Fressnapf operates franchise partner stores, its own stores and an online shop in Germany, its international operations are not run via franchise, and it operates its own stores and online shops. Over 50% of the products sold by Fressnapf are exclusive labels and the expansion of exclusive label partnerships beyond its own store and franchise network prove that customers appreciate Fressnapf's retail skills and its exclusive products and brands. Fressnapf operates a supply chain and logistics network in Europe, as well as an international purchase and import platform. Its group-wide IT platform allows for a customer-centric and fast-growing digital offer and lean backbone processes.

Recent Developments

The preliminary financial data included in this section has been prepared by, and is the sole responsibility of, Agrifarma's and Maxi Zoo's management, as applicable. No third party has audited, reviewed, compiled, or applied agreed-upon procedures with respect to such preliminary financial data. Such data has been derived from management accounts, is preliminary and is subject to financial closing procedures, which have not yet been completed. In particular, the Financial Statements are not prepared on the same basis, and therefore, while we believe these preliminary results and estimates to be reasonable, our actual results could vary from these estimates and these differences could be material. As such, you should not place undue reliance on this information and this information may not be indicative of the performance of Agrifarma or Maxi Zoo, as applicable, in the remainder of the current financial year or any future period. See "Information regarding Forward-Looking Statements," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma" in this offering memorandum for a more complete discussion of certain of the factors that could affect our future performance.

COVID-19 pandemic

Our business has demonstrated a significant degree of resilience to challenges posed by the COVID-19 pandemic. Pet food shops are considered to be essential businesses pursuant to the Italian Ministerial Decree No. 76 of March 22, 2020, and thus our stores were allowed to remain open despite the lockdowns and other government restrictions put in place in Italy during the pandemic. In addition, because pet products (especially pet food) are generally considered non-discretionary spend for many pet owners, sales through our E-Commerce Platform increased during the COVID-19 crisis.

However, for periods of time since the start of the pandemic we have seen lower store sales in many locations due to reduced number of customers visiting our stores and stores' opening schedules being restricted, particularly during periods where more stringent restrictions were in place in Italy. In addition, we had to incur additional cost to introduce extended hygiene measures (such as requirements to provide disinfectants,

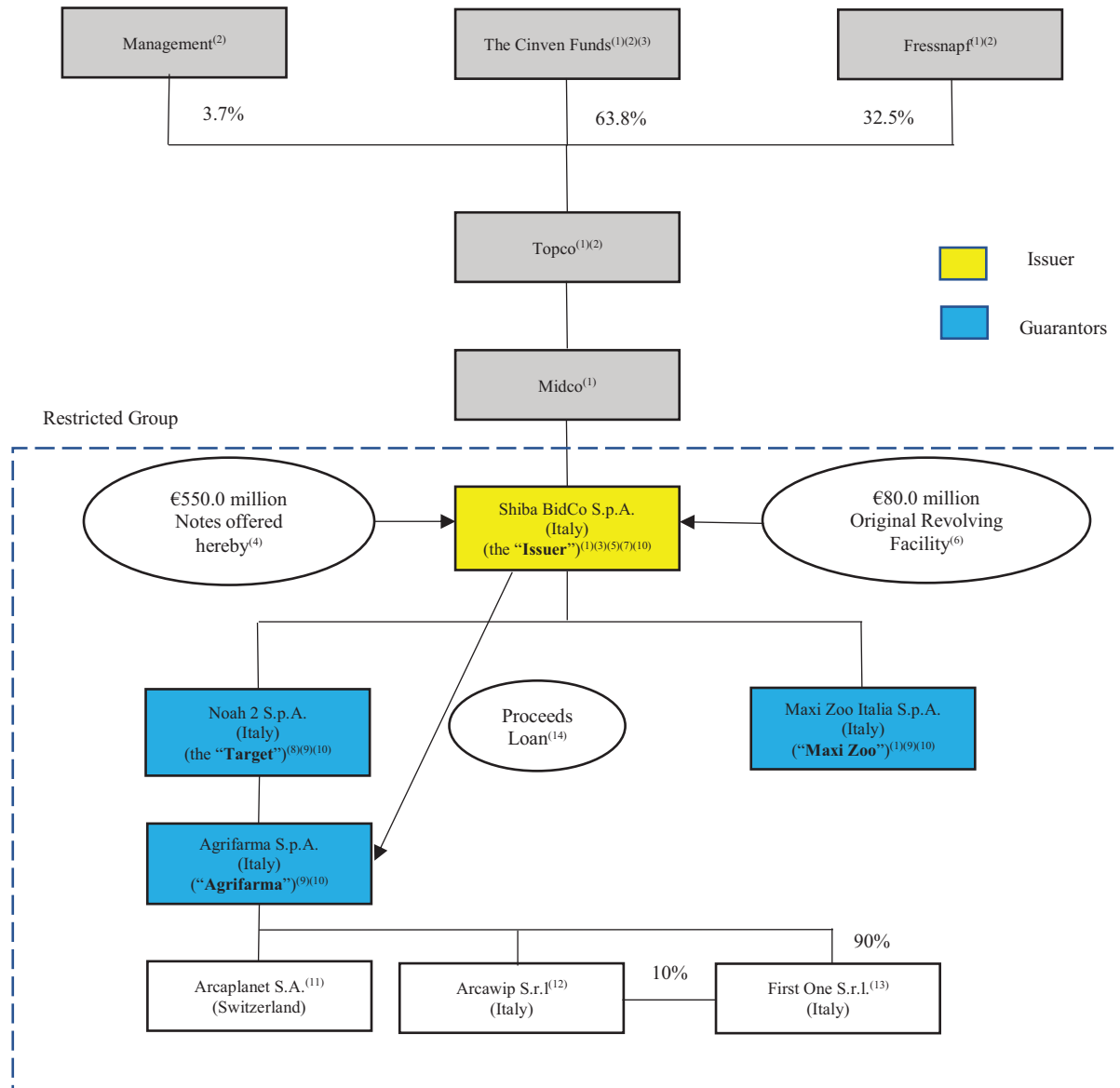
wear masks and limits on the number of customers in our stores) for the health and safety of our customers and employees. Management estimates that the COVID-19 pandemic has had an approximately €8.0 million and €3.7 million negative impact on Agrifarma's revenue from sales and services for the year ended December 31, 2020 and the six months ended June 30, 2021, respectively. In addition, Agrifarma's operating expenses related to the COVID-19 pandemic are estimated at approximately €1.8 million and €0.2 million for the same periods.

Trading update

Arcaplanet and Maxi Zoo continued to trade in line with their respective management's expectations in the one-month period ended July 31, 2021, with growth in revenue from sales and services and Arcaplanet Adjusted EBITDA and Maxi Zoo Adjusted EBITDA, respectively, both compared to the same one-month period ended July 31, 2020.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following simplified chart sets out certain aspects of our corporate and financing structure, adjusted to give effect to the Transactions (save for any Post Closing Mergers). This chart is provided for illustrative purposes only and does not represent all legal entities or debt obligations of the entities presented. For a summary of the debt obligations identified in the chart, please refer to the sections entitled “Description of the Notes,” “Description of Certain Financing Arrangements” and “Capitalization.” All entities shown below are 100% owned, unless otherwise indicated. Actual amounts and holding percentages may vary from estimated amounts depending on several factors.



Notes:

- (1) Shortly prior to the Arcaplanet Acquisition Closing Date (or concurrently therewith), Topco will purchase the Maxi Zoo Shares from Fressnapf in exchange for an issuance of certain new shares in Topco to Fressnapf (concurrently with the direct or indirect subscription for certain additional new shares in Topco by each of the Seventh Cinven Fund (and/or its permitted assignees) and Fressnapf). As soon as practicable after the completion of the Maxi Zoo Acquisition, (i) Topco will contribute the Maxi Zoo Shares to Midco and (ii) Midco will contribute such Maxi Zoo Shares to the Issuer. See “—The Transactions—Maxi Zoo Contribution.”
- (2) On the Arcaplanet Acquisition Closing Date, the Investors and certain members of management will directly or indirectly hold all of the share capital of Topco, which will (through its wholly owned subsidiary Midco) hold all of the share capital of the Issuer. See “Principal Shareholders” and “—The Transactions—Arcaplanet Acquisition.” The Issuer will also hold all of the Maxi Zoo Shares. The shareholding percentages presented in the chart above represent the expected shareholding percentages and may be subject to variations.
- (3) On the Arcaplanet Acquisition Closing Date, the Investors will, directly or indirectly, by way of cash equity contributions, provide an aggregate amount of €499.6 million to the Issuer (including funding, if any, from management). In addition, on or after the Arcaplanet Acquisition Closing Date, the Investors intend to establish the structure for a management incentive program.

- (4) The Issuer is offering €550.0 million in aggregate principal amount of Notes. The Notes will (i) be general senior obligations of the Issuer secured as set forth under “*Description of the Notes—Security*”; (ii) rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer and other obligations that are not expressly subordinated in right of payment to the Notes, including the Original Revolving Facility; (iii) 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; (iv) rank effectively senior to any existing and future indebtedness of the Issuer that is unsecured to the extent of the value of the Collateral; (v) be effectively subordinated to any existing or future indebtedness or obligation (including obligations to trade creditors) of the Issuer and its subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness or obligation; and (vi) be structurally subordinated to any existing or future indebtedness of the Issuer’s subsidiaries that do not guarantee the Notes and obligations to trade creditors. See “*The Offering—Ranking of the Notes*.” The Notes will not be guaranteed on the Issue Date. Within 150 days from (and excluding) the Arcaplanet Acquisition Closing Date and substantially simultaneously with the guarantees granted in favor of obligations under the Original Revolving Facility, subject to the Agreed Security Principles and customary guarantee limitations, the Notes are expected to be guaranteed by the Guarantors on a senior basis; *provided* that Maxi Zoo will only guarantee the Notes if the Maxi Zoo Contribution occurs on or prior to the Arcaplanet Acquisition Closing Date. See “*The Offering—Guarantors*,” “*Risk Factors—Risks Related to the Transactions—The Maxi Zoo Acquisition is subject to certain conditions*” and “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*.” On the Issue Date, the Notes will be secured by (i) a first-priority security interest in the Issuer’s beneficial interest in the Escrow Account and the Escrow Property; and (ii) subject to the Agreed Security Principles, by first-priority security interests in the Issue Date Collateral. Within 30 days and 150 days from (and excluding) the Arcaplanet Acquisition Closing Date, subject to the Agreed Security Principles and substantially simultaneously with the obligations under the Original Revolving Facility, the Notes will be secured by the Post Closing Collateral. The Collateral will also secure, on a first-priority basis, the Note Guarantees, once provided. See “*The Offering—Collateral*.” The obligations of each Guarantor under its Note Guarantee will be contractually limited under such Note Guarantee to reflect limitations under applicable Italian law with respect to maintenance of share capital, corporate benefit, financial assistance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. Until the completion of the Post Closing Mergers, the Note Guarantees and security interests in the Collateral to be granted by the Target Guarantors will only guarantee and secure the Issuer’s obligations under Tranche B of the Notes. For a description of the relevant limitations, see “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*.” As soon as reasonably practicable after the completion of the Post Closing Mergers, such Note Guarantees and security interests will be extended to also secure Tranche A of the Notes. Under the terms of the Intercreditor Agreement, in the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after lenders under the Original Revolving Facility and counterparties to certain hedging agreements and any other indebtedness that may rank *pari passu* with the Original Revolving Facility have been repaid in full. In addition, any Note Guarantees and the security interests in the Collateral may be released under certain circumstances. See “*Risk Factors—Risks Related to the Notes, the Note Guarantees and the Collateral*,” “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Description of the Notes—Security*.”
- (5) The Issuer was incorporated as a holding company for the purpose of the Arcaplanet Acquisition and the Maxi Zoo Contribution, has no independent business operations, other than those in connection with its incorporation and the Transactions, and has no significant assets, other than the equity interests it holds in its subsidiaries and, as at the Issue Date, the gross proceeds of the Offering credited by the Initial Purchasers onto the Escrow Account pending consummation of the Arcaplanet Acquisition. Prior to the Arcaplanet Acquisition Closing Date, the restrictive covenants in the Indenture will apply to the Issuer, but not Arcaplanet. The Issuer will not obtain control of Arcaplanet until the Arcaplanet Acquisition Closing Date and it will not obtain control of Maxi Zoo until the date when the Maxi Zoo Contribution is completed, which is expected to be shortly before, or concurrent with, the Arcaplanet Acquisition Closing Date.
- (6) In connection with the Transactions, the Issuer, as original borrower, is expected to enter into the Revolving Facility Agreement, which will provide for a committed Original Revolving Facility in an amount of €80.0 million. We currently expect no amounts to be drawn in cash under the Original Revolving Facility on the Arcaplanet Acquisition Closing Date. The Original Revolving Facility will not be guaranteed on the Issue Date. Within 150 days from (and excluding) the Arcaplanet Acquisition Closing Date, subject to the Agreed Security Principles and customary guarantee limitations, the Original Revolving Facility is expected to be guaranteed by the Guarantors on a senior basis. On the Issue Date, the Original Revolving Facility will be secured, subject to the Agreed Security Principles, by first-priority security interests in the Issue Date Collateral. Within 30 days and 150 days from (and excluding) the Arcaplanet Acquisition Closing Date, subject to the Agreed Security Principles, the Original Revolving Facility will be secured by the Post Closing Collateral.
- (7) On the Acquisition Closing Date, we intend to use the proceeds from the Offering and the Cash Equity Contribution to (i) fund the consideration payable in connection with the Arcaplanet Acquisition; (ii) refinance the Existing UniCredit Facilities; and (iii) pay the fees and expenses incurred in connection with the Transactions. See “*Use of Proceeds*.”
- (8) The Target was incorporated as a holding company for the purpose of the acquisition of Arcaplanet by Permira from Motion Equity Partners in 2016. The Target has no independent business operations, other than those in connection with its incorporation, and has no significant assets, other than the equity interest it holds in Agrifarma.
- (9) For the twelve months ended June 30, 2021, on an aggregate basis, the Guarantors generated 100% of our *pro forma* revenue from sales and services and approximately 99% of our *Pro forma* Adjusted EBITDA (excluding synergies and run-rate adjustments). As at June 30, 2021, on an aggregate basis (excluding all intragroup items, investments in subsidiaries and goodwill), the Guarantors accounted for 100% of our *pro forma* total assets (excluding investments in subsidiaries not consolidated and goodwill). The validity and enforceability of the Note Guarantees and the liability of each Guarantor will be subject to certain limitations. See “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*.”
- (10) Within approximately 15 months of the Arcaplanet Acquisition Closing Date, we expect to merge the Issuer, the Target and Maxi Zoo into Agrifarma, with Agrifarma being the ultimate surviving entity, all pursuant to Article 2501-bis of the Italian Civil Code. Following the completion of the Post Closing Mergers, Agrifarma will be substituted as the issuer of the Notes.
- (11) Arcaplanet S.A. was established by Agrifarma on February 2, 2018 and currently operates two stores in Switzerland. It is accounted for at cost in the Agrifarma Financial Statements. See “*Presentation of Financial and Other Information—Historical Financial Information—Historical financial information of Agrifarma*” and notes to the 2020 Agrifarma Annual Financial Statements.
- (12) Arcawip S.r.l. was acquired by Agrifarma on October 30, 2019 and currently operates 11 stores in the Italian regions of Lombardia,

Veneto and Piedmont. It is accounted for at cost in the Agrifarma Financial Statements. “*Presentation of Financial and Other Information—Historical Financial Information—Historical financial information of Agrifarma*” and notes to the 2020 Agrifarma Annual Financial Statements. It is currently expected that Arcawip S.r.l. will be merged into Agrifarma by the end of 2021.

- (13) First One S.r.l. is an Agrifarma Subsidiary that was created in July 2020 for the primary purpose of developing the Tagliamento Facility. It is accounted for at cost in the Agrifarma Financial Statements. “*Presentation of Financial and Other Information—Historical Financial Information—Historical financial information of Agrifarma*” and notes to the 2020 Agrifarma Annual Financial Statements.
- (14) Upon the release of the proceeds of the Offering from the Escrow Account and until the completion of the Post Closing Mergers, the Issuer will loan a portion of such proceeds to Agrifarma pursuant to the Proceeds Loan.

THE OFFERING

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

Issuer	Shiba BidCo S.p.A. Following the completion of the Post Closing Mergers, Agrifarma will be substituted as the issuer of the Notes.
Notes Offered	€550.0 million aggregate principal amount of 4.500% senior secured notes due 2028.
Issue Date	October 21, 2021.
Issue Price	100.000%
Maturity Date	October 31, 2028.
Interest Rate and Interest Payment Dates	4.500% per annum. Interest on the Notes will accrue from the Issue Date and will be payable semi-annually in arrears on 30 April and 31 October of each year. The first interest payment on the Notes will be made on 30 April, 2022.
Form and Denomination	The Notes will be issued on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.
Guarantors	The Notes will not be guaranteed on the Issue Date. Within 150 days from (and excluding) the Arcaplanet Acquisition Closing Date and substantially simultaneously with the guarantees granted in favor of obligations under the Original Revolving Facility, subject to the Agreed Security Principles and customary guarantee limitations, the Notes are expected to be guaranteed by the Guarantors on a senior basis; provided that Maxi Zoo will only guarantee the Notes if the Maxi Zoo Contribution occurs on or prior to the Arcaplanet Acquisition Closing Date.

The obligations of each Guarantor under its Note Guarantee will be contractually limited under such Note Guarantee to reflect limitations under applicable Italian law with respect to maintenance of share capital, corporate benefit, financial assistance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. Until the completion of the Post Closing Mergers, the Note Guarantees to be granted by the Target Guarantors will only guarantee the Issuer's obligations under Tranche B of the Notes. For a description of the relevant limitations, see “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations.*” As soon as reasonably practicable after the completion of the Post Closing Mergers, such Note Guarantees will be extended to also secure Tranche A of the Notes.

For the twelve months ended June 30, 2021, on an aggregate basis, the Guarantors generated 100% of our *pro forma* revenue from sales and services and approximately 99% of our *Pro forma* Adjusted EBITDA (excluding synergies and run-rate adjustments). As at June 30, 2021, on an aggregate basis (excluding all intragroup items, investments in subsidiaries and goodwill), the Guarantors accounted for 100% of our *pro forma* total assets (excluding investments in subsidiaries not consolidated and goodwill). The validity and enforceability of the Note Guarantees and the liability of each Guarantor will be subject to certain limitations.

Ranking of the Notes

The Notes will:

- be general senior obligations of the Issuer secured as set forth under “*Description of the Notes—Security*”;
- rank *pari passu* in right of payment with any existing or future indebtedness of the Issuer and other obligations that are not expressly subordinated in right of payment to the Notes, including the Original Revolving Facility;
- rank senior in right of payment to any existing or future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- rank effectively senior to any existing or 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 or obligation (including obligations to trade creditors) of the Issuer and its subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness or obligation; and
- be structurally subordinated to any existing or future indebtedness or obligation of the Issuer’s subsidiaries that do not guarantee the Notes, including their obligations to trade creditors.

**Ranking of the Note
Guarantees**

Each Note Guarantee will:

- be a general senior obligation of the relevant Guarantor secured as set forth under “*Description of the Notes—Security*”;
- rank *pari passu* in right of payment with any existing or future indebtedness of such Guarantor and other obligations that are not expressly subordinated in right of payment to the Notes, including the Original Revolving Facility;
- rank senior in right of payment to any existing or future indebtedness of such Guarantor that is expressly subordinated in right of payment to the Note Guarantee of such Guarantor;
- rank effectively senior to any existing or future indebtedness of such Guarantor that is unsecured to the extent of the value of the Collateral;
- be effectively subordinated to any existing or future indebtedness or obligation (including obligations to trade creditors) of such Guarantor and its subsidiaries that is secured by property or assets that do not secure the Notes or the Note Guarantees, to the extent of the value of the property or assets securing such indebtedness or obligation; and
- be structurally subordinated to any existing or future indebtedness or obligation of such Guarantor’s subsidiaries that do not guarantee the Notes, including their obligations to trade creditors..

Collateral

On the Issue Date, the Notes will be secured by a first-priority security interest in the Issuer’s beneficial interest in the Escrow Account and the Escrowed Property. Upon the definitive release of the Escrowed Property, such first-priority security interest will be released.

In addition, subject to the Agreed Security Principles, the Notes will be secured, on a first-priority basis, by:

- on the Issue Date, (i) limited recourse pledge over Midco's shares in the capital of the Issuer; and (ii) limited recourse pledge in respect of any structural intercompany receivables owed to Midco (as lender) by the Issuer (as borrower) (the "**Issue Date Collateral**"); and
- within:
 - 30 days from (and excluding) the Arcaplanet Acquisition Closing Date and substantially simultaneously with the obligations under the Original Revolving Facility, (i) a pledge over the Issuer's shares in the Target and any structural intercompany receivables owed to the Issuer (as lender) by the Target (as borrower) and (ii) a pledge over the Issuer's material bank accounts; and
 - 150 days from (and excluding) the Arcaplanet Acquisition Closing Date and substantially simultaneously with the obligations under the Original Revolving Facility, (i) pledges over each Guarantor's shares in any other Guarantor; and (ii) pledges over each Guarantor's material bank accounts,

(collectively, the "**Post Closing Collateral**" and, together with the Issue Date Collateral, the "**Collateral**").

The Collateral will also secure, on a first-priority basis, the Note Guarantees, once provided.

In addition, the Collateral will secure, on a first-priority basis, the Original Revolving Facility and certain hedging obligations and may also secure certain future indebtedness. The Collateral will be granted subject to the terms of the Intercreditor Agreement, the Agreed Security Principles and the terms of the security documents.

Under the terms of the Intercreditor Agreement, in the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the Original Revolving Facility, counterparties to certain super priority hedging obligations, the Security Agent, any receiver and certain creditor representatives have been repaid in full. See "*Risk Factors—Risks Related to the Notes, the Note Guarantees and Collateral—Creditors under the Original Revolving Facility and counterparties to certain hedging obligations and future indebtedness ranking pari passu with the Original Revolving Facility that is permitted to be incurred under the terms of the Indenture and the Intercreditor Agreement are entitled to be repaid with proceeds from the enforcement of the Collateral in priority over the Notes.*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

The security interests in the Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. See "*Risk Factors—Risks Related to the Notes, the Note Guarantees and the Collateral.*"

Until the completion of the Post Closing Mergers, the security interests in the Collateral to be granted by the Target Guarantors will only secure the Issuer's obligations under Tranche B of the Notes. For a description of relevant limitations, see "*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*" and "*Description of the Notes—Security.*" As soon as reasonably practicable after the completion of the Post Closing Mergers, such security interests will be extended to also secure Tranche A of the Notes. In addition,

following the Post Closing Mergers, and to the extent applicable, certain security interests in the Collateral may be released. In addition, subject to and on terms consistent with the Agreed Security Principles, certain other security interests in the Collateral may be confirmed, extended and/or granted (as applicable) in accordance with the covenants described under “*Description of the Notes—Certain Covenants—Impairment of Security Interest.*”

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

**Escrow of Proceeds; Special
Mandatory Redemption**

Concurrently with the closing of the Offering, and pending consummation of the Arcaplanet Acquisition, the Initial Purchasers will deposit the gross proceeds of the Offering into the Escrow Account. The Escrow Account will be held in the name of, and controlled by, the Escrow Agent. On the Issue Date, the Issuer will grant a first-priority security interest in its beneficial interest in the Escrow Account and the Escrowed Property in favor of the Trustee on behalf of the holders of the Notes. The release of the proceeds deposited in the Escrow Account will be subject to the satisfaction of certain conditions, including that the funds required to pay the consideration for the Arcaplanet Acquisition will be applied promptly (and in any event within three business days). Upon delivery to the Trustee and the Escrow Agent of an officer’s certificate stating that the conditions to the release of the Escrowed Property are satisfied, the Escrowed Property will be released to the Issuer and utilized as described in “*Use of Proceeds.*”

If the conditions to the release of the Escrowed Property have not been satisfied on or prior to the business day immediately following the Escrow Longstop Date, or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of the Notes will be equal to 100% of the aggregate issue price of the Notes, *plus* accrued and unpaid interest and additional amounts, if any, to, but excluding, such special mandatory redemption date.

In the event of a special mandatory redemption, Midco will be required to fund the Issuer in such aggregate amounts as are required in order to enable it to pay any funding shortfall, including Escrow Account fees, negative interest on the Escrow Account’s balance and costs and accrued and unpaid interest and additional amounts, if any, owing to the holders of the Notes on such special mandatory redemption date (the “**Escrow Equity Commitment**”), pursuant to the Equity Commitment Letter. The holders of the Notes will not have any direct right to enforce the Escrow Equity Commitment, and must rely on the Issuer’s respective rights to enforcement under the Escrow Equity Commitment.

In addition, the conditions applicable to the special mandatory redemption may be waived by holders of the Notes representing a majority in aggregate principal amount of the Notes outstanding.

See “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*” and “*Risk Factors—Risks Relating to the Transactions—If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Account may not have sufficient funds*”

to cover such redemption without relying on the Escrow Equity Commitment.”

Use of Proceeds

Upon release from escrow, the gross proceeds from the Offering will be used on the Arcaplanet Acquisition Closing Date to (i) partially fund the consideration payable in connection with the Arcaplanet Acquisition; (ii) refinance the Existing UniCredit Facilities; and (iii) pay the fees and expenses incurred in connection with the Transactions. See “*Use of Proceeds*.”

Optional Redemption

At any time prior to October 31, 2024, the Issuer may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, *plus* accrued and unpaid interest and additional amounts, if any, to the applicable redemption date *plus* a “make whole” premium.

Prior to October 31, 2024, the Issuer may, during each twelve month period following the Issue Date, redeem up to 10% of the aggregate principal amount of the Notes (including any additional Notes) at a redemption price equal to 103% of the principal amount thereof *plus* accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date.

At any time prior to October 31, 2024, the Issuer may redeem up to 40% of the aggregate principal amount of the Notes using the net cash proceeds of certain equity offerings, at the redemption price of 104.500% of the principal amount of the Notes redeemed, *plus* accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 50% of the original aggregate principal amount of the Notes remain outstanding after the redemption (unless all Notes are redeemed substantially concurrently).

See “*Description of the Notes—Optional Redemption*.”

Additional Amounts

Any payments made by or on behalf of the Issuer or any Guarantor in respect of the Notes or with respect to any Note 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 a Paying Agent (as defined in “*Description of the Notes—Payments*.”) is required by law to withhold or deduct such taxes with respect to a payment on any Note, the Issuer or such 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. See “*Description of the Notes—Withholding Taxes*.”

The Issuer is organized under the laws of Italy and is an Italian tax resident. Therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. Subject to and as set forth in “*Description of the Notes—Withholding Taxes*,” the Issuer will not be required to pay any additional amounts to holders of the Notes if any withholding or deduction is required by Decree No. 239 or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 (as the same may be amended or supplemented from time to time) (“**Decree No. 461**”), except, in the case of Decree No. 239, where the procedures required under Decree No. 239 in order to benefit from an exemption from Italian *imposta sostitutiva* (substitute tax) have not been complied with solely due to the actions or omissions of the Issuer or its agents. See “*Description of the Notes—Withholding Taxes*.”

Although we believe that, under current law, Italian *imposta sostitutiva* (substitute tax) will not be imposed under Decree No. 239 or Decree No. 461 where a holder of Notes (a) is resident for tax purposes in a country or territory which allows for a satisfactory exchange of information with Italy included in the list provided for by 1996 Ministerial Decree, or, as from the tax year in which the Ministerial Decree to be issued under Article 11, paragraph 4, let. c) of Decree No. 239 is effective, included in the list therein provided (the “**White List**”) and (b) complies with certain documentary and procedural requirements, there is no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree No. 239 or Decree No. 461 after the date hereof, including any change in the white list countries. See “*Description of the Notes—Withholding Taxes*.” Prospective purchasers of Notes should consult their tax advisors as to the overall tax consequences of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes or the Note Guarantees, including, in particular, the effect of any state, regional or local tax laws of any country or territory.

Tax Redemption

If certain changes in the law of any relevant taxing jurisdiction are announced and become effective on or after the issuance of the Notes that would require the Issuer or the Guarantors to pay additional amounts (as defined in “*Description of the Notes—Withholding Taxes*”), the Issuer will be entitled to redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount thereof, *plus* accrued and unpaid interest and additional amounts, if any.

Change of Control

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

Certain Covenants

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

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

Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See “*Description of the Notes—Certain Covenants*.”

	Certain of these covenants will be suspended in the event that the Notes receive investment grade ratings from the relevant credit rating agencies. See “ <i>Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status.</i> ”
Transfer Restrictions	The Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. See “ <i>Transfer Restrictions.</i> ” We have not agreed to, or otherwise undertaken to, register the Notes under the securities laws in any jurisdiction (including by way of an exchange offer).
No Established Market for the Notes	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
Listing	Application will be made to admit the Notes on the Official List of the Exchange and to admit to trading on the Euro MTF Market in accordance with the rules thereof. There is no assurance that the Notes will remain listed and admitted to trading on the Euro MTF Market.
Risk Factors	Investing in the Notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth in the “ <i>Risk Factors</i> ” section before making a decision whether to invest in the Notes.
ERISA	See “ <i>Certain ERISA Considerations.</i> ”
Governing Law	The Indenture, the Notes and the Note Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement and the Original Revolving Facility will be governed by English law. The security documents will be governed by the applicable law of the jurisdiction under which the security interests are granted.
Trustee	Lucid Trustee Services Limited
Security Agent	Lucid Trustee Services Limited
Escrow Agent	Lucid Agency Services Limited
Paying Agent and Transfer Agent	Deutsche Bank AG, London Branch
Registrar and Listing Agent	Deutsche Bank Luxembourg S.A.

SUMMARY UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA OF THE COMBINED GROUP

The tables below set out certain summary unaudited pro forma consolidated financial information of the Combined Group derived without material adjustment from the Unaudited Pro Forma Consolidated Financial Information. Such summary unaudited pro forma consolidated financial information of the Combined Group comprises the unaudited pro forma (i) consolidated income statement data of the Combined Group for the twelve months ended June 30, 2021; and (ii) consolidated balance sheet data of the Combined Group as at June 30, 2021. The Unaudited Pro Forma Consolidated Financial Information has been prepared as though the Transactions (save for the Post Closing Mergers) had occurred on June 30, 2021 for the purpose of the unaudited pro forma consolidated balance sheet of the Combined Group; as at January 1, 2020 for the purpose of the unaudited pro forma consolidated income statement of the Combined Group for the year ended December 31, 2020; as at January 1, 2021 for the purpose of the unaudited pro forma consolidated income statement of the Combined Group for the six months ended June 30, 2021 and as at July 1, 2020 for the purpose of the unaudited pro forma consolidated income statement of the Combined Group for the twelve months ended June 30, 2021. The Unaudited Pro Forma Consolidated Financial Information is based on our current estimates of, and good faith assumptions regarding, the adjustments arising from the Transactions.

This “Summary Unaudited Pro Forma Consolidated Financial Information and Other Data of the Combined Group” section also includes certain Non-GAAP Measures that we use to evaluate our and Maxi Zoo’s economic and financial performance. These measures are not identified as accounting measures under Italian GAAP or any other generally accepted accounting principles and therefore should not be considered a substitute for, or superior to, the equivalent measures calculated and presented in accordance with Italian GAAP or any other generally accepted accounting principles or those calculated using financial measures that are prepared in accordance with Italian GAAP or any other generally accepted accounting principles. See “Presentation of Financial and Other Information—Non-GAAP Measures.”

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

Summary Pro Forma Income Statement Data of the Combined Group for the twelve months ended June 30, 2021

	Pro forma Adjustments								Pro forma income statement of the Issuer Total
	Arcaplanet Acquisition			Maxi Zoo Contribution					
	Income statement of the Issuer	Income statement of Agrifarma	Refinancing	Income statement of Maxi Zoo	Accounting policy adjustments	Modification of supply chain arrangements	Goodwill amortization	Offering	
	Note A ⁽¹⁾	Note B ⁽¹⁾	Note C ⁽¹⁾	Note D ⁽¹⁾	Note E ⁽¹⁾	Note F ⁽¹⁾	Note G ⁽¹⁾	Note H ⁽¹⁾	
	(€ thousands)								
A) Value of production									
Revenue from sales and services	—	369,052	—	142,312	—	—	—	—	511,364
Increases in fixed assets for internal work	—	3,667	—	—	652	—	—	—	4,319
Other income	—	19,479	—	3,240	—	—	—	—	22,719
Total value of production . .	—	392,198	—	145,552	652	—	—	—	538,402
B) Production costs									
Raw materials, consumables, goods . . .	—	201,534	—	86,999	—	(2,995)	—	—	285,538
Service costs	47	51,817	—	13,653	—	—	—	—	65,517
Leases and rentals	—	27,919	—	13,365	—	—	—	—	41,284
Personnel expenses	—	52,540	—	24,543	—	—	—	—	77,083
Amortization, depreciation and impairments	—	30,477	—	3,865	529	—	95,201	—	130,072
Change in inventories of raw materials, consumables and goods .	—	(5,316)	—	(3,441)	—	1,799	—	—	(6,958)
Provisions for risks	—	227	—	—	—	—	—	—	227
Other provisions	—	12	—	—	—	—	—	—	12
Other operating expenses .	—	4,420	—	2,259	—	—	—	—	6,679
Total production costs . . .	47	363,630	—	141,243	529	(1,196)	95,201	—	599,454
Difference between value and cost of production (A-B)	(47)	28,568	—	4,309	123	1,196	(95,201)	—	(61,052)
C) Financial income and charges									
Other financial income . . .	—	8	—	141	—	—	—	—	149
Interests and financial charges	—	7,828	(7,827)	74	—	—	—	26,531	(26,606)
Foreign exchange gains / (losses)	—	(17)	—	—	—	—	—	—	(17)
Total financial income/ (charges)	—	(7,837)	7,827	67	—	—	—	(26,531)	(26,474)
D) Valuation adjustments to financial assets and liabilities									
	—	—	—	—	—	—	—	—	—
Profit/(loss) before taxes (A-B±C±D)	(47)	20,731	7,827	4,376	123	1,196	(95,201)	(26,531)	(87,526)
Income tax expense	—	10,879	1,878	1,135	34	334	—	(6,367)	7,893
Profit/(loss) for the period .	(47)	9,852	5,949	3,241	89	862	(95,201)	(20,164)	(95,418)

Note:

(1) See “Unaudited Pro Forma Consolidated Financial Information.”

Summary *Pro Forma* Balance Sheet Data of the Combined Group as at June 30, 2021

		Pro forma Adjustments									Pro forma balance sheet of the Issuer Total	
		Arcaplanet Acquisition					Maxi Zoo Contribution					
		Balance sheet of the Issuer	Balance sheet of Agrifarma	Cash Equity Contribution	Arcaplanet Acquisition goodwill	Refinancing	Balance sheet of Maxi Zoo	Accounting policy adjustments	Maxi Zoo Contribution goodwill	Offering		Transaction costs
		Note A ⁽¹⁾	Note B ⁽¹⁾	Note C ⁽¹⁾	Note D ⁽¹⁾	Note E ⁽¹⁾	Note F ⁽¹⁾	Note G ⁽¹⁾	Note H ⁽¹⁾	Note I ⁽¹⁾		Note J ⁽¹⁾
(€ thousands)												
Fixed assets	2	346,141	—	689,156	—	13,106	1,407	160,502	—	24,875	1,235,189	
of which												
Goodwill	—	234,054	—	689,156	—	103	—	160,502	—	24,875	1,108,690	
Concessions, licences, trademarks and similar rights	—	49,042	—	—	—	—	—	—	—	—	49,042	
Equity investments	—	5,510	—	—	—	—	—	—	—	—	5,510	
Total current assets and accrued income and prepaid expenses	50	158,127	499,619	(948,900)	(147,589)	41,474	—	(20,507)	534,875	(24,875)	92,274	
of which												
Total inventories	—	61,704	—	—	—	17,836	—	—	—	—	79,540	
Total cash and cash equivalents	3	85,342	499,619	(948,900)	(147,589)	1,525	—	—	534,875	(24,875)	—	
Total assets	52	504,268	499,619	(259,744)	(147,589)	54,580	1,407	139,995	534,875	—	1,327,463	
Total payables	49	228,074	—	—	(147,589)	27,626	393	—	534,875	—	643,428	
Total provisions for risks and charges	—	13,828	—	—	—	3,887	—	—	—	—	17,715	
Employees' severance indemnity	—	2,601	—	—	—	4,076	—	—	—	—	6,677	
Accrued expenses and deferred income	—	21	—	—	—	—	—	—	—	—	21	
Total liabilities	49	244,524	—	—	(147,589)	35,589	393	—	534,875	—	667,841	
Total shareholders' equity	3	259,744	499,619	(259,744)	—	18,991	1,014	139,995	—	—	659,622	
Total shareholders' equity and liabilities	52	504,268	499,619	(259,744)	(147,589)	54,580	1,407	139,995	534,875	—	1,327,463	

Note:

(1) See “Unaudited *Pro Forma* Consolidated Financial Information.”

Other *Pro Forma* and Other Financial Information of the Combined Group

Other *Pro Forma* and Other Financial Information of the Combined Group

	As at and for the twelve months ended June 30, 2021
	(€ millions, except ratios and percentages)
<i>Pro forma</i> revenue from sales and services	511.4
<i>Pro forma</i> Adjusted EBITDA ⁽¹⁾	109.0
<i>Pro forma</i> Adjusted EBITDA Margin ⁽²⁾	21.3%
<i>Pro forma</i> total financial debt ⁽³⁾	550.0
<i>Pro forma</i> cash interest expense ⁽⁴⁾	24.75
Ratio of <i>Pro forma</i> total financial debt to <i>Pro forma</i> Adjusted EBITDA ⁽¹⁾⁽³⁾	5.0x
Ratio of <i>Pro forma</i> Adjusted EBITDA to <i>Pro forma</i> cash interest expense ⁽¹⁾⁽⁴⁾	4.4x

Notes:

(1) *Pro forma* Adjusted EBITDA is defined the sum of Arcaplanet Adjusted EBITDA and Maxi Zoo Adjusted EBITDA, adjusted for the effects of certain accounting / reclassification adjustments, Maxi Zoo standalone adjustments related to supply chain costs, run-rate adjustments and synergies that we expect to realize from our Transformation Program. For calculation of Arcaplanet Adjusted EBITDA and its reconciliation to Agrifarma EBITDA, see “—Summary Historical Financial Information and Other Data of Agrifarma—Other Financial and Operating Information of Agrifarma—Other Financial Information of Agrifarma.” Maxi Zoo

Adjusted EBITDA is defined as profit for the period, adjusted by the following items: (i) income tax expense, (ii) finance income and expense, (iii) depreciation and amortization and (iv) non-recurring or exceptional items in nature.

We believe that these EBITDA-based measures are useful to investors in evaluating Arcaplanet's, Agrifarma's or Maxi Zoo's, as applicable, operating performance and our ability to incur and service indebtedness. These EBITDA-based measures are not measurements of performance or liquidity under Italian GAAP, IFRS, U.S. GAAP, SEC requirements or any other generally accepted accounting principles and should not be considered as alternatives to performance measures derived in accordance with Italian GAAP. These EBITDA-based measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of operating results as reported under Italian GAAP. The EBITDA-based measures presented herein may differ from Consolidated EBITDA as defined in the Indenture. Because of these limitations, such EBITDA-based measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to service our indebtedness. You should compensate for these limitations by relying primarily on the Unaudited *Pro Forma* Consolidated Financial Information, the Agrifarma Financial Statements and the Maxi Zoo Financial Statements, as applicable, included elsewhere in this offering memorandum and using these Non-GAAP Measures only to supplement evaluation of our performance. See "*Presentation of Financial and Other Information—Non-GAAP Measures.*"

The table below sets out the calculation of our *Pro forma* Adjusted EBITDA for the period indicated:

	For the twelve months ended June 30, 2021 (€ millions)
Arcaplanet Adjusted EBITDA ^(a)	65.3
Maxi Zoo Adjusted EBITDA ^(b)	10.0
Accounting / reclassification adjustments ^(c)	0.7
Maxi Zoo standalone adjustments related to supply chain costs ^(d)	1.2
Run-rate adjustments ^(e)	11.8
Synergies ^(f)	20.0
<i>Pro forma</i> Adjusted EBITDA	<u>109.0</u>

Notes:

- (a) See "*Summary Historical Financial Information and Other Data of Agrifarma—Other Financial and Operating Information of Agrifarma—Other Financial Information of Agrifarma.*"
- (b) The table below sets out a reconciliation of Maxi Zoo Adjusted EBITDA to its profit for the periods indicated:

	Year ended December 31,		Six months ended June 30,		Twelve months ended June 30, 2021 ⁽ⁱ⁾
	2019	2020	2020	2021	2021 ⁽ⁱ⁾
	(€ millions)				
Profit for the period	0.6	3.5	1.3	1.1	3.3
Income taxes	2.4	1.1	0.5	0.5	1.1
Finance income and expenses	0.2	n.m.	n.m.	(0.1)	(0.1)
Depreciation and amortization	4.0	3.8	1.9	1.9	3.8
Consulting costs and other costs not related to core operations ⁽ⁱⁱ⁾	0.6	1.4	0.5	1.0	1.9
Maxi Zoo Adjusted EBITDA	<u>7.8</u>	<u>9.8</u>	<u>4.2</u>	<u>4.4</u>	<u>10.0</u>

Notes:

- (i) See "*Presentation of Financial and Other Information—Historical Financial Information—LTM Financial Information.*"
- (ii) Represents other income and expenses, mainly related to the set-up of fast line internet in all Maxi Zoo stores and marketing costs related to the launch and implementation of Maxi Zoo's loyalty cards programme.
- (c) Represents the capitalization of pre-opening costs, which have historically been expensed by Maxi Zoo to align to the accounting policy of Agrifarma whereby such costs are capitalized.
- (d) Represents (i) the elimination of Fressnapf group's transfer pricing adjustment, which has historically been recorded within Maxi Zoo Adjusted EBITDA and (ii) the effects of the pricing agreement for the purchase of exclusive label products by Maxi Zoo from Fressnapf as a result of the Maxi Zoo Acquisition.
- (e) Represents the adjustment for the run-rate effect of new store openings on the basis that there is a three year ramp up period to reach the target run rate store EBITDA. The adjustment assumes that a target run rate store EBITDA (equivalent to that of a comparable store, usually reached after the ramp up period) had been generated from the date of opening. Therefore, the adjustment included the stores opened during the period from July 1, 2018 to June 30, 2021 and has been calculated as a difference between the full year target run rate store EBITDA and the actual store EBITDA for the period.
- (f) In connection with the Transactions, the Investors commissioned a third-party due diligence report from a global consulting firm to analyze the financial condition and operations of the Group and its potential for achieving synergies in relation to the Transactions. This report has identified up to €20 million in potential synergies, based on the Target Group's and Maxi Zoo's operating models, that may be achievable through the implementation of various transformation measures over a period of

two years. This synergetic potential is also supported by other due diligence and detailed cost and synergy assessments undertaken by the Investors in connection with the Transactions, as well as by benchmarking the Group's profitability against that of its public peer companies. It is also comparable to profitability improvements achieved in other similar transactions in the pet products industry under sponsor ownership. We intend to initiate a Transformation Program to implement these synergies upon completion of the Arcaplanet Acquisition, although we believe that some of these measures can be initiated even prior to the Arcaplanet Acquisition Closing Date, because they are a continuation of Arcaplanet's existing and ongoing efficiency measures. We give effect to these synergies in calculating our *Pro forma* Adjusted EBITDA as if the underlying synergies had been realized on June 30, 2021. We expect to incur one-off costs of approximately €18 million and capital expenditures of approximately €5 million between 2021 and 2023 in connection with these initiatives. The synergetic potential and adjustments set forth in the following table are based on various assumptions and estimates by external consultants and management regarding the future impact of our initiatives. This information is inherently subject to significant business, economic and competitive risks and uncertainties that could cause our actual results to differ materially from those assumed in the adjustments below. As a result, while we believe that these adjustments and potential synergies are reasonable estimates, the actual results and synergies in any given period may differ from those estimated herein. We may not be able to realize these synergies, either in the amount or within the timeframe we currently anticipate, and the costs of achieving these synergies may be higher than expected. See "Risk Factors — Risks Related to the Transactions — The Investors have made certain assumptions relating to the Arcaplanet Acquisition in forecasts that may prove to be materially inaccurate."

	Synergies reflected in Pro forma Adjusted EBITDA⁽ⁱ⁾
	(€ millions)
Store network consolidation ⁽ⁱⁱ⁾	3.3
Harmonization of product offerings ⁽ⁱⁱⁱ⁾	5.8
Products' purchase price improvements ^(iv)	1.8
HQ optimization ^(v)	4.6
Marketing centralization ^(vi)	1.9
In-store personnel optimization ^(vii)	2.6
Total synergies	<u>20.0</u>

Notes:

- (i) Represents the synergies we expect to realize from the implementation of the Transformation Program. We give effect to these synergies in calculating *Pro forma* Adjusted EBITDA, as if they had been realized on June 30, 2021.
 - (ii) Reflects the synergies we expect to realize via consolidation and rationalization of the Combined Group's store network after the Arcaplanet Acquisition Closing Date.
 - (iii) Represents the synergies we expect to realize from refurbishing all Maxi Zoo Stores in accordance with the Arcaplanet Store Format and combining and harmonizing product assortment within the Combined Group.
 - (iv) Represents the effect that we expect our larger size to have on our bargaining power with manufacturers of our Exclusive Brands products and suppliers of over products we offer.
 - (v) Represents synergies related to the closure of Maxi Zoo HQ and related personnel optimizations, as well as integration of Maxi Zoo IT systems with the IT systems of Arcaplanet following Mai Zoo's carve out from the wider Fressnapf organization.
 - (vi) Represents synergies related to optimization of direct and indirect marketing activities of Maxi Zoo within the framework of the combined Group.
 - (vii) Represents in-store personnel optimization related to refurbishment of all Maxi Zoo Stores in accordance with the Arcaplanet Store Format. The Arcaplanet Store Format currently provides for approximately one full time employee less for stores of comparable size.
- (2) *Pro forma* Adjusted EBITDA Margin is defined as *Pro forma* Adjusted EBITDA divided by *Pro forma* revenue from sales and service.
 - (3) *Pro forma* total financial debt represents the consolidated *pro forma* financial debt of the Combined Group, after giving effect to the Transactions (save for the Post Closing Mergers) as if they had occurred on June 30, 2021, as set forth under "Capitalization." We do not expect to make any drawings under the Original Revolving Facility as at the Arcaplanet Acquisition Closing Date. See "Use of Proceeds" and "Capitalization."
 - (4) *Pro forma* cash interest expense reflects the estimated cash out for interest expense for the twelve-months ended June 30, 2021 as if the Transactions (save for the Post Closing Mergers) had occurred on July 1, 2020. *Pro forma* cash interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

Other Financial Information of Maxi Zoo

The table below sets out a calculation of Maxi Zoo changes in net working capital (as extracted from the Maxi Zoo's cash flow statement) for the periods indicated:

	Year ended December 31,		Six months ended June 30,		Twelve months ended June 30,
	2019	2020	2020	2021	2021 ⁽¹⁾
	(€ thousands)				
Decrease/(increase) in inventories	(1,268)	(2,000)	(245)	(1,783)	(3,538)
Decrease/(increase) in trade receivables	770	(312)	(297)	269	254
Increase/(decrease) in trade payables	(960)	2,597	144	(717)	1,736
Decrease/(increase) in prepayments and accrued income . .	(80)	(79)	(484)	(96)	309
Increase/(decrease) in accrued expenses and deferred income	(6)	—	—	—	—
Other decreases/(increases) in net working capital	772	(266)	554	1,905	1,085
Maxi Zoo changes in net working capital⁽²⁾	(772)	(60)	(328)	(422)	(154)

Notes:

(1) See “Presentation of Financial and Other Information—Historical Financial Information—LTM Financial Information.”

(2) See “Presentation of Financial and Other Information—Non-GAAP Measures.”

The table below sets out a calculation of Maxi Zoo capital expenditures (as extracted from the Maxi Zoo’s cash flow statement) for the periods indicated:

	Year ended December 31,		Six months ended June 30,		Twelve months ended June 30,
	2019	2020	2020	2021	2021 ⁽¹⁾
	(€ thousands)				
Intangible fixed assets	1,681	1,889	296	624	2,217
Tangible fixed assets	1,410	1,053	308	1,043	1,788
Maxi Zoo capital expenditures	3,091	2,942	604	1,667	4,005

Notes:

(1) See “Presentation of Financial and Other Information—Historical Financial Information—LTM Financial Information.”

(2) See “Presentation of Financial and Other Information—Non-GAAP Measures.”

SUMMARY HISTORICAL FINANCIAL INFORMATION AND OTHER DATA OF AGRIFARMA AND ARCAPLANET

The tables below set out summaries of historical financial information and other data of as at the dates and for the periods indicated. The summary historical financial information of Agrifarma as at and for the years ended December 31, 2020, 2019 and 2018 has been extracted without material adjustment from the Agrifarma Annual Financial Statements. The Agrifarma Annual Financial Statements were audited by PricewaterhouseCoopers S.p.A. The summary historical financial information of Agrifarma as at June 30, 2021 and for the six months ended June 30, 2021 and 2020 has been extracted without material adjustment from the Agrifarma Interim Financial Statements. Interim results are not necessarily indicative of the results that may be expected for any other interim period nor are they indicative of results for a full year. Some of the performance indicators and ratios shown below have been taken from the accounting records used by Agrifarma's management, are not included in the Agrifarma Financial Statements and have not been audited or reviewed by PricewaterhouseCoopers S.p.A.

The tables below present historical financial information of Agrifarma on a standalone basis only. Agrifarma's only subsidiaries Arcaplanet S.A., Arcawip S.r.l and First One S.r.l. are all accounted for at cost in the Agrifarma Financial Statements. See "Presentation of Financial and Other Information—Historical Financial Information—Historical financial information of Agrifarma" and "Summary—Summary Corporate and Financing Structure." The Agrifarma Financial Statements have been prepared in accordance with the Italian GAAP. See "Presentation of Financial and Other Information—Historical Financial Information—Basis of preparation of historical financial information." Italian GAAP differs in certain significant respects from IFRS. See "Summary of Certain Differences Between Italian GAAP and IFRS."

*The summary historical financial information of Agrifarma for the twelve months ended June 30, 2021 presented in the tables below has been calculated by taking the results of operations for the six months ended June 30, 2021 and adding to them the difference between the results of operations for the year ended December 31, 2020 and the six months ended June 30, 2020 (the "**LTM Financial Information**"). The LTM Financial Information has not been audited or reviewed by PricewaterhouseCoopers S.p.A., is not required by or presented in accordance with Italian GAAP or any other generally accepted accounting principles and has been prepared for illustrative purposes only. This information is not necessarily representative of Agrifarma's results for any future period or our financial condition for any past date. See "Presentation of Financial and Other Information—Historical Financial Information—LTM Financial Information."*

The summary historical financial information below includes certain Non-GAAP Measures that we use to evaluate Agrifarma's economic and financial performance. These measures are not identified as accounting measures under Italian GAAP or any other generally accepted accounting principles and therefore should not be considered a substitute for, or superior to, the equivalent measures calculated and presented in accordance with Italian GAAP or any other generally accepted accounting principles or those calculated using financial measures that are prepared in accordance with Italian GAAP or any other generally accepted accounting principles. See "Presentation of Financial and Other Information—Non-GAAP Measures."

The summary historical financial information presented below is qualified in its entirety by reference to, and should be read in conjunction with, the sections entitled "Presentation of Financial and Other Information," "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma" and "Summary of Certain Differences Between Italian GAAP and IFRS," as well as the Agrifarma Financial Statements included elsewhere in this offering memorandum.

Summary Income Statement Data of Agrifarma

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2018	2019	2020	2020	2021	2021 ⁽¹⁾
	(€ thousands)					
A) Value of production						
Revenue from sales and services	227,485 ⁽²⁾	305,912 ⁽³⁾	339,232 ⁽⁴⁾	157,519	187,339	369,052
Increases in fixed assets for internal work	2,927	3,465	2,485	905	2,087	3,667
Other income ⁽⁵⁾	14,043	17,590	18,672	8,577	9,384	19,479
Total value of production	244,455	326,967	360,389	167,001	198,810	392,198
B) Production costs						
Raw materials, consumables, goods . . .	132,754 ⁽⁶⁾	175,820 ⁽⁶⁾	180,895	83,629	104,268	201,534
Service costs ⁽⁷⁾	28,840 ⁽⁶⁾	38,701 ⁽⁶⁾	45,491	22,214	28,540	51,817
Leases and rentals ⁽⁸⁾	17,586 ⁽⁶⁾	25,087 ⁽⁶⁾	27,161	13,518	14,276	27,919
Personnel expenses	34,965 ⁽⁶⁾	48,437 ⁽⁶⁾	51,198	24,970	26,312	52,540
Amortization, depreciation and impairments	25,032 ⁽⁶⁾	30,822 ⁽⁶⁾	30,456	14,856	14,877	30,477
Changes in inventories of raw materials, consumables and goods	2,223	(1,211)	2,596	1,351	(6,561)	(5,316)
Provisions for risks and other accruals	2	152	239	—	—	239
Other operating expenses	2,016	3,025	4,186	2,113	2,347	4,420
Total production costs	243,418	320,833	342,222	162,651	184,059	363,630
Difference between value and cost of production (A – B)	1,037	6,134	18,167	4,350	14,751	28,568
C) Financial income and charges						
Other financial income	24	12	10	3	1	8
Interests and financial charges ⁽⁹⁾	6,578	6,688	6,512	3,336	4,652	7,828
Foreign exchange gains / (losses)	(57)	(20)	(20)	(13)	(10)	(17)
Total financial charges	(6,611)	(6,696)	(6,522)	(3,346)	(4,661)	(7,837)
D) Valuation adjustments to financial assets and liabilities	14	(14)	n.m.	—	—	n.m.
Profit/(loss) before taxes (A-B±C±D) . .	(5,560)	(576)	11,645	1,004	10,090	20,731
Income tax expense	1,473	3,500	4,322	(825)	5,732	10,879
Profit/(loss) for the period	(7,033)	(4,076)	7,323	1,829	4,358	9,852

Notes:

- (1) See “Presentation of Financial and Other Information—Historical Financial Information—LTM Financial Information.”
- (2) Does not include revenue from sales and services generated by Mondial Pet Distribution. For the impact of the Mondial Pet Distribution Transaction, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network—Mondial Pet Distribution Transaction.”
- (3) Includes: (i) €25.4 million contributed by Mondial Pet Distribution, which was merged into Agrifarma in December 2019 adding 71 “Fortesan” branded stores to the network; and (ii) €4.4 million contributed by 15 stores acquired from Zoodom in May 2019. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network.”
- (4) Includes €0.2 million contributed by five stores acquired from Città degli Animali in November 2020. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network.”
- (5) Comprises income from promotional activities with suppliers (such as income from preferred display and display maintenance), real estate earnings, refunds and other income not directly related to the core business of Agrifarma. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Description of Key Line Items in Agrifarma’s Income Statement.”
- (6) For the impact of the Mondial Pet Distribution Transaction, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network—Mondial Pet Distribution Transaction.”
- (7) Include advertising, transport, warehousing, consulting and other costs. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Description of Key Line Items in Agrifarma’s Income Statement.”

- (8) Includes lease and rental costs relating to Agrifarma's physical stores. See "*Business—Arcaplanet—Distribution—Stores*" and "*Summary of Certain Differences Between Italian GAAP and IFRS—Leases*."
- (9) Primarily relates to interest expenses under the Existing UniCredit Facilities, which is expected to be repaid in full with the proceeds of the Offering. See "*Use of Proceeds*" and "*Description of Certain Financing Arrangements—Existing UniCredit Facilities Agreement*."

Summary Balance Sheet Data of Agrifarma

		As at December 31,		As at June 30,
		2018	2019	2020
				2021
		(€ thousands)		
Fixed assets		375,329	361,762	345,228
<i>of which</i>				
Goodwill ⁽¹⁾		244,178	257,330	241,808
Concessions, licenses, trademarks and other similar rights ⁽²⁾		57,310	53,942	50,683
Equity investments in subsidiaries ⁽³⁾		40,470 ⁽⁴⁾	2,537	3,974
Total current assets and accrued income and prepaid expenses		90,105	121,941	142,029
<i>of which</i>				
Total inventories		47,246	57,291	55,143
Total cash and cash equivalents		31,456	52,636	75,309
Total assets		465,434	483,703	487,257
Payables maturing after one year ⁽⁵⁾		145,155	144,713	144,295
Total provisions for risk and charges ⁽⁶⁾		15,951	15,467	14,480
Employees' severance indemnity		755	3,037	2,677
Payables maturing within one year ⁽⁵⁾		50,613	72,255	70,319
Accrued expenses and deferred income		98	168	100
Total liabilities		212,572	235,640	231,871
Total shareholders' equity		252,862	248,063	255,386
Total shareholders' equity and liabilities		465,434	483,703	487,257

Notes:

- (1) Recognized in connection with acquisitions of various stores completed since 2012.
- (2) Primarily reflects the value of "ARCAPLANET" trademark. See "*Business—Arcaplanet—Intellectual Property*."
- (3) Agrifarma's investments in Arcaplanet S.A., Arcawip S.r.l. and First One S.r.l. are all accounted for at cost in Agrifarma Financial Statements. See "*Presentation of Financial and Other Information—Historical Financial Information—Historical financial information of Agrifarma*" and "*Summary—Summary Corporate and Financing Structure*."
- (4) Includes the investment in Mondial Pet Distribution, which was merged with Agrifarma in 2019.
- (5) Includes our liabilities under the Existing UniCredit Facilities, which are expected to be repaid in full with the proceeds of the Offering. See "*Use of Proceeds*" and "*Description of Certain Financing Arrangements—Existing UniCredit Facilities Agreement*."
- (6) Primarily includes provisions for deferred taxes.

Summary Cash Flow Statement Data of Agrifarma

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2018	2019	2020	2020	2021	2021 ⁽¹⁾
	(€ thousands)					
Cash flow from operating activities	18,214	45,067	38,854	8,301	25,982	56,535
Cash flow used in investing activities	(38,397)	(23,919)	(14,857)	(4,749)	(15,949)	(26,057)
Cash flow (used in)/from financing activities	34,022	32	(1,324)	—	—	(1,324)
Increase of cash and cash equivalents	13,839	21,180	22,673	3,552	10,033	29,154
Total cash and cash equivalents at beginning of the period	17,617	31,456	52,636	52,636	75,309	56,188
Total cash and cash equivalents at end of the period	31,456	52,636	75,309	56,188	85,342	85,342

Note:

(1) See “Presentation of Financial and Other Information—Historical Financial Information—LTM Financial Information.”

Other Financial and Operating Information of Agrifarma and Arcaplanet

Other Financial Information

	As at and for the					
	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2018	2019	2020	2020	2021	2021 ⁽¹⁾
	(€ thousands, except percentages)					
Agrifarma’s revenue from sales and services ⁽²⁾	227,485	305,912	339,232	157,519	187,339	369,052
Agrifarma EBITDA ⁽³⁾	26,071	37,108	48,862	19,206	29,628	59,284
Agrifarma EBITDA Margin ⁽⁴⁾	11.5%	12.1%	14.4%	12.2%	15.8%	16.1% ⁽⁵⁾
Agrifarma changes in net working capital ⁽⁶⁾	377	12,103	1,676	(8,765)	2,577	13,018
Agrifarma capital expenditures ⁽⁷⁾	12,123	19,872	14,468	4,790	10,046	19,724
Agrifarma cash conversion ⁽⁸⁾	14,325	29,339	36,070	5,651	22,159	52,578
Arcaplanet Adjusted EBITDA ⁽³⁾	30,932	40,437	52,804	21,141	33,615	65,278

Notes:

(1) See “Presentation of Financial and Other Information—Historical Financial Information—LTM Financial Information.”

(2) The table below sets out Agrifarma’s revenue from sales and services, by channel, for the periods indicated:

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2018	2019	2020	2020	2021	2021
	(€ thousands)					
Revenue from retail sales ^(a)	215,511	301,508	335,360	155,570	185,451	365,241
of which:						
sales through physical stores	204,273	285,039	311,790	142,850	172,709	341,649
sales through the E-commerce Platform	11,238	16,469	23,570	12,720	12,742	23,592
Other revenue ^(b)	11,974	4,404	3,872	1,949	1,888	3,811
Total revenue from sales and services	227,485	305,912	339,232	157,519	187,339	369,052

Notes:

(a) Represents sales to individual customers through Agrifarma’s store network and E-commerce Platform. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Description of Key Line Items in Agrifarma’s Income Statement—Value of production line items—Revenue from sales and services.”

The table below sets out Agrifarma's revenue from retail sales, by brand group, for the periods indicated:

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2018	2019	2020	2020	2021	2021
	(€ thousands)					
Revenue from retail sales	215,511	301,508	335,360	155,570	185,451	365,241
of which:						
Exclusive Brands	54,129	96,105	136,667	58,418	83,851	162,100
third party brands	161,382	205,403	198,693	97,152	101,600	203,141

(b) Includes (i) for the year ended December 31, 2019, residual wholesale sales by Mondial Pet Distribution (see “*Management's Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma's Results of Operations—Growth of the physical stores network*”) and (ii) sales to Agrifarma's subsidiaries Arcaplanet S.A., Arcawip S.r.l. and First One S.r.l. See “*Management's Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Description of Key Line Items in Agrifarma's Income Statement—Value of production line items—Revenue from sales and services.*”

- (3) Agrifarma EBITDA is defined as the profit/(loss) for the period, adjusted by the following items: (i) income tax expense; (ii) valuation adjustments to financial assets and liabilities; (iii) total financial charges; (iv) amortization, depreciation and impairments and (v) provisions for risks and other accruals. Arcaplanet Adjusted EBITDA is defined as Agrifarma EBITDA, combined with EBITDA of Arcaplanet S.A., Arcawip S.r.l. and First One S.r.l. (and, for the year ended December 31, 2018, Mondial Pet Distribution), in each case, calculated in accordance with the above definition of “Agrifarma EBITDA” on the basis of standalone financial statements of the relevant entity prepared under Italian GAAP for the relevant periods, adjusted for certain (a) Covid-19 adjustments; (b) capitalized costs; (c) non-recurring consulting costs; (d) capital gain / (losses) and (e) other adjustments.

We believe that these EBITDA-based measures are useful to investors in evaluating Agrifarma's operating performance and its ability to incur and service indebtedness. These EBITDA-based measures are not measurements of Agrifarma's performance or liquidity under Italian GAAP, IFRS, U.S. GAAP, SEC requirements or any other generally accepted accounting principles and should not be considered as alternatives to performance measures derived in accordance with Italian GAAP. These EBITDA-based measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of Agrifarma's operating results as reported under Italian GAAP. The EBITDA-based measures presented herein differ from Consolidated EBITDA as defined in the Indenture. Because of these limitations, such EBITDA-based measures should not be considered as measures of discretionary cash available to Agrifarma to invest in the growth of our business or as measures of cash that will be available to it to service our indebtedness. You should compensate for these limitations by relying primarily on the Agrifarma Financial Statements included elsewhere in this offering memorandum and using these Non-GAAP Measures only to supplement evaluation of our performance. See “*Presentation of Financial and Other Information—Non-GAAP Measures.*”

The table below sets out a reconciliation of Agrifarma EBITDA to its profit/(loss) for the periods indicated:

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2018	2019	2020	2020	2021	2021 ^(a)
	(€ thousands)					
Profit/(loss) for the period	(7,033)	(4,076)	7,323	1,829	4,358	9,852
Income tax expense	1,473	3,500	4,322	(825)	5,732	10,879
Valuation adjustments to financial assets and liabilities . . .	(14)	14	n.m.	n.m.	—	—
Total financial charges	6,611	6,696	6,522	3,346	4,661	7,837
Amortization, depreciation and impairments	25,032	30,822	30,456	14,856	14,877	30,477
Provisions for risks and other accruals	2	152	239	—	—	239
Agrifarma EBITDA	26,071	37,108	48,862	19,206	29,628	59,284

Note:

(a) See “*Presentation of Financial and Other Information—Historical Financial Information—LTM Financial Information.*”

The table below sets out a reconciliation of Arcaplanet Adjusted EBITDA to Agrifarma EBITDA for the periods indicated:

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2018	2019	2020	2020	2021	2021 ^(a)
	(€ thousands)					
Agrifarma EBITDA	26,071	37,108	48,862	19,206	29,628	59,284
Arcaplanet subsidiaries ^(b)	271	152	631	82	317	866
COVID-19 adjustments ^(c)	—	—	1,941	1,601	183	523
Non-recurring consulting costs ^(d)	105	723	173	13	3,262	3,422
Capital gain / (loss) ^(e)	495	775	500	n.m.	10	510
Other ^(f)	3,990	1,679	697	239	215	673
Arcaplanet Adjusted EBITDA	30,932	40,437	52,804	21,141	33,615	65,278

Notes:

- (a) See “*Presentation of Financial and Other Information—Historical Financial Information—LTM Financial Information.*”
- (b) Represents combined EBITDA of Arcaplanet S.A., Arcawip S.r.l. and First One S.r.l., in each case, calculated in accordance with the definition of “Agrifarma EBITDA” on the basis of standalone financial statements of the relevant entity prepared under Italian GAAP for the relevant periods. With regards to the year ended December 31, 2018, also includes the EBITDA of Mondial Pet Distribution, calculated in accordance with the definition of “Agrifarma EBITDA” on the basis of standalone financial statements of Mondial Pet Distribution prepared under Italian GAAP for the relevant period.
- (c) Represents one-off costs in relation to the acquisition of equipment and sanitisation products related to the Covid-19 pandemic.
- (d) Represents consultancy costs related to extraordinary transactions and M&A and advisory services.
- (e) Represents gains and losses from the disposal of fixed assets, mainly relating to (i) disposal of “Fortesan” branded stores; (ii) disposal of a photovoltaic plant; and (iii) disposal of store assets.
- (f) Represents (i) Permira’s Board of Directors fees; (ii) exceptional costs related to personnel layoff and settlement agreements and exit bonuses; (iii) inventory write off and exceptional accruals or releases of provisions; and (iii) other income and expenses, which are non-recurring or exceptional in nature.
- (4) Agrifarma EBITDA Margin is defined as Agrifarma EBITDA divided by Agrifarma’s revenue from sales and services. See “*Presentation of Financial and Other Information—Non-GAAP Measures.*”
- (5) Calculated by dividing Agrifarma EBITDA for the last twelve months by Agrifarma’s revenue from sales and services for the last twelve months.
- (6) Agrifarma changes in net working capital are defined as the sum of the movements in inventories, receivables from customers, payables to suppliers, accrued income and prepaid expenses, accrued expenses and deferred income and other net working capital assets and liabilities. See “*Presentation of Financial and Other Information—Non-GAAP Measures.*”

The table below sets out a calculation of Agrifarma changes in net working capital (as extracted from the Agrifarma’s cash flow statement) for the periods indicated:

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2018	2019	2020	2020	2021	2021 ^(a)
	(€ thousands)					
Decrease/(increase) of inventories	2,306	(1,055)	2,596	1,351	(6,561)	(5,316)
Decrease/(increase) in receivables from customers	(573)	(1,429)	219	1,932	1,382	(331)
Increase/(decrease) in payables to suppliers	978	9,841	(2,260)	(10,961)	11,564	20,265
Decrease/(increase) in accrued income and prepaid expenses	(129)	(514)	404	(391)	(835)	(40)
Increase/(decrease) in accrued expenses and deferred income	23	(65)	(68)	(83)	(79)	(64)
Other changes in net working capital	(2,228)	5,325	785	(613)	(2,894)	(1,496)
Agrifarma changes in net working capital	377	12,103	1,676	(8,765)	2,577	13,018

Note:

- (a) See “*Presentation of Financial and Other Information—Historical Financial Information—LTM Financial Information.*”
- (7) Agrifarma capital expenditures are defined as investments in tangible and intangible fixed assets. See “*Presentation of Financial and Other Information—Non-GAAP Measures.*”

The table below sets out a calculation of capital expenditures (as extracted from the Agrifarma’s cash flow statement) for the periods indicated:

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2018	2019	2020	2020	2021	2021 ^(a)
	(€ thousands)					
Intangible fixed assets	8,374	11,066	9,085	2,992	6,843	12,936
Tangible fixed assets	3,749	8,806	5,383	1,798	3,203	6,788
Agrifarma capital expenditures	12,123	19,872	14,468	4,790	10,046	19,724

Notes:

(a) See “Presentation of Financial and Other Information—Historical Financial Information—LTM Financial Information.”

- (8) Agrifarma cash conversion is defined as Agrifarma EBITDA plus/less Agrifarma changes in net working capital, less Agrifarma capital expenditures. See “Presentation of Financial and Other Information—Non-GAAP Measures.”

Other Operating Information of Arcaplanet

	As at and for the			
	Year ended December 31,			Twelve months ended June 30,
	2018	2019	2020	2021
Arcaplanet Stores at the end of the period	309	348	371	382
Arcaplanet Stores net additions during the period	87	39	23	6
additions through organic growth	24	28	23	16
additions through acquisitions	71 ⁽¹⁾	26 ⁽²⁾	5 ⁽³⁾	—
closures	(8)	(15)	(5)	(10)
Arcaplanet Adjusted EBITDA per store ⁽⁴⁾ (€ thousands)	100.1	116.2	142.3	170.9
Arcaplanet combined revenue from retail sales through physical stores ⁽⁵⁾ (€ millions)	255.4	285.9	316.5	n.a.
Evolution of Arcaplanet’s combined Like-for-Like revenue ⁽⁶⁾ (%) . .	5.0%	5.9%	6.3%	n.a.
Online sessions ⁽⁷⁾ (millions)	7.2	9.6	14.4	15.4
Active users ⁽⁸⁾ of E-commerce Platform (millions)	3.3	4.4	6.7	7.3
Transactions on the E-commerce Platform (thousands)	127	198	323	339
Conversion rate ⁽⁹⁾ (%)	1.8%	2.1%	2.2%	2.2%
Employees at the end of the period	978	1,469	1,561	1,596
Arcacub [®] loyalty program members (millions)	0.9	1.1	1.3	1.5
Recurring Revenue Share (1 year) ⁽¹⁰⁾ (%)	91%	97%	92%	
Recurring Revenue Share (5 years) ⁽¹¹⁾ (%)			72%	

Notes:

- (1) Represents 71 “Fortesan” branded stores added to the network in the year ended December 31, 2018 through the acquisition of Mondial Pet Distribution (which was subsequent merger into Agrifarma on December 31, 2019. 63 of those 71 stores are still part of Arcaplanet Stores network as at the date of this offering memorandum. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network—Mondial Pet Distribution Transaction.”
- (2) Represents (i) 15 “Zoodom” branded stores acquired from Zoodom in May 2019; and (ii) eleven “Fauna Food” branded stores acquired from Medivet by Arcawip S.r.l in November 2019. Ten of those eleven “Fauna Food” branded are still part of the Arcaplanet Stores network as at the date of this offering memorandum. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network.”
- (3) Represents five “La Città degli Animali” branded stores acquired from Croci D. in November 2020. All of those stores are still part of the network as at the date of this offering memorandum. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network.”
- (4) Represents Arcaplanet Adjusted EBITDA for a period divided by the number of Arcaplanet Stores at the end of such period. See “Presentation of Financial and Other Information—Non-GAAP Measures.”
- (5) The table below sets out Arcaplanet combined revenue from retail sales through physical stores (including the breakdown of revenue from retail sales through the December 31, 2020 perimeter organic growth physical stores by vintage) for the periods indicated:

	Year ended December 31,		
	2018	2019	2020
	(€ millions)		
Organic growth Agrifarma stores			
2017 organic growth stores ^(a)	180.2	188.6	191.1
2018 new organic growth stores ^(b)	5.0 ^(c)	17.4	19.5
2019 new organic growth stores ^(d)	—	9.4 ^(c)	25.7
2020 new organic growth stores ^(e)	—	—	4.1 ^(c)
Agrifarma stores added through acquisitions	10.8	63.8	70.0
Agrifarma stores closed during the period	8.3	5.8	1.4
Total Agrifarma stores	204.3	285.0	311.8
Stores of Agrifarma Subsidiaries	51.2	0.9	4.7
Arcaplanet combined revenue from retail sales through physical stores^(f)	255.4	285.9	316.5

Notes:

- (a) Represents the combined revenue generated for the period by 186 organic growth Agrifarma stores in operation as at January 1, 2018 (out of the total of 261 organic growth Agrifarma stores in operation as at December 31, 2020).
- (b) Represents the combined revenue generated for the period by 24 organic growth Agrifarma stores added to the network during the year ended December 31, 2018.
- (c) Includes revenue generated for certain stores for periods less than twelve months.
- (d) Represents the combined revenue generated for the period by 28 organic growth Agrifarma stores added to the network during the year ended December 31, 2019.
- (e) Represents the combined revenue generated for the period by 23 organic growth Agrifarma stores added to the network during the year ended December 31, 2020.
- (f) See “*Presentation of Financial and Other Information—Historical Financial Information—LTM Financial Information.*”
- (6) Arcaplanet’s combined Like-for-Like revenue is the aggregate revenue generated by: (A) for the physical stores, by all Arcaplanet Stores in the network for each of the two consecutive years, calculated as follows: (i) 100% credit in each year is given to revenue generated by each store that was part of the network for the entire 24 months; and (ii) if a store was part of the network for less than 12 months in one of the years (the “**Relevant Period**”), credit is only given (a) in that year, for the revenue generated for the Relevant Period; and (b) if such store was part of the network in the other year, for the revenue generated in the corresponding Relevant Period of such other year and (B) for the E-commerce Platform, by online sales through such E-commerce Platform in each of the relevant years. See “*Presentation of Financial and Other Information—Non-GAAP Measures.*”
- (7) An “online session” starts when a user accesses the E-commerce Platform. Every session is considered to be over once the user signs out of the E-commerce Platform or is not active thereon for 30 consecutive minutes.
- (8) An “active user” is every unique customer accessing the E-commerce Platform.
- (9) Defined as a percentage of transactions completed by active users of the E-commerce Platform during a period.
- (10) Defined as ratio between the revenue from Arcaplanet’s combined retail sales generated by Arcacub® loyalty program members in the second calendar year during which they were members to such revenue they generated in the first such year.
- (11) Defined as a ratio between the revenue from Arcaplanet’s combined retail sales generated by Arcacub® loyalty program members in the fifth calendar year during which they were members to such they generated in the first such year.

RISK FACTORS

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

Risks Related to Our Business and Industry

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

The Italian pet products market in which we operate is highly competitive and is characterized by evolving customer demand and developing industry standards. We compete with other pet product retailers and other mass and general retailers (both off-line and online), some of which are larger and have significantly greater resources than we have. We may not be able to sustain our competitive position generally or, more specifically, the attractiveness of our products and services.

We have been able to compete by differentiating ourselves from our competitors through providing a careful combination of product assortment, competitive pricing, store locations and formats, e-commerce offering and unique customer experience. If changes in consumer preferences decrease the competitive advantage attributable to these factors, or if we fail to otherwise positively differentiate our customer experience from our competitors, our business and results of operations could be adversely affected.

We expect increasing competition in the pet products and services industry, in particular Internet-based competition, and increasing online market penetration in the Italian pet market generally. Although we are currently investing in developing our omni-channel capabilities, there is no guarantee that we will be successful in doing so. Industry consolidation, including by way of mergers and acquisitions, or new competitors that may enter the Italian pet products market or existing competitors which may expand further into Italy may also lead to increased competition and cause our market position to deteriorate, which could have a material adverse effect on our business, prospects, results of operations or financial condition. Such consolidation could also give our competitors increased negotiating leverage with suppliers and greater marketing resources, allowing them to compete more effectively with us. If we fail to compete successfully and acquire new customers or retain existing customers, or fail to do so in a cost-effective manner, our business, prospects, results of operations or financial condition could be materially and adversely affected.

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

We are vulnerable to risks associated with the economic and political situation in Italy, as well as in the EU and the wider world. The revenue we generate is a function of how successfully we sell our products and services which, in turn, is tied to overall levels of consumer and business spending in Italy. General economic conditions affect consumer spending and confidence. Such conditions may change unexpectedly as the result of a large number of factors over which we have no control, including general government policy, monetary and fiscal policy and overall economic climate. A sustained deterioration in economic conditions in Italy may adversely affect our financial performance by reducing customer numbers or spend per customer, among other things. A reduction in consumer spending could result in a decrease of our revenue and profits and could have a material adverse effect on our business, prospects, results of operations or financial condition.

EU economic activity underwent sharp downturns after the 2007 / 2009 financial crisis and the 2012 Eurozone sovereign financial crisis and recovery has been inconsistent and slower than anticipated, particularly in Italy. During the times of those crises, credit and capital markets across the globe experienced volatility and disruption and business credit and liquidity tightened. These developments have had a negative impact on Italy's growth and linger in certain areas of the Italian economy, and continued uncertainty could lead to further deterioration of investor and market confidence. We predominantly operate in Italy and therefore are likely to be more affected by economic weakness or uncertainty in Italy than our competitors with international operations. A renewal of these difficult financial and macroeconomic conditions could materially adversely affect our business, prospects, results of operations or financial condition.

Consumer spending in Italy is generally correlated to macroeconomic and political developments. In the past, macroeconomic and political events have had a negative effect on the country's growth, and continued uncertainty could lead to deterioration of investor and consumer confidence. Italy's government is, at present, characterized by general and widespread political uncertainty, with several major events having taken place in the last three years. In the 2018 general election, no party won an outright majority, resulting in a hung parliament and protracted negotiations to form a new government. These negotiations were concluded with the creation of a coalition government, which collapsed in August 2019. In September 2019, a new coalition government was sworn in, composed of the Democratic party and the Five Star Movement. In January 2021, this coalition government subsequently collapsed following a political crisis, and in February 2021, a new unity government of the main political parties was formed, led by Mario Draghi as Prime Minister. The uncertainty regarding the priorities and governing mandate of the new government could have an adverse effect on consumer confidence and sentiment and could therefore have a material adverse effect on the environment in which we operate.

The ongoing COVID-19 pandemic can have a material impact on our business, results of operations and cash flows.

On March 11, 2020, the World Health Organization declared the COVID-19 pandemic and governmental authorities around the world have implemented measures to reduce the spread of COVID-19. Key aspects of these measures included restrictions on travel and the closure of national borders, as well as the imposition of quarantines, stay-at-home orders, workplace closures, curfews, limitations on building occupancies and other social distancing measures. In Italy, a nationwide lockdown was announced on March 9, 2020, with several other measures introduced to contain the COVID-19 pandemic. Restrictions were eased gradually beginning in May 2020, with bars and restaurants reopening on May 18, 2020 and schools reopening from September 1, 2020. However, as the COVID-19 pandemic has progressed, the Italian government continued to introduce significant restrictions and social distancing measures. For example, an evening curfew was imposed in Italy during the fall of 2020 and restrictions were imposed on large gatherings, many of the department stores, shopping centers and malls out of which our stores operate have suffered either full closures or restricted opening and closing times, as well as restrictions on the number of customers allowed inside these venues. From November 2020, following a rapid increase in rates of infection, many regions in Italy adopted increasingly onerous restrictions and social distancing measures again. A subsequent lockdown was announced over the Easter weekend in April 2021, with all non-essential movement banned except for intra-regional travel to visit family members. As at the date of this offering memorandum, a majority of Italy is in the "white" zone, and a majority of COVID-19 restrictions have been lifted, although face masks are still mandatory in indoor public places, and there is a limit of six non-cohabiting individuals for indoor dining. However, some regions in Italy such as Sicily have recently been moved to the "yellow" zone, where the wearing of masks outdoors and social distancing of at least 1 meter are mandatory.

Pet food shops are considered to be essential businesses pursuant to the Italian Ministerial Decree No. 76 of March 22, 2020, and thus our stores were allowed to remain open despite the lockdowns and other government restrictions put in place. See "*Business—Arcaplanet—Distribution—Stores.*" In addition, because pet products (especially pet food) are generally considered non-discretionary spend for many pet owners, sales through our E-commerce Platform increased during the COVID-19 pandemic and our business has generally demonstrated a high degree of resilience throughout this crisis. See "*Summary—Recent developments—COVID-19 pandemic.*" As at the date of this offering memorandum, all our stores in Italy are open, although social distancing measures and the wearing of masks indoors is still mandatory. We continue to actively monitor the situation and may take further actions that alter our operations as may be in the best interests of our customers, other stakeholders and the overall business. The opening or closing of our stores due to the COVID-19 pandemic remains subject to applicable nationwide, regional and local guidance and restrictions.

Despite our business' general resilience to challenges posed by the COVID-19 pandemic, we were still negatively affected as a result of the above restrictions, which reduced the number of customers visiting our stores and stores' opening schedules being restricted, particularly during periods where more stringent restrictions were in place. In particular, as many of our larger stores are located outside of town centers (e.g., in suburban shopping complexes), such restrictions made it more difficult for our customers to visit our stores. As a result, for periods of time we saw lower store sales in many locations. In addition, we had to incur additional costs to introduce extended hygiene measures (such as requirements to provide disinfectants, wear masks and limits on the number of customers in our stores) for the health and safety of our customers and employees. Management estimates that the COVID-19 pandemic has had an approximately €8.0 million and €3.7 million negative impact on Agrifarma's revenue from sales and services for the year ended December 31, 2020 and the six months ended June 30, 2021, respectively. In addition, Agrifarma's operating expenses related to the COVID-19 pandemic are estimated at approximately €1.8 million and €0.2 million for the same periods.

Despite an unprecedented global vaccination campaign and other containment efforts, subsequent waves of COVID-19 continue to affect many countries, including Italy, particularly as a result of the emergence of new variants of the disease, such as the “Delta” and “Gamma” variants. The full impact of the COVID-19 pandemic on our business, prospects, results of operations and financial condition is uncertain and will depend on future developments, which cannot be predicted. These future developments include, but are not limited to the duration, spread, severity and impact of the COVID-19 pandemic, the possibility and/or impact of additional waves of infections, the timing and ability of vaccinations and other treatments to combat the COVID-19 pandemic, the effects of the COVID-19 pandemic on our customers and suppliers, the duration of future declarations of emergency and any remedial actions and stimulus measures adopted by the Italian government and the European Union and to what extent normal economic and operating conditions can resume. We are also unable to predict the extent, implementation and effectiveness of any government-funded benefit programs and stimulus packages on our employment levels, demand for our products and services or other aspects of our business.

The COVID-19 pandemic could have further material adverse effects on our business, prospects, results of operations or financial condition if:

- the duration, scope and severity of the COVID-19 pandemic results in sustained deterioration in the economic environment in Italy;
- as a result of continuing and future COVID-19 outbreaks or other deterioration in public health in Italy, the Italian government approves new emergency measures which result in us having to close our stores, restrictions on deliveries of purchases from our E-commerce Platform or disruptions in our supply chains;
- continued requirements for social distancing and other policies are implemented to slow the further spread of COVID-19, which impact the operation and appeal of our stores, as customers who dislike wearing face coverings or observing social distancing guidance may choose to shop online or not shop at all;
- any customer or employee contracts COVID-19, which could result in a temporary closure of our stores or other facilities for cleaning, staff shortages or customers becoming reluctant to visit our stores;
- political, legal and regulatory actions and policies in response to the COVID-19 pandemic are adverse to our business, such as governmental actions or proposed actions limiting retail operations or delivery services, which may prevent us from opening our physical stores or operating our E-commerce Platform or result in material increases in our costs in order to comply with such laws and regulations;
- as a result of unemployment or reduced income or increased costs ensuing from the COVID-19 pandemic, consumers respond by decreasing their spending on per products or otherwise changing their long-term behavior;
- we are unable to maintain staffing at the levels necessary to operate our business due to the continued spread or increased virulence of COVID-19 or related coronavirus strains or resultant health complications, causing employees to be unable or unwilling to work;
- adverse capital and credit market conditions increase our cost of capital or affect our ability to raise capital, and our cash generation is not sufficient to sustain our needs;
- tax rates are increased to fund the cost of various government initiatives initiated in connection with the COVID-19 pandemic; or
- we suffer cyber-security incidents or data breaches, as more customers choose to shop online, as a result of an increase in the number or severity of cyber-attacks.

While we have taken steps to address the impact of the COVID-19 pandemic, there are uncertainties associated with changes to our operational practices and whether we will be successful in mitigating the targeted risks thereof. If, among other factors, the adverse impacts stemming from the COVID-19 pandemic were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that additional provisions or other liabilities are required to address that, which could have significant adverse effects on our business, prospects, results of operations or financial condition. Any such future provisions or liabilities could be significant. To the extent the COVID-19 pandemic or any other future pandemic or outbreak adversely affects our business, prospects, results of operations or financial condition, it may also have the effect of heightening or exacerbating many of the other risks described in this “*Risk Factors*” section.

Consumer preferences and behavior may change, resulting in a decline in the use of the types of products and services we offer, or we may fail to successfully manage and execute our marketing initiatives.

The success of our business depends in part on our ability to identify and respond to evolving trends in demographics and consumer preferences, and thereby cultivate a growing, loyal customer base, improve

customer traffic, and increase the average transaction amount. For example, the Italian pet market has been recently characterized by premiumization and the increasing humanization of pets. Customers have also increasingly shown a preference for single-serve packaging, as a means of reducing food waste and increasing their options for pet food. Failure to timely identify or effectively respond to changing consumer tastes and preferences with respect to product and services offerings and customer experience, spending patterns, pet ownership trends and pet care needs could adversely affect our business, prospects, results of operations or financial condition.

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

Our success depends, to a large extent, on the strength and reputation of, and the value and trust associated with, the “ARCAPLANET” brand and our reputation, as well as that of our products, particularly our Exclusive Brands.

Such brand reputation can be negatively affected by various factors, some of which are beyond our control. These factors include, among others, unsuccessful or insufficient marketing and merchandising efforts, inability to adequately respond to consumer tastes and preferences or deterioration of the public image or reputation of a brand as a result of unfavorable publicity concerning the Combined Group, the products that we sell or services we provide, our stores, our personnel or other negative publicity.

Furthermore, any customer complaints, breach or perceived breach of applicable laws, regulations, permits or licenses relating to pet food or other pet-related products sold by us or our operations, or failure to achieve or maintain particular standards by us or our suppliers (including manufacturers) could also negatively affect the reputation of our Exclusive Brands or our other products, which could damage our customer relationships and lead to a decline in our sales. Any such deterioration of the strength of our brands and products or the brand products of our suppliers could have a material adverse effect on our business, prospects, results of operations or financial condition.

Our initiatives to support the “ARCAPLANET” brand or our Exclusive Brands, generate customer traffic and build or retain a loyal customer base, as well as other marketing initiatives may not be effective.

The growth of our sales depends on the success of our marketing and communications strategy and our ability to respond to changing customer tastes and competitors’ promotional activities. We use various tools, such as marketing events, online advertising, visual merchandizing, social media and in-store events to support the positioning of our “ARCAPLANET” brand or our Exclusive Brands, acquire new customers, increase the number of customer visits to our website, the number of orders and the purchase size per order. We have made and will continue to make investments in brand awareness and enhancement, customer acquisition and customer loyalty, and there is a risk that such investments will prove ineffective.

The operating expenditures to support marketing initiatives may turn out to be higher than estimated and require more management time than planned. There can be no assurance that the assumptions supporting our marketing strategies will prove to be correct and that such expenditures will result in increased sales or increased profitability. In addition, there can be no assurance that any expenditures with respect to new concepts and re-branding, or changes and updates to existing concepts, will be met with the expected customer acceptance and lead to the anticipated results. Also, if we are unable to accurately predict our customers’ preferred method of communication or their acceptance of our marketing initiatives, we could fail to drive sales growth, thereby impacting our business and financial performance.

Furthermore, certain advertising or marketing methods currently used by us may become less effective or legally restricted in the future, marketing systems may malfunction or our customer relationship management system may suffer from a lack of availability or poor quality of customer data. Failure to implement our marketing initiatives or our customer relationship management system successfully, or their failure to result in improved profitability, could have a material adverse effect on our business, prospects, results of operations or financial condition.

A disruption, malfunction or increased costs in the operation of our supply or distribution chains could impact our ability to manage our inventory, deliver products to our stores or leverage our expenses, which could harm our sales and results of operations.

Our Exclusive Brands products are supplied by approximately 60 manufacturers. In addition, we have arrangements with approximately 70 third parties for the supply of other national and international branded products. Approximately 70% of Exclusive Brands products are delivered by manufacturers to three

warehousing and logistical hubs administered by AZ SERVIZI E LOGISTICA SRL (“AZSL”) in Tortona (Piemonte), Castel Romano (Lazio) and Cagliari (Sardinia), before being distributed via the network of our stores or shipped directly to our customers who purchase them on the E-commerce Platform. We rely on AZSL to provide key services in relation to those warehousing and logistical hubs, as well as the operation of the E-commerce Platform’s supply chain. The remaining approximately 30% of our Exclusive Brands products are directly delivered to our stores by our suppliers. We also rely on specialized courier services, such as BRT, to deliver our goods purchased via the E-commerce Platform. See “—Business—Procurement and Maintenance—Logistics and Packaging.”

Any interruption or malfunction in our supply or distribution operations, including, but not limited to, disruptions to the transportation infrastructure, disruptions caused by geopolitical events, such as war or civil unrest in Italy or the countries in which manufacturers of our Exclusive Brands products are located, or terrorist or military activities that disrupt transportation, communication, or utility systems, local protests, and natural disasters, such as hurricanes, tornadoes, floods, earthquakes, and other adverse weather and climate conditions, other catastrophic events, diseases (such as COVID-19), port or other strikes, contamination or trade barriers, the loss of AZSL, BRT or another key vendor that provides logistical services or transportation of merchandise within our distribution network, the failure of AZSL, BRT or another key vendor to deliver on its commitments, or a material increase in our transportation and distribution costs, including, but not limited to, costs resulting from increases in the price of fuel and other energy costs or other commodities, could cause inventory shortages and harm our sales and results of operations.

We seek to optimize inventory levels to operate our business successfully. Nonetheless, we are exposed to inventory risks that may adversely affect our operating results as a result of new product launches, vendor reliability, changes in customer preferences or demand and changes in consumer spending patterns with respect to our products. We endeavor to accurately predict these trends and avoid over or under stocking products that we sell. Demand for products, however, can change between the time inventory is ordered and the date of sale and we may be unable to accurately forecast such changes. Any of the events above could result in out-of-stock or excess merchandise inventory levels requiring markdowns that could harm our sales and results of operations.

The disruption of the relationship with or the loss of any of our key vendors or third-party service providers, a decision by our vendors to make their products available elsewhere, the inability of our vendors to provide quality products in a timely or cost-effective manner, or risks associated with the suppliers from whom products are sourced, could harm our business.

We offer a differentiated product assortment. If more pet food or pet supply vendors were to make their products available in supermarkets, warehouse clubs and other mass or general retailers, our business could be harmed. In addition, if the grocery brands currently available to such retailers were to gain market share at the expense of the differentiated brands sold through specialty pet food and pet supply outlets, our business could be harmed. We purchase our pet supplies from a wide variety of vendors located globally. In particular, we purchase our Exclusive Brands products from approximately 60 manufacturers, and we have arrangements with approximately 70 third parties for the supply of other branded products. We can make no assurances that we will be able to find new qualified vendors who meet our standards if our existing vendors cease their relationships with us, or that our current pet supply vendors will be able to accommodate our anticipated needs or comply with new or existing regulatory requirements.

Further, the COVID-19 pandemic has caused, and may continue to cause, some of our supplies to experience delays, which could adversely impact our business. If increases in consumer demand outpace our ability to supply products, we may fail to exploit market opportunity, which could harm our business. In addition, we purchase a substantial amount of our Exclusive Brands products from vendors outside of Italy and the European Union (predominantly, from Thailand and China). Effective global sourcing of many of the products we sell is an important factor in our financial performance. We can make no assurances that our international vendors will be able to satisfy our requirements including, but not limited to, timeliness of delivery, acceptable product quality and accurate packaging and labelling. Any inability of our existing vendors to provide products meeting such requirements in a timely or cost-effective manner could harm our business.

Many factors relating to our vendors and the countries in which they are located are beyond our control, including the stability of their political, economic and financial environments, their abilities to operate in challenging economic environments or meet our standards and applicable Italian and local legal requirements, the availability of labor and raw materials, natural disasters and epidemics, labor unrest, merchandise quality issues, currency exchange rates, trade restrictions, transport availability and cost, inflation and other factors.

For example, in addition to the potential direct effects on us of the COVID-19 pandemic or any similar public health crisis, we could be materially adversely impacted by any disruption to critical vendor services or losses of business, if any of our suppliers face significant business disruptions as a result of the COVID-19 pandemic or outbreaks of any other diseases.

In addition, European Union and Italian trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, limitations on the import of certain types of goods or of goods containing certain materials from other countries, and other factors relating to foreign trade are beyond our control. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could lead to additional costs, delays in shipments, embargoes and other uncertainties that could negatively impact our relationships with international vendors, our access to products, our operations and financial performance.

If any of the above risks were to materialize, our business, prospects, results of operations or financial condition could be materially and adversely affected.

A failure to ensure quality and safety of pet products and services, as well as concerns regarding pet health or the environment or any related publicity could negatively affect our business.

We could be adversely affected if consumers lose confidence in the safety and quality of the pet food and other products we sell. All of our vendors are required to comply with applicable product safety laws, and we are dependent upon them to ensure such compliance. Failure to adhere to quality standards may cause inventory shortages and may discourage consumers from buying from us. The sale of pet products that do not meet applicable safety standards could result in product liability claims against us or our vendors, expose us or our vendors to governmental enforcement action or private litigation, or lead to costly recalls and a loss of consumer confidence, any of which could have a material adverse effect on our business, prospects, results of operations or financial condition. Negative publicity (including in social media) relating to the quality or safety of our products, based on ecological, ethical or any other considerations, regardless of whether reasonable or not, may cause damage to our reputation, our Exclusive Brands or otherwise have a material adverse effect on our business, prospects, results of operations or financial condition.

We also offer a variety of services in some of our stores, including pet grooming, self-service pet washing facilities, para-pharmacies where owners can purchase non-prescription medication for their pets and dedicated areas for dog training and entertainment. In the event that pet deaths or injuries occur while owners use our services, we may be subject to claims or complaints. In addition, there is a risk that negative publicity (including in social media) may arise concerning the safety and quality of our services, whether warranted or not, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

Fluctuations in the prices and availability of certain commodities, such as rawhide, grains, and meat protein, could materially adversely affect our operating results.

The pet products industry is subject to risks related to increases in the price and the availability of certain commodities used in the production of pet food and other pet-related products, specifically seed, wheat, and rice, as well as other materials such as rawhide, that are used in certain pet accessories.

Additionally, increased human consumption or population increases may potentially limit the supply of or increase prices for certain of meat proteins used in animal feed. In general, in circumstances where these price increases have resulted in our manufacturers or vendors increasing the costs we pay for our food products, we have been able to pass these increases on to customers. However, our ability to pass on increased purchase costs in the future will be significantly impacted by market conditions and competitive factors. See “—We operate in a highly and increasingly competitive industry, and if we are unable to effectively respond to competition, we may lose market share, fail to gain market share or face downward pricing pressure”. If we are unable to pass on any increased purchase costs to customers, we may experience reduced margins, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

Market perceptions concerning the instability of the euro, the potential reintroduction of individual currencies within the European Union or the potential dissolution of the European Union entirely, could negatively impact our business.

Economists, observers and market participants have expressed concern regarding the sustainability of the European Union and its common currency, the euro, in their current form. Credit risk in these countries and in other Eurozone countries could have a negative impact on our business. Concerns also remain regarding

the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual member states of the European Union.

Legal, political and economic uncertainty surrounding the stability of the European Union as a single market as a result of the exit of the United Kingdom therefrom may also have a negative effect on global economic conditions, financial markets and our business. On June 23, 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum (“**Brexit**”). On March 29, 2017, the United Kingdom tendered its formal notice to withdraw from the European Union pursuant to Article 50 of the Treaty on European Union, notifying the European Council of its intention to withdraw from the European Union. Under the terms of the European Union (Withdrawal) Act 2018 (the “**EUWA**”), the United Kingdom withdrew from membership of the European Union on January 31, 2020 and entered into a transition period which expired on December 31, 2020. During the transition period, the majority of the rights and obligations associated with membership of the European Union continued to apply to the United Kingdom. The new Trade and Cooperation Agreement (“**TCA**”) between the United Kingdom and the European Union came into effect from January 1, 2021, setting out the conditions for tariff-free trading with the European Union. Uncertainty remains around the full effect of Brexit, how the TCA will be implemented and how the trading relationship between the United Kingdom and the European Union will develop.

The resulting political and economic uncertainty could also lead to a departure, or heighten the risk of departure, from the Economic and Monetary Union by one or more countries or the abandonment of the euro as a common currency. This heightened uncertainty, and the consequences of a withdrawal, could have a significant negative effect on consumer and market confidence. The departure or risk of departure from the euro by one or more eurozone countries or the abandonment of the euro as a common currency, or the reintroduction of an individual currency in Italy, could have major negative effects on our existing contractual relations with our customers, and could adversely affect the Italian economy. In particular, the departure of Italy from the eurozone would increase our exposure to changes in currency rates. In addition, such departure may lead to the imposition of, *inter alia*, exchange rate control laws. Any of these factors could have a material adverse effect on our business, prospects, results of operations or financial condition.

Our E-commerce Platform is subject to several risks including regarding the functioning of hardware and software, customer acceptance and integration with our store network.

In addition to sales through our stores, in recent years we have been increasing our online presence and investing heavily into the development of our E-commerce Platform. The success of our business is dependent, among other factors, on our ability to maintain an attractive online proposition, continue to expand our online and mobile presence, generate e-commerce traffic and convert this traffic into sales.

Our e-commerce operations are subject to a number of risks, including reliance on computer hardware, software, services and support and the implementation of new systems and platforms, as well as the risk that our E-commerce Platform may become unstable, unavailable or subject to cyber-attacks or that customer data may be misappropriated. We are also reliant on third parties, such as AZSL, for warehousing and the logistics of collecting orders and preparing orders for delivery.

We also face the risk that customers find our E-commerce Platform difficult to use. In addition, customers may be unwilling to share personal information online, less willing to use our websites than we expect, or not confident that such sites are secure. Unexpected costs in connection with the further development of our E-commerce Platform may also arise and we may face difficulties in coordinating our E-commerce Platform and our physical store network, particularly in managing the interface between in-store merchandising and online shopping, which may result in complications for both our e-commerce and traditional stores’ customers.

We may also be held liable for online content, security breaches and consumer privacy concerns and may be unable to honor our usual delivery terms in case of an unexpected or a higher than expected spike in customer orders or for other reasons which may cause negative reputational consequences. Similarly, negative online reviews from dissatisfied customers may deter other potential customers from using our E-commerce Platform and may also affect our brands’ reputation and sales in our physical stores. See also “—Our initiatives to support the “**ARCAPLANET**” brand or our Exclusive Brands, generate customer traffic and build or retain a loyal customer base, as well as other marketing initiatives may not be effective.”

Our failure to respond appropriately to these risks and uncertainties could reduce our sales (in particular, our e-commerce sales), as well as damage our reputation and brands, especially since e-commerce is a significant part of our business and growth strategy. The materialization of any of these risks could have a material adverse effect on our business, prospects, results of operations or financial condition.

A failure to adopt and apply technological advances in a timely manner and to successfully expand our omni-channel capabilities could limit our growth and prevent us from maintaining profitability.

We face risks in connection with continuous technological development and the shift from traditional sales channels, such as physical stores, to online and mobile-based channels and multi- and cross-channel models, both of which can increase competitive pressure. For example, our online and mobile offerings must keep pace with the technological development of the devices used by our customers, the technological progress of our competitors and any consequential new shopping behaviors and trends. We may fail to adopt and apply new technological advances in a timely manner, or experience difficulties or compatibility issues. We have, and continue to, invest in our omni-channel offering and will rely to a greater extent on increasing omni-channel sales for growth. However, our investments in omni-channel capabilities and technology may not be adequate or effective, and we may fail to grow our omni-channel sales as expected. If we are unsuccessful in implementing our strategy, our market position, sales and financial performance could be adversely affected. In addition, the cost of investments in growing our omni-channel business may adversely impact our financial performance.

We are subject to risks related to our information systems and cyber security.

The efficient operation of our business is dependent on our information systems. We use various information technology (“IT”) systems in all aspects of our operations, based on licenses from third parties. In particular, we rely on IT systems to effectively manage our financial and operational data, process payroll, trade receivables, supply chain, maintain our in-stock positions, process customer transactions and manage our customer relationship. We design and implement cybersecurity policies for our key information systems and take measures intended to prevent security breaches, unauthorized intrusions and computer viruses. However, these capabilities and measures may not be effective, and the failure of our information systems to perform as designed due to failure to manage disasters, security breaches, computer viruses or any other intrusion or interruption of our information systems for a significant period of time could significantly disrupt our business.

We continue to invest in our IT systems. Enhancing or replacing our major financial or operational IT systems could result in disruption of normal operating processes and procedures and have a significant impact on our ability to conduct our core business operations. We can make no assurances that enhancing or replacing our IT systems will remain within estimated costs, that the systems will be implemented without material disruption, or that the systems will be as beneficial as predicted. If our predictions or estimates are inaccurate, the results of our operations could be harmed.

Disruptions to our IT systems may result from a range of factors, including events beyond our control, such as telecommunication problems, software errors, hardware failures, power outages or damages, user errors, inadequate capacity at IT centers, computer viruses, attacks by hackers or other third parties or other security issues, fire or natural disasters. Any material disruption or slowdown of our IT systems could cause information, including data related to customer orders, to be lost or delayed, and functionalities to be interrupted, both of which could disrupt our ability to market, offer and sell our products, as well as our ability to track, record and analyze the sales of our products, which could negatively impact our operations and result in lost sales. In addition, our business could be adversely affected if changes in technology cause our IT systems to become obsolete or outdated or if our IT systems are inadequate to handle our growth. Any of these factors could have a material adverse effect on our business, prospects, results of operations or financial condition.

Our Vertical Integration Project may not be successful or may not achieve the expected results.

In 2019, our management introduced the Vertical Integration Project to secure our own dry food production capabilities. As part of this initiative, we commenced the construction of the Tagliamento Facility in July 2021. We currently expect the Tagliamento Facility to begin operations by August 2022 and estimate the overall cost of construction to be approximately €45 million. See “*Business—Arcaplanet—Product Supplies and Manufacturing—Manufacturing.*” There can be no assurances that the Vertical Integration Project will be successful. For example, there is no guarantee that we will be successful in securing all requisite permits and authorizations for the construction of the Tagliamento Facility in a timely fashion or at all, or that the process of applying for these permits or authorizations will not lead to significantly increased costs. In addition, we may be required to invest more than currently budgeted in order to implement our Vertical Integration Project, and we may not realize the anticipated benefits associated therewith in the desired time frame or at all. As we do not have any experience manufacturing our products or operating production facilities, the construction or operation of the Tagliamento Facility may expose us to additional risks, such as risks related to compliance

with applicable environmental and health and safety laws and other regulation, as well as result in additional unanticipated costs, which may be significant. Any of these factors could have a material adverse effect on our competitive position, profitability and growth, and thus on our business, prospects, results of operations or financial condition.

Risks and costs associated with our leasehold property portfolio and our inability to obtain financing could have a negative impact on our cash flow required to fund planned operations and execute our growth strategy.

To fund our currently planned operations and execute our growth initiatives, we will need significant amounts of cash from operations, including funds to pay our lease obligations, remodel and build out new stores, purchase inventory, pay personnel and further invest in our infrastructure and facilities. In particular, payments under the operating leases associated with our stores and our distribution facilities account for a significant portion of our operating expenses. We generally lease our stores for twelve years. As at June 30, 2021, the average residual term of our leases was 7.48 years. However we are usually entitled to terminate such lease arrangements subject to a twelve to 36 months advance notice, which allows us to proactively manage our lease portfolio depending on the performance of individual stores.

Our substantial operating lease obligations could have significant negative consequences, including (i) requiring that a substantial portion of our available cash be applied to pay our rental obligations, thus reducing cash available for other purposes, (ii) increasing our vulnerability to general adverse economic and industry conditions, (iii) limiting our flexibility in planning for or reacting to changes in our business or in the industry in which we compete and (iv) limiting our ability to obtain additional financing.

Any of these consequences could place us at a disadvantage with respect to our competitors. We depend on cash flow from operations to pay our lease expenses and to fulfil our other cash needs. If our business does not generate sufficient cash flow from operations to fund these activities or if we experience working capital leverage deterioration, and sufficient funds are not otherwise available to us, we may need additional equity or debt financing. If such financing is not available to us on satisfactory terms, our ability to run and expand our business or to respond to competitive pressures would be limited and we could be required to delay, significantly curtail or eliminate planned investments to grow our business.

We may be unable to manage our growing business activities effectively.

Our business has grown significantly over the last decade, and continues to expand, both via acquisitions of new stores and organically. See “*Business—History.*” Apart from the Maxi Zoo Acquisition that will add 130 Maxi Zoo Stores, our physical store network grew by 150 stores between December 31, 2017 and June 30, 2021. Our e-commerce channel was launched in 2014, and has grown from 2.4 million users in 2017 to 6.7 million users in 2020. In addition, since July 2021 we have been contracting for the construction of the Tagliamento Facility as part of our Vertical Integration Project, which is currently expected to begin the production of dry pet food by August 2022. We cannot guarantee that opening or acquiring additional physical stores, the further expansion of our E-commerce Platform or the implementation of our Vertical Integration Project will not adversely affect our existing operations.

Our operating complexity will continue to increase as we implement our growth strategy and will require a continuous expansion and improvement of our operating capabilities and the training and management of a growing employee base. Developing and refining the appropriate internal management, accounting and book-keeping processes, organizational compliance and risk monitoring structures required for this growth places high demands on our management, as well as on our operational and financial infrastructure, with no assurance that sales and profitability will increase accordingly. As our operations grow further, we will need to continue to improve and upgrade our systems and infrastructure to deal with the greater scale and complexity of operations. Delays in improving these systems and in reaching an appropriate level of staffing may result in business and administrative oversights and errors, which may also lead to higher operating expenses.

In addition, our growth could make it difficult to adequately predict the expenditures we will need to make in the future. This growth could also impact the operational flexibility of the supply chain organization and impair our ability to react promptly to changing customer demands and new market trends. We may not be successful in our growth strategy if we do not make the necessary capital or other expenditures to accommodate our future expansion. Continued growth could also strain our ability to maintain reliable service levels for our customers and to develop and improve our internal controls. Moreover, certain businesses we have acquired or may in the future acquire may have less robust internal controls than the rest of the Combined Group, which might create additional control challenges until the relevant standards can be upgraded to those used by the rest of the Combined Group.

We may be unable to accurately anticipate all the demands that our expanding operations will impose on our business, personnel, systems and controls and procedures, and the failure to appropriately address such demands, or the realization of any of the above-mentioned risks, could have a material adverse effect on our business, prospects, results of operations or financial condition.

If we fail to maintain an effective system of internal controls, we may not be able to prevent fraud.

Effective internal controls are necessary for us to prevent fraud. We are subject to Italian Legislative Decree No. 231/2001 (“**Decree No. 231/2001**”), which is aimed, among others, at preventing direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, fraud, environmental crimes, health and safety crimes and any other illegal or otherwise unethical conduct. As of the date of this offering memorandum, not all the Italian subsidiaries of the Target may have adopted the internal control model envisaged by Decree No. 231/2001 (the “**231 Model**”). Although the adoption of the 231 Model is not compulsory, it may eliminate or in any case reduce the exposure should one of the offences specified in Decree No. 231/2001 be committed by representatives, executives and directors of any of the Target’s Italian subsidiaries or Maxi Zoo. Moreover, pursuant to certain case-law, even though not mandatory, the failure by the directors of a medium/large company to adopt a 231 Model, may be regarded as a violation of their fiduciary duties. Therefore, there is no guarantee that we will be successful in defending against possible proceedings in relation to the administrative liability pursuant to Decree No. 231/2001. Any inability to provide reliable financial reports or prevent fraud could harm our business, including through harm to our reputation. This risk is increased as a result of our frequent acquisitions, as entities that we acquire from time to time may not have internal control procedures of an effectiveness equivalent to ours. If we fail to maintain, or fail to cause the companies we acquire to adopt and maintain, adequate internal controls our financial statements may not accurately reflect our financial condition.

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

In recent years, we have pursued a number of opportunistic acquisitions of Italian pet products store chains or businesses owning such store chains in order to expand our footprint and operations. This includes the recent acquisitions of (i) 71 “Fortesan” branded stores in 2018/2019 via Agrifarma’s merger with Mondial Pet Distribution, (ii) 15 “Zoodom” branded stores from Zoodom in 2019, (iii) 11 “Fauna Food” branded stores from Medivet in 2019 and (iv) five “La Città degli Animali” branded stores from Croci D. in 2020. See “*Business—Arcaplanet—Distribution—Stores—Recent acquisitions.*” As part of our growth strategy, we may evaluate opportunities to further acquire complementary businesses (either as companies or a collection of stores) or enter into commercial partnerships to supplement our growth. However, there can be no assurance that we will be able to identify and purchase suitable businesses or assets or partner with suitable co-ventures in the future, or that such acquisitions or partnerships will be successful. Any acquisition, commercial partnership or other strategic transaction we may undertake in the future could result in the incurrence of debt and contingent liabilities and an increase in interest expenses and amortization expenses related to goodwill and other intangible assets or in the use by us of available cash on hand to finance any such acquisitions or commercial partnerships. Such transactions may also disrupt our relationships with current and new employees, customers and suppliers.

In addition, the success of any acquisition or commercial partnership depends in part on our ability to integrate the acquired company, commercial partnership or store chain, which may involve unforeseen difficulties and may require a disproportionate amount of our management’s attention and our financial and other resources. Even if we are able to successfully integrate newly acquired businesses or assets, this integration may not result in the realization of the full synergies, cost savings, revenue and cash flow enhancements, operational efficiencies and other benefits that we anticipate.

Although we typically conduct due diligence investigations prior to each acquisition, commercial partnership or other strategic transaction, there can be no assurance that we will discover all operational deficiencies or material liabilities of an acquired business, commercial partnership or a collection of assets for which we may be responsible as a successor owner or operator, and actual developments may differ significantly from our expectations. Moreover, our competitors may also follow similar acquisition or commercial partnership strategies and may have greater financial resources available for investments or may be willing to accept less-favorable terms than we can accept, which may prevent us from acquiring the businesses or assets that we target to the benefit of such competitors.

Furthermore, acquisitions or commercial partnerships may require the approval of antitrust or other authorities (either at the national or EU-level) or third-party consents, which can block, impose conditions

on, or delay the process which could result in a failure on our part to proceed with announced transactions on a timely basis or at all, thus hampering our opportunities for growth. As a condition of their approval, or after the completion of, any acquisition or commercial partnership, we may be required by relevant antitrust authorities to dispose of certain assets we acquire. Any of these factors may have a material adverse impact on our profitability, and due to our large footprint in Italy, it may be difficult to meet the requirements of antitrust and competition regulation when pursuing acquisition targets.

In addition, our debt may increase if we borrow funds to finance any future acquisition or commercial partnership, which could have a negative impact on our cash flows and our ability to finance our overall operations. The occurrence of any of the foregoing could have a material adverse effect on our business, prospects, results of operations or financial condition.

We face a risk of theft or misappropriation of funds or products in our stores, warehouses or logistics centers and are exposed to a risk of misappropriation of our customer data and other inappropriate behavior.

In the ordinary course of our business, we are exposed to a risk of theft of products in our physical stores. Products may also be misappropriated during transportation or at our warehouses and logistic centers. In addition, we may experience a misappropriation of funds in our stores or at other levels of our business or the abuse of our resources such as our products, vouchers, bonuses or systems. While we have implemented systems and processes to protect us against these risks, there can be no guarantee that these systems or processes are adequate to safeguard against such theft or misappropriation.

Our business involves the storage and transmission of customers' personal information, consumer preferences and credit card information, as well as confidential information about our employees, our suppliers and our own business. For example, we collect and store certain customer data, including personal information and information regarding our customers' preferences and purchasing patterns. While we believe that our customer data protection systems are robust, adequate to support our activities and insured to standards that are comparable to other operators in our industry, our information systems may face cyber-attacks in the future and are vulnerable to an increasing threat of continually evolving cybersecurity risks, as cyber criminals develop new ways to gain unlawful access to protected information systems. See also "*We are subject to numerous laws and regulations with respect to private data protection and failure to comply with such laws and regulations may result in litigation, arbitration or administrative proceedings and/or significantly damage our relationship with our customers.*"

Any significant compromise or breach of our data security, whether external or internal, or misuse of associate or customer data, could significantly damage our reputation, cause the disclosure of confidential customer, employee, supplier or business information, and result in significant costs, lost sales, fines and lawsuits. While we have implemented systems and processes to protect us against unauthorized access to, or use of, secure data and to prevent data loss, there can be no guarantee that these systems or processes are adequate to safeguard against all data security breaches or misuse of the data. Moreover, regulations related to information security, data collection and use, and privacy are becoming increasingly rigorous in Italy and the European Union, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs.

Any failure to prevent the theft or misappropriation of our products or customer data or other similar inappropriate behavior could have a material adverse effect on our business, prospects, results of operations or financial condition.

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

As at June 30, 2021, Arcaplanet and Maxi Zoo had 1,818 and 939 employees, respectively, of which a significant majority were located in Italy. Arcaplanet is subject to a number of collective bargaining agreements that regulate remuneration, minimum salary, salary complements, extra time, benefits, bonuses and partial disability. See "*Business—Arcaplanet—Employees; Health and Safety.*"

Our business is labor intensive, and maintaining good relationships with our employees, trade unions and other employee representatives is crucial to our operations. While we believe that we have good relations with unions and employees generally, there can be no assurance that our relations will not deteriorate and that we will not experience labor disputes in the future. Any failure to extend or renegotiate our collective bargaining agreements on terms favorable to us, or at all, could have a material adverse effect on our business. Furthermore, we could in the future be party to labor disputes with certain of our employees. There can be no assurance that disputes by employees will not have a material adverse effect on our business, prospects,

financial condition, results of operations or cash flows. In addition, from time to time, we have and may in the future, carry out collective dismissals or close stores as part of the optimization of our store footprint. Such collective dismissals or store closures may result in disputes with or claims by trade unions and our employees and we may be required to pay additional amounts to resolve or settle such disputes or claims. Additionally, the right to go on strike is provided for under Italian law. We cannot guarantee that our employees will not go on strike in the future, which could, for example, hinder our ability to provide our ordinary level of customer service and have a material adverse effect on our business, prospects, results of operations or financial condition.

Furthermore, we may experience a significant increase in labor costs as a result of increased workforce activism, salary increases, headcount increases (including due to the conversion of temporary contract workers into full-time employees), government decrees and changes in social and pension contribution rules (provided either by law or collective agreements) implemented to reduce government budget deficits or to increase welfare benefits to employees, as well as deteriorating general health conditions. We may not manage to offset the increase in labor costs through productivity gains or other measures and we may not be able to otherwise relocate the costs within our structure with a deterioration in our relationship with our employees. Any such event could result in a material adverse effect on our business, prospects, results of operations or financial condition.

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

The success of our business depends significantly on our ability to retain senior management, other qualified managers and employees in key positions, many of whom have many years of experience and specialized expertise in our business. Competition for qualified, motivated personnel is intense, and we may not be able to attract and retain all members of our senior management team or a sufficient number of qualified personnel in the future. Any failure to attract and retain senior management or qualified staff could impair our growth and ability to manage our operations effectively and may have a material adverse effect on our business, prospects, results of operations or financial condition.

Our risk detection, mitigation and management policies and procedures may not be fully effective in mitigating our risk exposure.

Our business, particularly our physical and digital infrastructure, is vulnerable to natural and man-made incidents and disasters, including floods and fires, power loss, telecommunications failures, data security breach and computer and network malfunction, sabotage, criminal activity, fraud, theft and employee error, as well as other accidents and emergencies which we may not foresee. Our redundancy and backup plans for key infrastructure may not function as planned in the event of an emergency. Our risk detection, mitigation and management policies and procedures may not be effective in identifying, monitoring and managing the risks we face. Some of our risk evaluation methods depend on information provided by third parties and on public information regarding markets, customers or other matters, which we do not independently verify. Such information may not be accurate, complete or up to date. If such policies and procedures are not fully effective or if we are not always successful in capturing all risks to which we are or may be exposed, we may suffer harm to our reputation or be subject to litigation, regulatory actions and civil and/or criminal penalties, any of which could have a material adverse effect on our business, prospects, results of operations or financial condition.

Our insurance coverage could prove inadequate.

We have comprehensive insurance policies in relation to a number of risks associated with our business activities, including, among others, risks related to damage to property, theft, fire, civil liability in relation to our employees and vehicles, and in relation to pet food and pet hygiene products sold under our Exclusive Brands. See “*Business—Arcaplanet—Insurance.*” However, our insurance coverage is subject to customary exclusions, limits and deductibles. We may not be able to accurately foresee all relevant activities and situations in order to ensure that they are fully covered by the terms of our insurance policies. As a result, we may incur losses or be subject to claims that exceed the type, scope or amount of our existing insurance coverage.

If one or more claims exceed a certain aggregate amount in a given calendar year, insurers may increase the insurance premiums or the terms and conditions of our insurance coverage may become less favorable than at present. Our insurance costs may also increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general. There is no guarantee that we will continue to be able to obtain sufficient insurance coverage at commercially reasonable terms or at all.

Any of these developments could have a material adverse effect on our business, prospects, results of operations or financial condition.

Changes in existing or new laws and regulations or regulatory enforcement priorities could adversely affect our business.

Laws and regulations at the local, regional, national and international levels change frequently and any changes may impose significant costs and other burdens of compliance on our business. Any changes in regulations, the imposition of additional regulations or the enactment of any new legislation that affects our business, including, but not limited to, those related to labor and employment (including minimum wage requirements, overtime, terms and conditions of employment, working conditions and citizenship requirements); tax obligations; the representation of financial results; the distribution, import/export and sale of products; providing services to our customers; environmental regulation; credit and debit card processing; the handling, security, protection and use of customer and associate information; the licensing and certification of services; food and product safety; and consumer protection laws related to product labelling, advertising, data privacy and marketing could have an adverse impact, directly or indirectly, on our financial condition and results of operations. See “*Business—Arcaplanet—Government Regulation*.”

In addition, changes in enforcement priorities by governmental agencies charged with enforcing existing laws and regulations can increase our cost of doing business. Given varying and uncertain interpretations of applicable laws and regulations and the fact that enforcement by the courts and regulatory authorities involves broad discretion, there can be no assurance that we would be found to be in compliance with such laws and regulations at all times. We also could be subject to costs, including fines, penalties, or sanctions and third-party claims as a result of violations of, or liabilities under, the above-referenced laws and regulations.

We are subject to numerous laws and regulations with respect to private data protection and failure to comply with such laws and regulations may result in litigation, arbitration or administrative proceedings and/or significantly damage our relationship with our customers.

We are subject to national, local and international laws and regulations governing the collection, use, retention, sharing, processing and security of personal data. See “*Business—Arcaplanet—Information Technology and Protection of Customer Data—Protection of customer data*.” A failure to comply with applicable laws or regulations could have an adverse impact on our reputation and could lead to us becoming subject to penalties or claims, which could have a material adverse effect on our business and results of operations. The need to comply with data protection legislation is a significant controlling, operational and reputational risk, which can affect us in a number of ways including, for example, making it more difficult to maintain and expand our marketing data, commercially utilize available data and also through potential litigation and governmental investigations relating to the alleged misuse of personal data. Regulation regarding data collection and data protection may also become stricter in the future. New laws, regulations or developments in this field and changes in consumer behavior could interfere with our strategies to use privacy-related information for our multi-channel marketing efforts and could also have an adverse effect on our business and results of operations.

Although we currently have measures in place to protect our customers’ data and to comply with all applicable data protection regulations, significant modifications in laws or regulations, as well as changes in the interpretation and enforcement practices of authorities concerning existing laws and regulations, in Italy and the European Union may consequently lead to us incurring higher costs or having to change our business practices. Compliance may become more complex and involve higher costs, and non-compliance may give rise to civil liability, administrative orders (including injunctive relief), fines or even criminal charges. For example, the EU General Data Protection Regulation (the “**GDPR**”) on data privacy introduced substantial changes to the EU and local data protection regimes, involving replacement in EU member states of major parts of the previous national data protection laws by a directly applicable EU regulation. Since the GDPR came into effect on May 25, 2018, it has imposed a substantially higher compliance burden on our business. In addition, the regulation entails higher maximum level of fines than was historically the case for potential compliance failures. Given our increasing focus on omni-channel capabilities, which includes further developing our E-commerce Platform, we will have to adapt to any change in the legal environment with regards to data protection, which could lead to significant implementation costs.

There are also several initiatives pending aimed at establishing a single, uniform digital European market such as an e-privacy regulation or the proposed Digital Services Act and Digital Markets Act. We may also be indirectly affected by European Union court rulings. For example, the European Court of Justice (*Fashion ID*, C-40/17 and *Planet 49*, C-673/17) in 2018 and 2019 specified the treatment of internet tracking technologies

and issued another judgment (*Schrems II*, C-311/18) in 2020 relating to European data protection laws, stating that the transfer of personal data into the United States cannot be based on the EU/US Privacy Shield framework. This ruling has an impact also on data transfers to any other third country within the meaning of the GDPR that does not provide a level of data protection equivalent to the EU, unless the EU Commission adopted an adequacy decision for that third country outside the EEA. Overall, the European Court of Justice rulings may lead to us incurring higher costs or having to change our business practices in this respect.

Our failure to comply with national, local and international laws governing personal data could have a material adverse effect on our business, prospects, results of operations or financial condition.

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

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

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

We are exposed to competition law risks in connection with our operations. In particular, contractual conditions and price arrangements in agreements that we use in our operations may be subject to restrictions under such competition laws. Competition authorities have the power to initiate procedures pursuant to regulations and can enjoin a party from applying contractual terms and prices that are deemed anti-competitive. Sanctions include fines and other consequences. Any action by competition law authorities may be accompanied or followed by lawsuits brought by civil plaintiffs and we may be exposed to significant civil damages. Potential fines and damages claims could have a material adverse effect on our business, prospects, results of operations or financial condition. Significant market power may result in regulatory restrictions on our ability to act freely, price our products and services, maintain existing operations and grow through acquisitions, all of which could have a material adverse effect on our business, prospects, results of operations or financial condition. In the process of pursuing our growth strategy via bolt-on acquisitions, we may also require authorization from antitrust and competition authorities or may have to dispose of certain businesses or assets. See also “—*We may make acquisitions, strategic investments or enter into joint ventures or other commercial partnerships from time to time that may prove unsuccessful.*”

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

From time to time, we are involved in various litigation matters, claims, disputes, regulatory proceedings and investigations, prosecutions or similar matters arising from the conduct of our business and, in some cases, the actions of third parties. We are also from time to time subject to tax and social security audits and investigations by the tax, social security and other public authorities, which may include, without limitation, investigations with respect to the direct tax and indirect tax regime of any of our transactions and value-added tax classification and social security contributions. See “*Business—Arcaplanet—Legal Proceedings.*”

There is no guarantee that we will be successful in defending ourselves in our current known or future unknown litigation or similar matters under various laws. A negative outcome in one or more of these proceedings could require us to pay substantial monetary damages or penalties and could have a material adverse effect on our business, prospects, results of operations or financial condition.

Our insurance or indemnities, or amounts we have included as provisions, may not cover claims asserted against us. See “—*Our insurance coverage could prove inadequate.*” Any of these matters could have a material adverse effect on our business, prospects, results of operations or financial condition and, regardless of merit or eventual outcome, such matters may materially damage our reputation.

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

We regard our trademarks, domain names, trade secrets, customer databases and similar intellectual property as critical to our success. See “*Business—Arcaplanet—Intellectual Property.*” We rely on a combination of

copyright and trademark laws, trade secret protection, confidentiality and non-disclosure agreements and other contractual provisions and legal arrangements in order to protect our intellectual property. These efforts may not be adequate, and third parties may infringe upon or misappropriate our proprietary rights. For example, consultants, vendors, former employees and current employees may breach their obligations regarding non-disclosure and restrictions on use.

We may not succeed in detecting such infringement or misappropriation, in good time or at all, and we may not be successful in defending our intellectual property where we contest its use by a third party. Intellectual property laws in Italy and other jurisdictions where we may either be forced to bring suit or where claims may be filed against us may afford limited protection, may not prevent our competitors from using our intellectual property, duplicating our brands or products or gaining access to our proprietary information and technology. Any third party could seek to challenge, invalidate, circumvent or render unenforceable any of our intellectual property rights. Such claims, whether or not meritorious or successful, could require us to spend significant sums in litigation, damages, re-branding or re-engineering services and acquiring licenses for third-party intellectual property and could require significant management attention. Additionally, third parties may bring claims against us alleging that we have infringed on their intellectual property rights, which may result in sanctions or restrictions on our products. Similarly, we depend on our ability to license intellectual property from third parties, who may become unwilling to license intellectual property that is necessary to our business on terms that are acceptable to us. As a result, we may find that we are unable to continue to offer the products and services upon which our business depends. The occurrence of any of the foregoing could have a material adverse effect on our business, prospects, results of operations or financial condition.

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

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

The Financial Statements are based on Italian GAAP and there may be differences between our financial position and results of operations prepared in accordance with Italian GAAP and IFRS or U.S. GAAP. In addition, in the future, we may adopt IFRS as our accounting reporting method, and this could potentially result in material changes to certain of our financial information from our information presented in this offering memorandum.

The Financial Statements included in this offering memorandum are based on Italian GAAP, which differs in certain respects from IFRS and U.S. GAAP. We have not presented a reconciliation of the Financial Statements to IFRS and U.S. GAAP in this offering memorandum. Because there are differences between Italian GAAP and IFRS and U.S. GAAP, there could be certain significant differences in our results of operations, cash flows and financial position, including levels of indebtedness, under IFRS and U.S. GAAP. In addition, we may adopt IFRS in the near future, which could potentially result in changes to our results of operations, cash flows and financial position from the amounts presented in this offering memorandum. For a discussion of the certain significant differences between IFRS and Italian GAAP, see “*Summary of Certain Differences between Italian GAAP and IFRS.*”

The preparation of our financial statements involves judgments, estimates and assumptions.

The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, stockholders' equity, revenue and expenses, the amounts of charges accrued by us and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to fixed assets, financial fixed assets, financial leases, inventory and contract work in progress. For further information on the assumptions pertaining to such financial statements components, see our Financial Statements and the notes thereto included elsewhere in this offering memorandum. In addition, actual performance may be higher or lower than our estimates for a variety of

reasons, including unanticipated competition, regulatory actions or changes in one or more of our contractual relationships. We cannot assure you that any of our estimates, or the assumptions underlying them, will be correct.

Risks Related to Our Financing Arrangements

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

Upon consummation of the Transactions, we will be highly leveraged and will have significant debt service obligations. As at June 30, 2021, the principal amount of the Issuer's financial indebtedness, as adjusted to give effect to the Transactions, would have been €550.0 million. As at the same date, after giving effect to the Transactions, the Issuer would have had €80.0 million available for borrowing under our Original Revolving Facility. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*." We anticipate that our high leverage will continue for the foreseeable future and could have material consequences for the holders of the Notes, including:

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

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

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

Subject to restrictions in the Indenture and restrictions in the Revolving Facility Agreement, we may incur additional indebtedness, which could increase the risks associated with our already substantial indebtedness. We have the ability to borrow up to €80.0 million under our Original Revolving Facility, which borrowings will be secured on a super senior basis. The terms of the Indenture permit us to incur further substantial additional debt. The Issuer's subsidiaries may also be able to incur substantial additional indebtedness in the future, further increasing the risks associated with our substantial leverage. If any of the subsidiaries of the Issuer that do not guarantee the Notes incur additional indebtedness, the holders of that debt will be entitled to share ahead of you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of such subsidiaries. As at the Issue Date and the Arcaplanet Acquisition Closing Date, the Notes will not be guaranteed. See "*—Risks Related to the Notes, the Note Guarantees and the Collateral—The Notes will be structurally subordinated to all indebtedness of the Issuer's existing and future subsidiaries that do not guarantee the Notes*" and "*Description of Certain Financing Arrangements*." If we incur additional indebtedness, the related risks that we currently face as described above and elsewhere in this "Risk Factors" section could intensify.

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

Restrictive covenants under the Revolving Facility Agreement and the Indenture may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our

control, could result in an event of default that could materially adversely affect our financial condition and results of operations. The Revolving Facility Agreement and the Indenture will contain negative covenants restricting, among other things, our ability to:

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

The restrictions that will be included in the Revolving Facility Agreement and the Indenture could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could materially adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Revolving 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 become immediately due and payable, which in turn could result in cross defaults under our other debt instruments, including the Notes. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the Notes in such an event.

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

Our ability to make interest payments on the Notes and to meet our other debt service obligations, including under the Revolving Facility Agreement and the Indenture, or to refinance our debt, depends on our future operating and financial performance, which in turn depends on our ability to successfully implement our business strategy as well as general economic, financial, competitive, regulatory and other factors that are beyond our control. If we cannot generate sufficient cash to meet our debt service requirements, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing, delay planned capital expenditures or investments or sell material assets. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including the Notes. If we are also unable to satisfy our obligations on other financing arrangements, we could be in default under the Revolving Facility Agreement, the Indenture and other relevant financing agreements, which we may enter into in the future. In the event of a default under the Revolving 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 Original Revolving Facility, may as a result also be accelerated and become due and payable. If the debt under the Original Revolving Facility or the Notes or any other material financing arrangement that we have entered into or will subsequently enter into were to be accelerated, our assets may be insufficient to repay the Notes in full. Any such actions could force us into bankruptcy or liquidation, and we might not be able to repay our obligations under the Notes in such an event. Also, any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. Any refinancing of our debt could be at higher interest rates and may require us to comply with

more onerous covenants, which could further restrict our business, financial condition and results of operations. See “*Description of Certain Financing Arrangements*” and “*Description of the Notes*.”

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

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

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

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

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

We may enter into hedging agreements, and such hedging agreements may expose us to credit default risks and potential losses if our hedging counterparties fall into bankruptcy.

The debt instruments under the Revolving Facility Agreement will bear interest at floating rates. We may enter in the future into interest hedging agreements to hedge our exposure to fluctuations in interest rates. Under any such agreements, we would be exposed to credit risks of our counterparties. If one or more of our counterparties falls into bankruptcy, claims we may have under such swap agreements or other hedging arrangements may become worthless. Also, such hedging activities may be ineffective or may not offset more than a portion of the adverse financial impact resulting from interest rate fluctuations. In addition, in the event that we refinance our debt or otherwise terminate hedging agreements, we may be required to make termination payments, which would result in a loss.

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

After giving effect to the Transactions, the Investors will indirectly own all or substantially all of the shares of the Issuer and the holding companies of the Target Group. As a result, our shareholders have and will continue to have, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to influence the outcome of matters requiring action by our shareholders. Our shareholders’ interests in certain circumstances may conflict with your interests as noteholders, particularly if we encounter financial difficulties or are unable to pay our

debts when due. For example, the shareholders could vote to cause us to incur additional indebtedness. Some of our shareholders are in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Our shareholders may also pursue acquisition opportunities that are complementary to our business and, as a result, those acquisition opportunities may not be available to us. In addition, our shareholders have held, hold or may hold interests in suppliers of the Target Group. Our shareholders and their affiliates could also have an interest in pursuing divestitures (including one or more divestitures of all or part of our business or sales of our shares, which would result in changes to our shareholding structure), financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to you as a holder of Notes.

Risks Related to the Transactions

The Arcaplanet Acquisition is subject to certain conditions and risks and, if it is not consummated, the Issuer will redeem the Notes at 100% of the issue price, plus accrued and unpaid interest.

On June 24, 2021, the Issuer entered into the Arcaplanet Purchase Agreement to acquire, directly or indirectly, from the Sellers all of the issued and outstanding share capital of the Target. The Arcaplanet Acquisition is subject to the satisfaction of certain closing conditions, including, customary antitrust approvals and the performance of certain closing actions. Pending the consummation of the Arcaplanet Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering into the Escrow Account on the Issue Date. The release of the Escrowed Property is subject to the satisfaction of certain conditions, including that the funds required to pay the consideration for the Arcaplanet Acquisition will be applied promptly (and in any event within three business days). As of the date of the offering memorandum, we do not yet know whether the Arcaplanet Acquisition will be successful. If the conditions precedent to the Arcaplanet Acquisition are not satisfied or waived, as applicable, by the Escrow Longstop Date, then the Arcaplanet Acquisition will not be consummated. If the conditions to the release of the Escrowed Property, as more fully described under “Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption” have not been satisfied on or prior to the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to a Special Mandatory Redemption as described in “Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption” and you may not obtain the return you expect to receive on the Notes.

If the conditions precedent to the release of the Escrowed Property are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Account may not have sufficient funds to cover such redemption without relying on the Escrow Equity Commitment.

The Escrowed Property will be limited initially to the gross proceeds of the Offering and will not be sufficient to pay the Special Mandatory Redemption Price, which is equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the Special Mandatory Redemption Date. See “Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.” In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, Midco will be required to fund the Issuer with an amount sufficient to cover the difference between the Special Mandatory Redemption Price and the amount of the Escrowed Property, including accrued interest and additional amounts (if any) due with respect to the Notes from the Issue Date to the Special Mandatory Redemption Date and any negative interest, which has accrued on the Escrow Account, pursuant to the Escrow Equity Commitment.

Holders of the Notes will not have any direct right to enforce the Escrow Equity Commitment, and must rely on the Issuer’s rights to enforcement under the Escrow Equity Commitment. There can be no assurance that Midco will have sufficient funds to make this payment, and the Issuer may not have access to the funds necessary to allow it to pay the full amount of the required redemption price in the event of a Special Mandatory Redemption.

Your decision to invest in the Notes is made at the time of purchase. Changes in the business or financial position of the Target Group, or the terms of the Arcaplanet Acquisition, between the Issue Date and the Escrow Release Date, may have an impact on our creditworthiness, and you will not be able to rescind your decision to invest in the Notes as a result thereof.

The Maxi Zoo Acquisition is subject to certain conditions.

Also on June 24, 2021, the Seventh Cinven Fund, Topco and Fressnapf entered into the Maxi Zoo Acquisition Agreement. Under the terms of the Maxi Zoo Acquisition Agreement, Topco will purchase the Maxi Zoo Shares from Fressnapf in exchange for an issuance of certain new shares in Topco to Fressnapf (concurrently

with the direct or indirect subscription for certain additional new shares in Topco by each of the Seventh Cinven Fund (and/or its permitted assignees) and Fressnapf). The Maxi Zoo Acquisition is subject to certain antitrust approvals and the performance of certain closing actions. If the conditions precedent to the Maxi Zoo Acquisition are not satisfied or waived, as applicable, then the Maxi Zoo Acquisition will not be consummated. The Arcaplanet Acquisition is not conditional on the completion of the Maxi Zoo Acquisition. In addition, the completion of the Maxi Zoo Acquisition is not a condition precedent to the release of the Escrowed Property from the Escrow Account and the Notes will not be subject to any special mandatory redemption due to the failure to consummate the Maxi Zoo Acquisition. The Issuer expects to proceed with the Arcaplanet Acquisition whether or not the Maxi Zoo Acquisition is consummated. If the Maxi Zoo Acquisition is not completed, the 130 Maxi Zoo Stores will not be added to our network and will not contribute to our *Pro forma* Adjusted EBITDA as described in “*Summary—Summary Unaudited Pro Forma Consolidated Financial Information and other Data of the Combined Group—Other Pro Forma and Other Financial and Operating Information of the Combined Group—Other Pro Forma and Other Financial Information of the Combined Group.*” In addition, Maxi Zoo will not guarantee the Notes or provide any Collateral. This may have a material adverse effect on our business, prospects, results of operations or financial condition, and you will not be able to rescind your decision to invest in the Notes as a result thereof.

Amendments made to the Arcaplanet Purchase Agreement or the Maxi Zoo Acquisition Agreement may have adverse consequences for holders of the Notes.

The Arcaplanet Acquisition and the Maxi Zoo Acquisition are expected to be consummated in accordance with the terms of the Arcaplanet Purchase Agreement and the Maxi Zoo Acquisition Agreement, respectively. However, the Arcaplanet Purchase Agreement or the Maxi Zoo Acquisition Agreement may be amended and the closing conditions thereunder may be waived at any time by the parties thereto, without the consent of holders of the Notes. Furthermore, any amendments made to the Arcaplanet Purchase Agreement or the Maxi Zoo Acquisition Agreement may make the Arcaplanet Acquisition or the Maxi Zoo Acquisition, respectively, less attractive. Any amendment made to the Arcaplanet Purchase Agreement or the Maxi Zoo Acquisition Agreement may be materially adverse to holders of the Notes, which, in turn, may have a material adverse effect on the return they expect to receive on the Notes.

The Issuer does not currently control the Target Group or Maxi Zoo and will not control the Target Group and Maxi Zoo until the Arcaplanet Acquisition Closing Date and the closing date of the Maxi Zoo Contribution, respectively.

As of the date of this offering memorandum, the Issuer does not, directly or indirectly, hold any issued and outstanding common shares of any entity included in, or any of the assets of, the Target Group or Maxi Zoo. As a result, the Issuer’s ability to influence the management of the Target Group or Maxi Zoo is limited. In particular:

- The Target Group’s or Maxi Zoo’s management may not operate their respective businesses until the Arcaplanet Acquisition Closing Date and the closing date of the Maxi Zoo Contribution, respectively, in the same way that the Issuer and the Investors, acting together, would.
- Much of the information contained in this offering memorandum relating to the Target Group had to be derived from public sources and, in the case of certain additional information relating to the Target Group, has been provided to the Issuer by the Target Group, and the Issuer has relied on such information that is publicly available or was supplied to it by the Target Group in their preparation of this offering memorandum.
- The Arcaplanet Acquisition and the Maxi Zoo Acquisition have required, and will likely continue to require, substantial time and focus from the management of the Target Group and Maxi Zoo, respectively, which could adversely affect their ability to operate the Target Group’s or Maxi Zoo’s businesses, respectively. Likewise, employees may be uncomfortable with the Transactions.
- In addition, the Target Group’s and Maxi Zoo’s management is required to manage the Target Group and Maxi Zoo, respectively, under its own responsibility and in a manner that is in the best interest of the Target Group and Maxi Zoo, respectively.

We cannot assure you that the Arcaplanet Acquisition or the Maxi Zoo Acquisition will be consummated given they are dependent on a number of closing conditions, including receipt of certain antitrust approvals. If we are not able to satisfy or waive these conditions, as applicable, the Arcaplanet Acquisition or the Maxi Zoo Acquisition will not be consummated.

The Investors' opportunity to conduct due diligence with respect to the Target Group was limited, and their due diligence may not have revealed all facts that may be relevant in connection with the Arcaplanet Acquisition.

Before making investments, the Investors conduct due diligence that they deem reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances of an investment, to identify possible risks associated with that investment and to prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, the Investors typically evaluate a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with an investment.

Outside consultants, legal advisors, accountants and investment banks are involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Investors rely on resources available to them, including information provided by the target of the investment and, in some circumstances, third party investigations. Instances of bribery, fraud, accounting irregularities, contingent liabilities and other improper, illegal or corrupt practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions.

There may be liabilities that the Investors failed or were unable to discover in the course of performing due diligence investigations into the Target Group in connection with the Arcaplanet Acquisition. Following the Arcaplanet Acquisition, we may learn of additional information about the Target Group that adversely affect us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, prospects, results of operations or financial condition.

We cannot be certain that the Investors' due diligence investigation has revealed or highlighted all relevant facts (including fraud, bribery and other illegal activities and contingent liabilities) that may be necessary or helpful in evaluating the merits of investing in the Target Group. We also cannot be certain that the Investors' due diligence investigations will result in the investment in the Target Group being successful or that the actual financial performance of such investment will not fall short of the financial projections the Investors used when evaluating that investment.

The Investors have made certain assumptions relating to the Arcaplanet Acquisition in forecasts that may prove to be materially inaccurate.

We have made certain assumptions relating to the forecast level of cost savings, synergies and associated costs of the Arcaplanet Acquisition. These assumptions are based on information made available by the Target Group, which we believe to be reasonable. However, these assumptions and forecasts may prove to be inaccurate, and we may suffer from, among others, a failure to realize the expected benefits of the Arcaplanet Acquisition, higher than expected transaction and integration costs, costs related to unknown liabilities, and a deterioration of our business due to general economic and business conditions. Specifically, our objective to realize cost savings described under “*Summary—Strategy*” and elsewhere in this offering memorandum may differ materially from our actual results and investors in the Notes should not place undue reliance on this objective. We have not defined, and do not intend to define, “short-term” or “medium term,” and these should not be read as indicating that we are targeting such cost savings for any particular fiscal year. This cost-savings objective is based on a number of assumptions which are inherently subject to significant business, operational, economic and other risks, many of which are outside of our control. Accordingly, such assumptions may change or may not materialize at all. In addition, unanticipated events may adversely affect our actual results in future periods whether or not these assumptions otherwise prove to be correct. As a result, our actual cost savings, if any, may vary materially from this objective. Any of the foregoing may adversely affect our business, prospects, results of operations or financial condition following the completion of the Arcaplanet Acquisition and could cause our actual results to differ from the assumptions and forecasts set forth in this offering memorandum.

We may not be able to integrate the Maxi Zoo Stores into the Arcaplanet network or to successfully develop our business in accordance with our business strategy.

The success of the Transactions will depend, to a certain extent, on the ability of the Combined Group to realize anticipated benefits from integrating the Maxi Zoo Stores into the Arcaplanet stores network. Failure to successfully integrate the Maxi Zoo Stores and manage the challenges presented by the integration process may prevent us from achieving some or all of our strategic goals and from realizing the anticipated benefits of

the Transactions, which may have a material adverse effect on our business, prospects, results of operations or financial condition. Potential difficulties that we may encounter in the integration process include, but are not limited to, the following:

- potential unknown or currently unquantifiable liabilities;
- potential unknown and unforeseen expenses and delays associated with the integration of the Maxi Zoo Stores, as well as the possibility that planned integration costs may be materially greater than anticipated;
- performance shortfalls as a result of the diversion of management's attention caused by the integration process;
- complexities associated with managing the combined business, including difficulties meeting customer needs and addressing possible differences in corporate cultures and management philosophies;
- significant increases in our operating expenses; and
- additional business, financial and operating risks we have yet to identify.

There are no assurances that the Maxi Zoo Acquisition will ultimately result in the realization of the anticipated economic benefits and other expected synergies. The anticipated economic benefits and other expected synergies may take longer than expected to be realized. We may be unable to fully realize the expected benefits of the Maxi Zoo Acquisition on a timely basis, or at all, which may have a material adverse effect on our business, prospects, results of operations or financial condition.

The Arcaplanet Acquisition may entitle certain of our business partners to terminate their agreements as a result of change of control provisions.

The Arcaplanet Acquisition may constitute a change of control under certain agreements entered into by the Target Group or Maxi Zoo. Counterparties under these agreements (including certain lease arrangements) may be entitled to terminate their agreements with us. Some of these counterparties may exercise their termination rights, which could have an adverse effect on our business, prospects, results of operations or financial condition.

The Issuer may not be able to enforce claims with respect to the representations and warranties that the Sellers have provided to it under the Arcaplanet Purchase Agreement.

In connection with the Arcaplanet Acquisition, the Sellers have given certain customary representations and warranties under the Arcaplanet Purchase Agreement, among others, in relation to the shares of the Target and the business and operations of the Target Group. These representations and warranties are largely covered under a warranty and indemnity insurance policy. However, there can be no assurance that the Issuer will be able to enforce any claims against the Sellers relating to any breaches of such representations and warranties. The liability of the Sellers with respect to breaches of their representations and warranties under the Arcaplanet Purchase Agreement is limited and the ability to claim against the insurer is subject to a retention and certain exclusions. Moreover, even if the Issuer ultimately succeeds in recovering any amounts from the Sellers or their insurance providers, the Issuer may be required to temporarily bear these losses, which could have an adverse effect on our financial condition.

We have incurred, and expect to continue to incur, significant costs in connection with the Transactions.

In connection with the Transactions, we have incurred and expect to continue to incur significant costs and expenses, including financial advisory, legal, accounting, consulting and other advisory fees and expenses, reorganization and restructuring costs, severance and employee benefit-related expenses and other related charges. In addition, we may incur significant one-time charges as a result of costs associated with the Transactions. We will not be able to quantify the exact amount of these charges or the period in which they will be incurred until after the Transactions are completed. There are also a large number of processes, policies, procedures, operations, technologies and systems that must be developed in connection with the Transactions. While we have assumed that a certain level of expenses will be incurred in connection with the Transactions, there are many factors that could affect the total amount or timing of the integration and implementation expenses.

There may also be additional unanticipated significant costs in connection with the Transactions that we do not anticipate and may not be able to recoup. These costs and expenses could reduce the benefits and income we expect to achieve from the Transactions. See “*Use of Proceeds.*”

We may be unable to complete the Post Closing Mergers within the anticipated time frame, or at all.

We intend to complete the Post Closing Mergers, within a period of approximately 15 months following the Arcaplanet Acquisition Closing Date. The Post Closing Mergers will be undertaken pursuant to the provisions of, among others, the applicable corporate laws of Italy. In order to complete the Post Closing Mergers, there are various steps that we must take, including the filing and/or registration of the relevant merger documents with the competent Companies Registers in Italy. Our estimation of the time frame required to complete the Post Closing Mergers is based upon usual market practice. While we intend to use commercially reasonable efforts to complete the Post Closing Mergers, their completion will be subject to certain conditions that depend on actions of third parties and which are out of our control and may not occur within the currently envisaged time frame or at all.

In addition, the Post Closing Mergers involving the Issuer and its Italian subsidiaries will be undertaken pursuant to and subject to the conditions of Article 2501-bis of the Italian Civil Code (the “**LBO Merger**”). Article 2501-bis of the Italian Civil Code is the central provision in the Italian legislation regulating merger and debt push-downs (thus its application constitutes a safe harbor vis-à-vis the risk that any such merger can be considered unlawful, from a financial assistance perspective or otherwise). In order to complete the LBO Merger, there are various steps that the Issuer must take including the preparation of a merger plan, a report by the directors of the companies involved in the LBO Merger, approval by the Issuer’s committee with responsibility for considering and approving certain related party transactions, and a report by an independent expert appointed by the court, assessing the methods used for determining the exchange ratio and the fairness of the ratio, as well as stating the reasonableness of the assessment set out in the merger plan in relation to the financial resources required to support the financial indebtedness of the surviving entity. As the incorporating company or the company resulting from the LBO Merger will be an Italian joint stock company (*società per azioni*), the independent expert is required to be appointed by the court, which creates an inherent uncertainty as to the length of time in which the LBO Merger can be expected to take place. In addition, there can be no assurance that the independent expert will release its report in a timely manner and/or that the report will approve the reasonableness of the assumptions of the merger plan or that the other steps required for the LBO Merger will be taken in a timely manner, or at all. Subject to certain exceptions, the LBO Merger, if any, can only be implemented following the expiration of 60 days after the latest filing with the competent companies’ registry of the resolutions approving the LBO Merger. Within this 60-day deadline, the creditors of the companies involved in the LBO Merger, if any, are entitled to challenge the LBO Merger.

In the event we are unable to complete the Post Closing Mergers, the ability of the Issuer to make payments under the Notes will depend entirely on the ability of Agrifarma, the borrower under the Proceeds Loan, to make payments to the Issuer under such Proceeds Loan, the ability of the Issuer’s subsidiaries, including Agrifarma and Maxi Zoo, to, directly or indirectly, make dividends, distributions or advances to the Issuer, and on the ability of the Issuer to borrow from other sources, including under the Original Revolving Facility. However, any repayment, reduction, cancellation, extinguishment or equitization of such Proceeds Loan will reduce the potential value of such claims available at the time of any enforcement on the security interests over such claims.

Following the Post Closing Mergers, and to the extent applicable, certain security interests in the Collateral may be released. In addition, subject to and on terms consistent with the Agreed Security Principles, certain other security interests in the Collateral may be confirmed, extended and/or granted (as applicable) in accordance with the covenants described under “*Description of the Notes—Certain Covenants—Impairment of Security Interest.*”

The Issuer’s right to receive payments under any Proceeds Loan or other shareholders loan may be subordinated by law to the obligations of other creditors.

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

In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company, (ii) any entity subject to the management and coordination powers of the same person, or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, such loan will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower’s indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan (“**undercapitalization**”). Any payment made by the borrower with respect to

any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. Such provision has been repealed and replaced by the new Insolvency Code (as defined herein), the entry into force of which has been currently postponed (with some exceptions) to May 16, 2022. Therefore, following the date of entry into force of the new Insolvency Code, such provision under Article 2467 of the Italian Civil Code will cease to apply but a substantially similar provision will be provided in the new Insolvency Code. For a more detailed description of the provisions contained in the new Insolvency Code, see “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations—Italy.*”

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 incorporated as *società per azioni*.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, it cannot be excluded that a court may apply such provisions of the Italian Civil Code in respect of any of the funds made available by the Issuer to any of its subsidiaries under the intercompany loans, including the Proceeds Loan. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under intercompany loan, including the Proceeds Loan, are subordinated to all its obligations towards other creditors. Should any obligations of any Italian subsidiary *vis-a-vis* the Issuer under any intercompany loan, including the Proceeds Loan, be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer may not be able to recover any amounts under any such intercompany loan granted to the relevant Italian subsidiary, which could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. Moreover, in circumstances where any obligation of an Italian subsidiary under any intercompany loan, including the Proceeds Loan, 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 any guarantees granted by such Italian subsidiaries may be impaired or restricted.

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

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

The Issuer is a holding company with no business operations other than management of the equity interests it holds in each of its subsidiaries. Following consummation of the Arcaplanet Acquisition and the Maxi Zoo Contribution and prior to the completion of the Post Closing Mergers, the Issuer will be dependent upon the cash flow from its operating subsidiaries in the form of dividends or other distributions or payments (including, under the Proceeds Loan) to meet its obligations, including its obligations under the Notes. The amounts of dividends and distributions available to the Issuer will depend on the profitability and cash flows of its subsidiaries and the ability of each of those subsidiaries to declare dividends under applicable law or transfer profits under profit and loss transfer agreements, if applicable. The Issuer’s subsidiaries, however, may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans (or make payments under the Proceeds Loan) to the Issuer to make payments in respect of its indebtedness, including the Notes. See “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*” and “*—The Issuer’s right to receive payments under any Proceeds Loan or other shareholders loan may be subordinated by law to the obligations of other creditors.*”

Various agreements governing our debt may restrict and, in some cases may actually prohibit, the ability of these subsidiaries to move cash within their restricted group. Applicable law may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. In particular, the ability of the Issuer’s subsidiaries to pay dividends to the Issuer will generally be limited to the amount of distributable reserves available to each of them and the ability to pay their respective debt when due. In this respect, Italian corporate laws require a company to retain at least 5% of its annual unconsolidated net income until such reserve reaches at least 20% of the value of the company’s share capital, and future contractual restrictions, including restrictions in credit facilities and other indebtedness, that may affect the ability of the Issuer’s subsidiaries to pay dividends or make other payments to the Issuer. In addition, applicable tax laws may also subject such payments to taxation.

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

The Notes will not be guaranteed on the Issue Date. There can be no assurance that we will be successful in procuring the Note Guarantees within 150 days from (and excluding) the Arcaplanet Acquisition Closing Date.

On the Issue Date, the Notes will not be guaranteed. We will agree in the Indenture, subject to the Agreed Security Principles, to take such necessary actions so that the Guarantors guarantee the Notes by executing and delivering to the Trustee supplemental indentures substantially in the forms attached to the Indenture within 150 days from (and excluding) the Arcaplanet Acquisition Closing Date, subject to the Agreed Security Principles and substantially simultaneously with the guarantees granted in favor of obligations under the Original Revolving Facility; *provided* that Maxi Zoo will only guarantee the Notes if the Maxi Zoo Contribution occurs on or prior to the Arcaplanet Acquisition Closing Date.

For the twelve months ended June 30, 2021, on an aggregate basis, the Guarantors generated 100% of our pro forma revenue from sales and services and approximately 99% of our Pro forma Adjusted EBITDA (excluding synergies and run-rate adjustments). As at June 30, 2021, on an aggregate basis (excluding all intragroup items, investments in subsidiaries and goodwill), the Guarantors accounted for 100% of our pro forma total assets (excluding investments in subsidiaries not consolidated and goodwill). The validity and enforceability of the Note Guarantees and the liability of each Guarantor will be subject to certain limitations. See “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations.*” There can be no assurance that we will be successful in procuring such Note Guarantees within the time period specified.

The Notes will not be initially secured by all of the Collateral.

On the Issue Date, and until up to 150 days after the Arcaplanet Acquisition Closing Date (if such event occurs at all), the Notes will not be secured by all of the Collateral, as further described under “*Description of the Notes—Security.*” On the Issue Date, the Notes will be secured only (i) by a first-priority security interest in the Issuer's beneficial interest in the Escrow Account and the Escrowed Property and (ii) subject to the Agreed Security Principles, on a first-priority basis, by security interests in the Issue Date Collateral. We will agree in the Indenture to take such necessary actions to secure the Notes within 30 or 150 days (as applicable) from (and excluding) the Arcaplanet Acquisition Closing Date, subject to the Agreed Security Principles and substantially simultaneously with the obligations under the Original Revolving Facility, by first-priority security interests in the Post Closing Collateral. There can be no assurance, however, that we will be successful in procuring such liens within the time periods specified, the failure of which would result in an “event of default” under the Indenture. The security interests will be limited to the same extent as those under the Revolving Facility Agreement and otherwise as set forth under “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations,*” which limitations could be significant. See also “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations—Italy—Limitations on Granting Security Interests and Note Guarantees under Italian Law.*”

The Note Guarantees and Collateral provided by Italian security providers may be limited by applicable Italian law or subject to certain defences that may limit their validity and enforceability.

In order to comply with applicable corporate law requirements on corporate benefit and financial assistance, the maximum amount that any Italian Guarantor may be required to pay in respect of its obligations as Guarantor under the Indenture, the Notes and/or any other transaction documents related thereto, will be subject to limitations. By virtue of these limitations, an Italian Guarantor's obligation under its Note Guarantee may be significantly less than amounts payable with respect to the Notes, or an Italian Guarantor may have effectively no obligation under its Note Guarantee. In addition, in order to comply with the provisions of Italian law in relation to the financial assistance (including Article 2358 and Article 2474, as the case may be, of the Italian Civil Code), the obligations of any Italian Guarantor as Guarantor or Italian provider of security interest under the Indenture, the Notes, and/or any other transaction documents related thereto shall not include, and shall not extend, directly or indirectly, to any obligation incurred by the Issuer or any Guarantor or provider of security interest or any direct or indirect holding company, in full or in part, the purpose or the actual use of which is to finance, directly or indirectly, the acquisition of the relevant Italian Guarantor or Italian grantor of security interest (or any of its direct or indirect holding companies) and/or

the subscription of any shares or quota in the relevant Italian Guarantor or Italian grantor of security interest (or any of its direct or indirect holding companies) (or to refinance, directly or indirectly, any existing indebtedness incurred for such purposes) and/or the payment of any fees, costs and expenses, stamp, registration or other taxes in connection therewith. See “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations—Italy—Limitations on Granting Security Interests and Note Guarantees under Italian Law.*”

Creditors under the Original Revolving Facility and counterparties to certain hedging obligations and future indebtedness ranking pari passu with the Original Revolving Facility that is permitted to be incurred under the terms of the Indenture and the Intercreditor Agreement are entitled to be repaid with proceeds from the enforcement of the Collateral in priority over the Notes.

The Intercreditor Agreement includes provisions governing the sharing of proceeds from enforcement of the Collateral. Such enforcement proceeds are required to be turned over to the Security Agent after certain events, including the acceleration of the Notes. The Security Agent is required to apply turned over amounts and other recoveries by the Security Agent from enforcement actions toward discharging the super senior obligations (including, among others, those under the Original Revolving Facility, certain hedging obligations and future indebtedness that may be secured on a super senior basis (the “**Super Senior Liabilities**”)) in priority to applying any such amounts toward discharging the Notes. As such, you may not benefit from amounts recovered from an enforcement of the Collateral if the then outstanding claims under such Super Senior Liabilities are greater than the proceeds recovered. Any proceeds remaining from an enforcement sale of the Collateral will, after all obligations under such Super Senior Liabilities have been discharged, be applied *pro rata* in repayment of the Notes, the Original Revolving Facility and any other indebtedness that ranks *pari passu* with the Notes.

Furthermore, claims of our secured creditors that are secured by assets that do not also secure the Notes will have priority with respect to such assets over the claims of holders of the Notes. As such, the claims of the holders of the Notes will be effectively subordinated to the rights of such secured creditors to the extent of the value of the assets securing such indebtedness.

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

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

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

The obligations under the Notes and the Note Guarantees will be secured on a first ranking basis with security interests over the Collateral that will also secure our obligations under the Super Senior Liabilities. The Indenture also permits the Collateral to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. The Intercreditor Agreement provides that the Security Agent will only enforce the Collateral as provided for in the Intercreditor Agreement, and the Indenture regulates the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action.

The Security Agent may refrain from taking enforcement action, unless instructed to do so by an instructing group that may consist of either (i) the holders of the aggregate principal amount of the then outstanding Notes, the senior lenders, creditors in respect of indebtedness ranking *pari passu* with the senior creditors and creditors in respect of certain non-priority hedging obligations (the “**Senior Secured Credit Participations**”) which aggregate more than 50% of the total Senior Secured Credit Participations at that time (the “**Majority Senior Secured Creditors**”) (in each case, acting through their respective creditor representatives) or (ii) creditors holding more than 50% of the total participations in Super Senior Liabilities at that time (the “**Majority Super Senior Creditors**”). The Security Agent is required to act in accordance with instructions received from the Majority Senior Secured Creditors, however: (i) if and to the extent the obligations under the Super Senior Liabilities have not been fully discharged in cash within six months of enforcement instructions first being issued by either the Majority Senior Secured Creditors or the Majority Super Senior Creditors; or (ii) if the Majority Senior Secured Creditors have not made a determination as to the method of

enforcement they wish to instruct the Security Agent to pursue within three months of the enforcement instructions first being issued by either the Majority Senior Secured Creditors or the Majority Super Senior Creditors, then the enforcement instructions provided by the Majority Super Senior Creditors will prevail until the obligations under the Super Senior Liabilities have been fully discharged.

Following the transaction security having become enforceable, if (i) the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue and (ii) (x) the Majority Super Senior Creditors determine in good faith that to delay issuing enforcement instructions could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce any transaction security or on the expected realization of enforcement proceeds and (y) deliver enforcement instructions which they reasonably believe to be consistent with the enforcement principles and necessary or advisable to enhance the prospects of achieving the enforcement objectives before the security agent has received any enforcement instructions from the Majority Senior Secured Creditors, in such circumstances, the Security Agent shall act in accordance with the enforcement instructions received from the Majority Super Senior Creditors.

If the Majority Senior Secured Creditors do not instruct the Security Agent to enforce, or instruct the Security Agent to cease enforcing the transaction security, then, in certain cases, creditors holding more than 50% of the total second lien credit participations (the "**Majority Second Lien Creditors**") (or, in certain cases, creditors holding more than 50% of the total topco credit participations) (in each case acting through their respective creditor representatives) may instruct the Security Agent to enforce.

If at any time an insolvency event has occurred and its continuing with respect to any debtor (other than an insolvency event directly caused by any enforcement action taken by or at the request or direction of the creditors of Super Senior Liabilities), the Security Agent shall act, to the extent the Majority Super Senior Creditors have provided such instructions, in accordance with the instructions received from the Majority Super Senior Creditors until the obligations under the Super Senior Creditors Liabilities have been fully discharged.

The Security Agent is not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it by a member of the Combined Group. In connection with any enforcement instructions received by it, the Security Agent may request security and/or indemnity and/or prefunding satisfactory to it in its sole discretion against any loss, liability or expense (including legal fees). To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the Notes, the voting interest of holders of the Notes in an instructing group will be diluted commensurate with the amount of indebtedness we incur.

The creditors of any Super Senior Liabilities may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the Security Documents at a time when it would be disadvantageous for the holders of the Notes to do so. In addition, if the Security Agent sells Collateral consisting of the shares of the Issuer or any of its subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Note Guarantees and the liens over any other assets of such entities securing the Notes and the Note Guarantees may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens*."

Delays in enforcement could decrease or eliminate recovery values. In addition, the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the Security Documents or to exercise any rights or powers arising under the Security Documents, except through the Security Agent as provided in the Intercreditor Agreement. By accepting the Notes, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against the Issuer and the Guarantors in the event of a default. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Notes will be secured only to the extent of the value of the Collateral that will be granted as security for the Notes and future secured indebtedness may be secured by certain assets that do not secure the Notes.

The Notes will be secured only to the extent of the value of the Collateral. See "*Description of the Notes—Security*." In addition, the Collateral will also secure the Original Revolving Facility. Not all of our assets will secure the Notes and the Indenture will allow the Issuer and its restricted subsidiaries to secure any future Senior Secured Indebtedness (as defined in the Indenture) permitted to be incurred under the Indenture

(which may be structurally senior to the Notes and the Note Guarantees) with the property and assets of the Issuer and the restricted subsidiaries that do not secure the Notes. The value of such assets and property could be significant. If an event of default occurs and the obligations under the Notes are accelerated, the Notes and the Note Guarantees will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured indebtedness of the Issuer and its restricted subsidiaries with respect to any property or assets excluded from the Collateral securing the Notes.

While the Indenture will create certain obligations to provide additional guarantees and grant additional security over assets, or a particular class of assets, whether as a result of the acquisition or creation of future assets or subsidiaries or otherwise, such obligations are subject to the Agreed Security Principles. The Agreed Security Principles (that will be set forth in the Indenture) will set out a number of limitations on the rights of the holders of the Notes to be granted security or guarantees in certain circumstances. The operation of the Agreed Security Principles may result in, among other things, the amount recoverable under any Collateral provided being limited or security not being granted over a particular type or class of assets. Accordingly, the Agreed Security Principles may affect the value of the security or guarantees provided by the Issuer and the Guarantors.

The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances.

If we default on the Notes, holders of the Notes will be secured only to the extent of the value of the assets underlying the security interests granted in favor of holders of the Notes. In the event of an enforcement of the security interests in respect of the Collateral, the proceeds from the sale of the assets underlying the Collateral may not be sufficient to satisfy the Issuer's obligations with respect to the Notes. No appraisal of the value of the Collateral has been made in connection with the Offering. The value of the assets forming part of the Collateral will also depend on many factors, including, among other things, whether or not the business is sold as a going concern, regulatory restrictions that could affect such sale, the ability to sell the assets in an orderly sale and the condition of the economies in which operations are located and the availability of buyers.

The shares and other Collateral that will be pledged or assigned for the benefit of the holders of the Notes may provide for only limited repayment of the Notes, in part because most of such Collateral may not be liquid and its value to other parties may be less than their value to us. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in the liquidation thereof. Industry regulations in certain jurisdictions in which we operate may include restrictions on the persons who may hold certain of our licenses, authorizations and consents that are necessary to operate our business. In the event of foreclosure, the transfer of our business operations may be prohibited or only permitted to a limited group of investors eligible to hold such assets, thereby decreasing the pool of potential buyers. Furthermore, entry into the Security Documents, enforcement of the Collateral and any transfer of our operations may require, in certain jurisdictions, governmental or other regulatory consents, approvals or filings or might otherwise be challenged. Such consents, approvals or filings may take time to obtain or may not be obtained at all. As a result, enforcement may be delayed, a temporary shutdown of operations may occur and the value of the Collateral may be significantly decreased. Most of our assets do not secure the Notes and it is possible that the value of the Collateral will not be sufficient to cover the amount of indebtedness secured by such Collateral. With respect to any shares of the Issuer's subsidiaries pledged to secure the Notes and the Note Guarantees, in addition to any applicable legal restrictions (including, without limitation, due to financial assistance and corporate benefit reasons), such shares may also have limited value in the event of bankruptcy, insolvency or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, the value of the Collateral may decline over time. If the proceeds of the Collateral are not sufficient to repay all amounts due on the Notes, the holders of the Notes (to the extent not repaid from the proceeds of the sale of the Collateral) would have only a senior unsecured, unsubordinated claim against the Issuer's and the Guarantors' remaining assets.

The Indenture will also permit the granting of certain liens other than those in favor of the holders of the Notes on the Collateral. To the extent that holders of other secured indebtedness or third parties enjoy liens, including statutory liens, whether or not permitted by the Indenture or the Security Documents, such holders or third parties may have rights and remedies with respect to the Collateral which, if exercised, could reduce the proceeds available to satisfy the Issuer's obligations under the Notes. Moreover, if the Issuer (or other members of the Combined Group) issue additional Notes under the Indenture or other indebtedness that is

secured on a *pari passu* basis with the Notes, holders of such Notes or other indebtedness that is secured on a *pari passu* basis with the Notes would benefit from the same Collateral as the holders of the Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Collateral.

The granting of the Note Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or avoidance periods for such security interests in accordance with the laws applicable in certain jurisdictions.

The granting of the Note Guarantees and security interests to secure the Notes may create hardening or avoidance periods for such Note Guarantees and security interests in certain jurisdictions. The granting of security interests to secure future permitted debt may restart or reopen such hardening or avoidance periods in particular, as the Indenture will permit the release and retaking of security granted in favor of the Notes in certain circumstances including in connection with the incurrence of future debt. The applicable hardening or avoidance period for these new security interests can run from the moment each new security interest has been granted, created, perfected, confirmed, amended or recreated. At each time, if the security interest granted, recreated or perfected were to be enforced before the end of the respective hardening or avoidance period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations.*” The same rights also apply following the issuance of the Notes in connection with the accession of further subsidiaries as additional guarantors and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the Notes, as applicable.

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

The Issuer is organized and is likely to have its center of main interests under the laws of Italy. The insolvency laws of Italy may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you may be familiar, including in respect of creditors’ reorganization, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes to the extent exceeding the limitations arising under other insolvency laws. In the event that the Issuer or any future subsidiary of the Issuer experiences financial difficulty, it is not possible to predict with certainty the outcome of such proceedings. In particular, the insolvency and other laws of Italy may be materially different from, or in conflict with, the laws of the United States or other jurisdictions with which you may be familiar, 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. For an overview of certain insolvency laws and enforceability issues as they relate to the Issuer, see “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations.*”

Other limitations pursuant to bankruptcy or insolvency laws apply to the Note Guarantees.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a Guarantor’s obligations under its Note Guarantee, (ii) direct that the holders of the Notes return any amounts paid under a Note Guarantee to the relevant Guarantors or to a fund for the benefit of that Guarantors’ creditors, or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Note Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantors or, in certain jurisdictions, when the granting of the relevant Note Guarantee has the effect of giving a creditor a preference or the creditor was aware that the relevant Guarantors was insolvent when the relevant Note Guarantee was given;
- the relevant Guarantors did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Note Guarantee or the relevant Guarantors was: (i) insolvent or rendered insolvent because of the relevant Note Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Note Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Note Guarantee was held to exceed the corporate objects of the relevant Guarantors or not to be in the best interests or for the corporate benefit of the relevant Guarantors; or

- the amount paid or payable under the relevant Note Guarantee was in excess of the maximum amount permitted under applicable law.

It is possible that a Guarantor or a provider of security, or a creditor of a Guarantor or a provider of security, or the bankruptcy trustee or the bankruptcy receiver in the case of a bankruptcy of a Guarantor or a provider of security, may contest the validity and enforceability of the Guarantors' Note Guarantee or provider's creation of security on any of the aforementioned grounds and that the applicable court may determine that the Note Guarantees or the relevant security interest should be limited or voided. In the event that any Note Guarantee or security interest is invalid or unenforceable, in whole or in part, or to the extent such limitations on the Note Guarantees or security obligation apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantors or provider of security, including trade payables of such Guarantors or provider of security to the extent of such limitations. Future pledges or guarantees may be subject to similar limitations.

Additionally, the grant of Collateral to secure the Notes may be voidable by the provider of security 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 provider of security is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the provider of security is commenced within a legally specified "claw back" period following the grant. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the relevant security interest. Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect to the claims of other creditors, even if such claims are secured claims. See "*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations.*"

The Escrow Charge will be granted to the Trustee and the security interests in the remaining Collateral will be granted to the Security Agent, rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by Italian law.

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes will not be granted directly to the holders of the Notes but to the Trustee or the Security Agent, as applicable, 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 Trustee or the Security Agent, as applicable, including as provided in the Intercreditor Agreement. By accepting a Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against us in the event of a default. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

In addition, the ability of the Security Agent to enforce the security interests in the Collateral is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken, including Italy. For example, the laws of certain jurisdictions may not allow for the appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in, nor are directly parties to, a security document will be validly secured and/or can be enforced; this area of law is untested in the courts of certain jurisdictions (including Italy). In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of security interests and the enforceability of such security interests, the Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the Security Agent ("**Parallel Debt**") mirroring the obligations of the Issuer owed to holders of the Notes under or in connection with the Indenture, as applicable ("**Principal Obligations**"), but in jurisdictions such as Italy, these Parallel Debt provisions would not be applicable as Italian law does not provide for such a construct. All or part of the pledges and other security interests in jurisdictions utilizing the Parallel Debt construct will be granted to the Security Agent as security interests for the Parallel Debt and will not directly secure the Principal Obligations. Under the provisions of the Intercreditor Agreement, the Parallel Debt will be at all times in the same amount and payable at the same time as the Principal Obligations and any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. In respect of the security interests granted to secure the Parallel Debt, the holders of the Notes will not have direct security interests and will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent. Therefore, the holders of the Notes will bear the risk of insolvency or bankruptcy of the Security Agent. In addition, the

Parallel Debt construct in financing transactions, including credit facilities and bond issuances, has not been tested under law in certain of these jurisdictions, including under Italian law, and to the extent that the security interests in the Collateral created to secure the Parallel Debt construct are not validly granted, are unenforceable or are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of such security interests in the Collateral. See “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations.*”

In Italy, the Collateral will not be granted directly to the holders of the Notes but will be created and perfected in favor of the Security Agent, acting also in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of an agent (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interests and guarantees by a *rappresentante* pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code also in the name and on behalf of the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

Furthermore, under Italian law, in the event that the Issuer or any Guarantor enters into insolvency proceedings, the security interests created under the security documents entered into to secure the Issuer’s or a Guarantor’s obligations under the Notes or the Note Guarantees, as applicable, could be subject to potential challenges by an insolvency administrator or by other creditors of the Issuer or such Guarantor under the rules of avoidance or claw back of Italian insolvency laws and the relevant law on the non-insolvency avoidance or claw back of transactions by the debtor made during a certain legally specified period (the “**suspect period**”). A longer period may apply to any Collateral governed by Italian law which is granted after the Offering, including the Collateral that is granted on or after the Arcaplanet Acquisition Closing Date.

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor’s property in respect of the claims of other creditors, even if such claims are secured claims. See “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations.*”

Rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the provider of the security, as applicable. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we fail or are unable to take the actions necessary to perfect any of these liens. Any failure to perfect any security interest in the Collateral may result in the invalidity of the relevant security interest 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. Neither the Trustee nor the Security Agent will be under any obligation or responsibility to take any steps or action to perfect, or ensure the perfection of, any such liens.

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

Under a variety of circumstances, the Collateral securing the Notes will be released automatically, including a sale, transfer or other disposal of such Collateral in a transaction that does not violate the asset sale covenant of the Indenture and in connection with an enforcement sale permitted under the Intercreditor Agreement. The Indenture will also permit us to designate one or more restricted subsidiaries that are Guarantors as unrestricted subsidiaries. If we designate a Guarantor as an unrestricted subsidiary for purposes of the Indenture, all of the liens on the Collateral owned by such subsidiary and any Note Guarantee by such subsidiary will be released under the Indenture, subject to certain conditions. Designation of an unrestricted subsidiary as such will reduce the aggregate value of the Collateral securing the Notes to the extent of liens securing the shares of such unrestricted subsidiary or of its subsidiaries. The Collateral and Note Guarantee of a Guarantor may be released if that Guarantor is not required to provide a Note Guarantee in accordance with the Agreed Security Principles. Under various circumstances, the Note Guarantee of a Guarantor will be released, including pursuant to the provisions described under “*Description of the Notes—IPO Debt Pushdown.*”

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

Because the Notes and the Note Guarantees have not been, and will not be, and are not required to be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction, they may not be offered or sold in the United States except to QIBs in accordance with Rule 144A, to persons who are not U.S. persons in offshore transactions in accordance with Regulation S or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit the ability of investors to resell the Notes. It is the obligation of investors in the Notes to ensure that all offers and sales of the Notes in the United States and other countries comply with applicable securities laws. See “*Transfer Restrictions*.”

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

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

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

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

In certain circumstances, holders of the Notes may not be entitled to a gross-up on account of Italian tax withholding or deduction.

All payments made by or on behalf of the Issuer or any Guarantor in respect of the Notes or with respect to any Note Guarantee will be made free and clear of withholding or deduction of Italian taxes, unless such withholding or deduction is required by applicable Italian tax laws or regulations. Subject to certain exceptions and limitations, if the Issuer, any Guarantor or a Paying Agent is required by law to withhold or deduct such taxes with respect to a payment on any Note, the Issuer or such 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 Italy and is an Italian tax resident. Therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. Subject to and as set forth in “*Description of the Notes—Withholding Taxes*,” the Issuer will not be required to pay any additional amounts to holders of the Notes if the underlying withholding or deduction is required by Decree No. 239 or Decree No. 461, except, in the case of Decree No. 239, where the procedures required for the holders of the Notes to benefit from an exemption from Italian *imposta sostitutiva* (substitute tax) have not been complied with solely due to the actions or omissions of the Issuer or its agents. Although we believe that, under current law, Italian *imposta sostitutiva* (substitute tax) will not be imposed under Decree No. 239 or Decree No. 461 where a holder of Notes (a) is resident for tax purposes in a country or territory which allows for a satisfactory exchange of information with the Italian tax authorities included in the list provided for by 1996 Ministerial Decree, or, as from the tax year in which the Ministerial Decree to be issued under Article 11, paragraph 4, let. c) of Decree No. 239 is effective, included in the list therein provided (the “**White List**”) and (b) complies with certain documentary and procedural requirements, and otherwise in the circumstances as described in “*Description of the Notes—Withholding Taxes*”, there is no assurance that this will be the case. Holders of the Notes resident in countries or territories not on the White List or not complying with applicable documentary and procedural requirements will only receive the net

proceeds of their investment in the Notes. In addition, the White List may be subject to change from after the date of this offering memorandum and prospective purchasers of Notes should consult their tax advisors as to the overall tax consequences of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes or the Note Guarantees, including, in particular, the any future changes to the White List or compliance with any of the foregoing requirements.

No assurance can be given that the documentary or procedural requirements for holders of the Notes to benefit from the exemption from Italian imposta sostitutiva (substitute tax) provided by Decree No. 239 will be met by the relevant foreign intermediaries.

The exemption from Italian *imposta sostitutiva* (substitute tax) applies to holders of the Notes resident in countries or territories included in the White List if certain documentary and procedural requirements are met. No assurance can be given that all non-Italian resident holders of the Notes will be entitled to benefit from such exemption where the relevant foreign intermediary through which they hold their Notes fails to provide sufficient information to the relevant Italian tax authorities under Decree No. 239.

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

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

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

No assurance can be given that the Notes will satisfy the listing requirements of Article 32 of Law Decree No. 83 of June 22, 2012 and Decree No. 239.

In order for the Notes to be eligible to benefit from the provisions of Decree No. 239 relating to the exemption from the requirement to apply withholding tax, their listing must satisfy the requirements of Article 32 of Law Decree No. 83 of June 22, 2012 and Decree No. 239.

In 2013, the Italian tax authorities issued an interpretive circular relating to, among other things, such listing requirements. According to a stringent interpretation thereof, the Notes may not be eligible to benefit from the relevant provisions of Decree No. 239, if the listing thereof is not effective as at the Issue Date or, if the Notes are listed on the Official List of the Exchange. In the event that the Notes are not listed as at the Issue Date or that the relevant listing requirement is otherwise not satisfied, payments of interest, premium and other income with respect to the Notes, including to holders resident in White List States, would be subject to withholding tax (*ritenuta a titolo di imposta o acconto*), currently at a rate of 26%, and the Issuer could be required to gross-up such payments for any such taxes withheld.

We cannot assure you that the listing can be achieved by the Issue Date or that the applicable listing requirement will otherwise be satisfied. The imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay additional amounts to noteholders could have a material adverse effect on our financial condition and results of operations.

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

Current tax legislation in Italy (provided for by Article 96 of Presidential Decree No. 917 of December 22, 1986 (“**Article 96**”), as amended by Legislative Decree No. 142/2018) allows for the full tax deductibility of interest expense incurred by the Issuer in each fiscal year up to the amount of the interest income in the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of EBITDA (i.e., *risultato operativo lordo della*

gestione caratteristica or “**ROL**”), calculated pursuant to the applicable tax rules. The amount of ROL not used for the deduction of the amount of interest expense in a fiscal year can be carried forward for the following five fiscal years.

The amount of any interest income exceeding the interest expenses in a fiscal year can be carried forward without time limits. Interest expense 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 expense that exceeds interest income is lower than 30% of ROL. Starting from 2019, should the 30% of the EBITDA be higher than the interest expenses, the exceeding part may be carried forward in the following five fiscal years (no time limitation is provided with reference to the EBITDA related to fiscal years up to 2018, that however can be only used to deduct interest expenses arising from financing agreements executed up to 17 June 2016) and used to deduct interest payable. In the case of a tax group, interest expense 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 only. Article 96 does not apply to certain entities active in the insurance and financial sector.

In addition, the Italian tax authorities have in certain instances challenged merger leverage buyout transactions with respect to the deductibility of interest expenses arising in connection with acquisition financing. However, on March 30, 2016, the Italian tax authorities issued Circular Letter n. 6/E (“**Circular Letter**”) clarifying, as a common principle, that interest on the acquisition bank loan in leveraged buy-out transactions are generally deductible for IRES purposes, subject only to ordinary limitations stated in art. 96 Presidential Decree no. 917 of December 22, 1986.

There can also 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). Italian tax laws and pronouncements of the tax authorities are subject to change and positions that the Issuer, the Target Group and Maxi Zoo take for tax purposes may be challenged.

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), (ii) the tax treatment of interest expense arising from any indebtedness, including the Notes, the failure to satisfy the applicable legal requirements relating to the deductibility of interest expense, or (iii) a change in the interpretation and application by Italian tax authorities of Italian tax law may result in our inability to fully deduct our interest expense, which may have an adverse impact 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 or other consequences that could have a material adverse effect on our financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all holders of the Notes with the vote of either 90% or 50% of the aggregate principal amount of the outstanding Notes.

The Indenture will contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. As set forth in “*Description of the Notes—Meeting of Noteholders*,” the majority required to pass an extraordinary resolution at any meeting of holders of the Notes will be one or more persons holding or representing at least 80% of the aggregate principal amount of the outstanding Notes. These provisions permit defined majorities (more than 50% or 90%), depending on the nature of the resolution, to bind all holders of the Notes, including holders of the Notes who did not attend and vote at the relevant meeting, and holders of the Notes who voted in a manner contrary to the relevant majority. In particular, under the Indenture, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the Notes, to change the quorum requirements relating to meetings, to change the majority required to pass a resolution, and/or to change the amendment provisions. These and other changes may

adversely impact rights of holders of Notes and may have a material adverse effect on the market value of the Notes. Under Italian law, the approval of an extraordinary resolution typically requires the consent of more than one half of the aggregate principal amount of the outstanding Notes. Our decision to increase the majority requirement is untested under Italian law, may be challenged by holders of the Notes, the Issuer and others, and if challenged, may not be upheld by an Italian court, with the consequence being that the majority voting threshold may be reduced from 90% or 80%, as applicable, to 50%.

There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.

We cannot assure you as to the liquidity of any market in the Notes; your ability to sell your Notes; or the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities.

Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. Any such disruption may have a negative effect on you, as a holder of Notes, regardless of our prospects and financial performance. The Initial Purchasers have advised that they intend to make a market in the Notes after completing the Offering. However, they have no obligation to do so and may discontinue market making activities 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, there may not be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

Transactions in the Notes could be subject to the EU financial transaction tax, if adopted.

On February 14, 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common financial transaction tax (“**EU FTT**”) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the “**Participating Member States**”). On December 8, 2015, Estonia indicated that it would no longer be a Participating Member State. The Commission’s Proposal is still pending before the Council of the EU and its status is regularly discussed at the European and Financial Affairs Council. Moreover, in the course of 2020, the European Commission brought to the attention of the Council of the EU and the EU Parliament the possibility to propose, by June 2024, the introduction of a reshaped EU FTT as a new EU own resource. The Commission’s Proposal has very broad scope and, if introduced in its current form, could apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the EU FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes provided that at least one party to the transaction is established or deemed established in a Participating Member State and that there is a financial institution established or deemed established in a Participating Member State which is party to the transaction, acting either for its own account or for the account of another person, or acting in the name of a party to the transaction. A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The Commission’s Proposal remains subject to negotiation between the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or other Participating Member States may decide to withdraw. If the Commission’s Proposal or any similar tax were adopted, transactions in the Notes could be subject to higher costs, and the liquidity of the market for the Notes may be diminished.

Prospective investors should consult their own tax advisers in relation to the consequences of the EU FTT associated with purchasing and disposing of the Notes.

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

On the Issue Date, the Notes will not be guaranteed. Within 150 days from (and excluding) the Arcaplanet Acquisition Closing Date and substantially simultaneously with the guarantees granted in favor of obligations

under the Original Revolving Facility, subject to the Agreed Security Principles and customary guarantee limitations, the Notes are expected to be guaranteed by the Guarantors on a senior basis. The Note Guarantees will be subject to certain material limitations pursuant to applicable laws as described under “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations—Italy—Certain Italian Insolvency Law Considerations.*” In addition, within approximately 15 months of the Arcaplanet Acquisition Closing Date, we expect to merge the Issuer, the Target and Maxi Zoo into Agrifarma, with Agrifarma being the ultimate surviving entity, all pursuant to Article 2501-*bis* of the Italian Civil Code. Following the completion of the Post Closing Mergers, Agrifarma will be substituted as the issuer of the Notes. See “*Risks Related to the Transactions—We may be unable to complete the Post Closing Mergers within the anticipated time frame, or at all.*”

Prior to the granting of the Note Guarantees, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer. After the granting of the Note Guarantees by the Guarantors (if applicable and subject to any limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer that do not guarantee the Notes. Generally, creditors, including depositors, trade creditors and preferred stockholders (if any) of the subsidiaries of the Issuer that do not guarantee the Notes are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to their respective parent entity or the creditors of the Issuer and the Guarantors. Accordingly, in the event that any subsidiary of the Issuer that does not guarantee the Notes becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer and the Guarantors (including the holders of the Notes) will have no right to proceed against the assets of such non-guarantor subsidiary; and
- creditors of such non-guarantor subsidiary, including depositors, trade creditors and preferred stockholders (if any) will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or any Guarantor, as a direct or indirect shareholder (as applicable), will be entitled to receive any distributions from such subsidiary.

In addition, the Indenture will, subject to certain limitations, permit these non-Guarantor subsidiaries to incur substantial additional indebtedness without such incurrence constituting a default under the Indenture, and such indebtedness may also be secured. The Indenture will not contain any limitation on the amount of other liabilities, such as deposits and trade payables, that may be incurred by these subsidiaries.

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

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

Under Article 64 of the Italian Bankruptcy Law, all transactions without consideration are ineffective vis-à-vis creditors if entered into by the debtor in the two-year period prior to the insolvency declaration. In addition, under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective vis-à-vis creditors, if made by the bankrupt entity in

the two-year period prior to insolvency. In addition, the EU Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

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

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and the Guarantors (together, the “**Non-U.S. Obligors**”) are organized or incorporated outside the United States, and their business is substantially conducted outside the United States. The directors and executive officers of the Non-U.S. Obligors are non-residents of, and substantially all of their assets are located outside of, the United States. Although the Non-U.S. Obligors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on the directors and executive officers of Non-U.S. Obligors. In addition, as a substantial portion of the assets of the Non-U.S. Obligors and their subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in U.S. courts. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Non-U.S. Obligors may not be subject to the civil liability provisions of the federal securities laws of the United States.

Additionally, there is uncertainty as to whether the courts of foreign jurisdictions would enforce (i) judgments of United States courts obtained against the Non-U.S. Obligors and the directors and executive officers who are not residents of the United States predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such foreign jurisdictions against us or such persons predicated upon the United States federal and state securities laws.

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters, with Italy. For further information see “*Service of Process and Enforcement of Judgments.*”

The Issuer may not be able to repurchase the Notes upon a change of control. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender.

If a change of control (as defined in the Indenture) occurs, the Issuer will be required to make an offer to purchase all the outstanding Notes at a price equal to 101% of the principal amount thereof, *plus* any accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of purchase. In such a situation, the Issuer may not have enough funds to pay for all of the Notes that are tendered under any such offer. If a significant principal amount of Notes is tendered, the Issuer will likely have to obtain financing to pay for the tendered Notes. However, the Issuer may not be able to obtain such financing on acceptable terms, if at all. A change of control may also result in a mandatory prepayment under the Revolving Facility Agreement and agreements governing any future indebtedness and may result in the acceleration of such indebtedness. Any failure by the Issuer to offer to purchase the Notes upon a change of control would constitute a default under the Indenture, which may, in turn, constitute a default under the Revolving Facility Agreement.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a change of control as defined in the Indenture.

In addition, the occurrence of certain events that might otherwise constitute a change of control will be deemed not to be a change of control, *provided* that upon consummation thereof, a certain consolidated net leverage ratio of the Issuer and its restricted subsidiaries is met.

In addition, in connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to

redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes. See “*Description of the Notes—Optional Redemption.*”

The term “all or substantially all” in the context of a change of control has no clearly established meaning under relevant law and is subject to judicial interpretation, such that it may not be certain that a change of control has occurred or will occur.

Upon the occurrence of a transaction that constitutes a change of control under the Indenture, the Issuer will be required to make an offer to repurchase all outstanding Notes tendered. The definition of “change of control” in the Indenture will include (with certain exceptions) a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries (taken as a whole), to any person. Although there is a limited body of case law interpreting the phrase “all or substantially all,” it has no clearly established meaning under relevant law, varies according to the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of “all or substantially all” of the assets of a person, and therefore it may be unclear whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

We may dispose of certain assets or capital stock of entities in the Combined Group.

We may have an interest in pursuing acquisitions, divestitures, financings, or other transactions that, in our judgment, would be beneficial to us, even if such transactions might involve risks to you as noteholders. For example, pursuant to a carve-out from the restriction on assets sales for “specified asset dispositions” and other provisions of the Revolving Facility Agreement and the Indenture, we may, under certain circumstances, sell, convey, transfer or otherwise dispose of material assets of the Combined Group and, if meeting certain leverage ratios on a *pro forma* basis, distribute some or all of the proceeds therefrom to our shareholders. Such a transaction would not constitute a change of control or a default under the terms of the Notes. See “*Description of the Notes—Certain Covenants—Limitation on Restricted Payments*” and “*Description of the Notes—Certain Definitions—Permitted Specified Asset Disposition.*” Additionally, we may issue, sell, transfer or otherwise dispose of the capital stock of entities in the Combined Group for purposes of taking a dividend or distribution that would benefit us but not benefit you as a noteholder.

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

Under certain circumstances, we may undertake an IPO Debt Pushdown (as described in “*Description of the Notes—IPO Debt Pushdown*”), pursuant to which the Issuer is entitled to give notice that the terms of the Indenture and the Intercreditor Agreement (or any Additional Intercreditor Agreement (as defined in “*Description of the Notes—Certain Covenants—Additional Intercreditor Agreements*”)) will automatically operate so that, among other things, the references to the Issuer and its Restricted Subsidiaries (as defined in “*Description of the Notes—Certain Definitions*”) (and all related provisions) shall apply only to the IPO Pushdown Entity (as defined in “*Description of the Notes—IPO Debt Pushdown*”) and its Restricted Subsidiaries. In such event, each holding company of the IPO Pushdown Entity would be released from its obligations under the Indenture.

Such modification to the terms of the Notes could be treated for U.S. federal income tax purposes as a deemed exchange of (i) the Notes as in place prior to such modification for (ii) new Notes as in place after such modification (the “**New Notes**”). If such modification results in a deemed exchange for U.S. federal income tax purposes, it would generally be treated as a taxable transaction for U.S. federal income tax purposes, in which beneficial owners of the Notes would be required to recognize any gain or loss. Furthermore, for U.S. federal income tax purposes, the New Notes deemed issued in such a deemed exchange could be treated as issued with original issue discount. In such event, U.S. Holders (as defined under “*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*”) would be required to include the original issue discount in their income as it accrues, in advance of the receipt of cash corresponding to such income. In addition, the determination of whether the New Notes are treated as “contingent payment debt instruments” as a result of the possibility of additional payments, as further described under “*Certain Tax Consequences—Certain U.S. Federal Income Tax Considerations—Characterization of the Notes,*” would be made at the time of the modification. U.S. Holders should consult their own tax advisors as to the U.S. federal income tax considerations relating to the potential modification of the terms of the Notes in connection with the IPO Debt Pushdown. It is also possible that the IPO Debt Pushdown could result in a taxable event for tax purposes other than U.S. federal income tax purposes.

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

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time.

No assurances can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

Certain covenants and events of default will be suspended if we receive investment grade ratings.

The Indenture will provide that, if at any time following the date thereof, the Notes issued thereunder receive an investment grade rating of Baa3 or better by Moody's and BBB or better by S&P or Fitch, and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time as such Notes are no longer rated investment grade by either ratings agency, certain covenants will cease to be applicable to such Notes. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status.*" At any time when these covenants are suspended, we will be able to, among other things, incur additional indebtedness, pay cash dividends and redeem subordinated indebtedness without restriction, each of which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating if achieved will be maintained.

You may face foreign currency exchange as a result of investing in the Notes.

The Notes will be denominated and payable in euro. If you are a U.S. investor, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro relative to the U.S. dollar because of economic, political and other factors over which we have no control. Depreciation of the euro against the U.S. dollar could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you on a U.S. dollar basis.

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

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

THE TRANSACTIONS

Arcaplanet Acquisition

On June 24, 2021, the Issuer entered into the Arcaplanet Purchase Agreement with the Sellers to acquire, directly or indirectly, the Target. We currently expect the Arcaplanet Acquisition to complete during the course of March 2022. The consummation of the Arcaplanet Acquisition is, however, subject to the satisfaction of certain closing conditions, including customary antitrust approvals and the performance of certain closing actions. The Issuer has agreed to take all necessary steps to obtain the required clearances following the signing of the Arcaplanet Purchase Agreement. If such closing conditions have not been fulfilled or waived by the last day of the eight month following the one in which the Arcaplanet Purchase Agreement was executed, the Arcaplanet Purchase Agreement may be terminated.

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

Prior to the Arcaplanet Acquisition Closing Date, the Issuer will not have control over the boards of directors of the Target Group. Such boards of directors of the Target Group and its management will be required, prior to the Arcaplanet Acquisition Closing Date, to manage the Target Group under their own responsibility and in a manner that is in the best interests of the Target Group. See *“Risk Factors—Risks Related to the Transactions—The Issuer does not currently control the Target Group or Maxi Zoo and will not control the Target Group and Maxi Zoo until the Arcaplanet Acquisition Closing Date and the closing date of the Maxi Zoo Contribution, respectively.”*

Maxi Zoo Contribution

Also on June 24, 2021, the Seventh Cinven Fund, Topco and Fressnapf entered into the Maxi Zoo Acquisition Agreement. Under the terms of such Maxi Zoo Acquisition Agreement, Topco will purchase the Maxi Zoo Shares from Fressnapf in exchange for an issuance of certain new shares in Topco to Fressnapf (concurrently with the direct or indirect subscription for certain additional new shares in Topco by each of the Seventh Cinven Fund (and/or its permitted assignees) and Fressnapf). We currently expect the Maxi Zoo Acquisition to complete shortly before, or concurrently with, the Arcaplanet Acquisition. In accordance with the Maxi Zoo Acquisition Agreement, the consummation of the Maxi Zoo Acquisition is subject to certain antitrust approvals and the performance of certain closing actions. As soon as practicable after the completion of the Maxi Zoo Acquisition, (i) Topco will contribute the Maxi Zoo Shares to Midco and (ii) Midco will contribute such Maxi Zoo Shares to Issuer.

Fressnapf will be a strategic investor in the Combined Group (see *“Principal Shareholders”* and *“Summary—Our Strategy—Maintain financial discipline to support deleveraging”*) and following completion of the transactions envisaged by the Maxi Zoo Acquisition Agreement and the Arcaplanet Purchase Agreement, Cinven and Fressnapf will become majority shareholders in the Combined Group with the governance rights described in *“Related Party Transactions—Shareholders' Agreement.”*

The Investors remain committed to complete both transactions as soon as practicable following satisfaction of the applicable closing conditions.

The Maxi Zoo Acquisition Agreement contains customary warranties given by Fressnapf as to capacity, title and certain business matters as well as customary signing to closing covenants given by Fressnapf regarding, among other things, the conduct of the business and the affairs of Maxi Zoo pending closing of the Maxi Zoo Acquisition. Fressnapf's liability for any breach of a warranty is subject to certain thresholds and limitations. In addition, pursuant to the Maxi Zoo Acquisition Agreement, Fressnapf has agreed, in order to facilitate the ability of Maxi Zoo to operate outside of Fressnapf's wider organization following completion of the Maxi Zoo Acquisition, to provide, or procure the provision by other Fressnapf entities, of certain services to Maxi Zoo until such time as Fressnapf and Topco otherwise agree, and for such consideration as may be agreed between them.

Prior to completion of the Maxi Zoo Contribution, the Issuer will not have control over the board of directors of Maxi Zoo. Such board of directors and Maxi Zoo's management will be required, prior to such completion, to manage Maxi Zoo under their own responsibility and in a manner that is in the best interests of Maxi Zoo. See *“Risk Factors—Risks Relating to the Transactions—The Issuer does not currently control the Target Group*

or Maxi Zoo and will not control the Target Group and Maxi Zoo until the Arcaplanet Acquisition Closing Date and the closing date of the Maxi Zoo Contribution, respectively.”

Financing

Assuming the Arcaplanet Acquisition Closing Date occurs in March 2022, we expect that the consideration for the Arcaplanet Acquisition will be financed by: (i) a direct or indirect cash equity contribution from the Investors and management to the Issuer on or about the Arcaplanet Acquisition Closing Date in an estimated aggregate amount of €499.6 million (the “**Cash Equity Contribution**”); and (ii) a portion of the proceeds of the Offering in an estimated aggregate amount of €449.3 million. A portion of the Offering proceeds in an estimated aggregate amount of approximately €100 million is also expected to be used to refinance the Existing UniCredit Facilities. See “*Description of Certain Financing Arrangements—Existing UniCredit Facilities Agreement*.” The Cash Equity Contribution, the Offering and the use of proceeds therefrom are collectively referred to in this offering memorandum as the “**Financing**.”

In addition, on or prior to the Issue Date, the Issuer will enter into the Revolving Facility Agreement, under which a €80.0 million super senior revolving credit facility (the “**Original Revolving Facility**”) will be made available to the Issuer and certain of its subsidiaries on the Arcaplanet Acquisition Closing Date. Borrowings under the Revolving Facility Agreement will be available for general corporate and working capital purposes. For a more detailed description of the Revolving Facility Agreement, see “*Description of Certain Financing Arrangements—Revolving Facility Agreement*.” We currently expect no amounts to be drawn in cash under the Original Revolving Facility on the Arcaplanet Acquisition Closing Date. See “*Capitalization*.”

Escrow Account

Pending the consummation of the Arcaplanet Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering into the Escrow Account. The Escrow Account will be in the name of, and controlled by, the Escrow Agent, and, on the Issue Date, the Issuer will grant a first-priority security interest in its beneficial interest in the Escrow Account and the Escrow Property in favour of the Trustee on behalf of the holders of the Notes. See “*Summary—The Offering—Collateral*.”

The release of proceeds of the Offering from the Escrow Account is subject to the satisfaction of certain conditions, including that the funds required to pay the consideration for the Arcaplanet Acquisition will be applied promptly (and in any event within three business days). See “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*.” If these conditions are not satisfied on or before the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price for the Notes will be equal to 100% of the aggregate issue price of the Notes *plus* accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of such special mandatory redemption. See “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*.”

In the event of a special mandatory redemption, Midco will be required to fund the Issuer in such aggregate amounts as are required in order to enable the Issuer to pay any funding shortfall, including Escrow Account fees, negative interest on the Escrow Account balance and costs and accrued and unpaid interest and additional amounts, if any, owing to the holders of the Notes on such special mandatory redemption date (the “**Escrow Equity Commitment**”), pursuant to the Equity Commitment Letter. The holders of the Notes will not have any direct right to enforce the Escrow Equity Commitment, and must rely on the Issuer’s rights to enforcement under the Escrow Equity Commitment. See “*Risk Factors—Risks Relating to the Transactions—If the conditions precedent to the release of the Escrowed Property from the Escrow Account are not satisfied, the Issuer will be required to redeem the Notes, but the Escrow Account may not have sufficient funds to cover such redemption without relying on the Escrow Equity Commitment*.”

Post Closing Mergers

Within approximately 15 months of the Arcaplanet Acquisition Closing Date, we expect to merge the Issuer, the Target and Maxi Zoo into Agrifarma, with Agrifarma being the ultimate surviving entity, all pursuant to Article 2501-bis of the Italian Civil Code (such transactions, “**Post Closing Mergers**”).

Following the completion of the Post Closing Mergers, Agrifarma will be substituted as the issuer of the Notes. While we intend to use commercially reasonable efforts to complete the Post Closing Mergers, their completion will be subject to certain conditions and may not occur within the currently envisaged time frame or at all. See “*Risk Factors—Risks Related to the Transactions—We may be unable to complete the Post Closing Mergers within the anticipated time frame, or at all*.” Following the Post Closing Mergers, and to the extent

applicable, certain security interests in the Collateral may be released. In addition, certain other security interests in the Collateral may be confirmed, extended and/or granted (as applicable) in accordance with the covenants described under “*Description of the Notes—Certain Covenants—Impairment of Security Interest.*”

USE OF PROCEEDS

The gross proceeds from the Offering will be €550.0 million. Pending the consummation of the Arcaplanet Acquisition, an amount equal to the gross proceeds from the Offering will be deposited into the Escrow Account in the name of, and controlled by, the Escrow Agent. The Issuer's beneficial interest in the Escrow Account and the Escrowed Property will be pledged in favor of the Trustee on behalf of the holders of the Notes on a first-priority basis. See “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*”

We currently expect the Maxi Zoo Acquisition to complete shortly before, or concurrently with, the Arcaplanet Acquisition. Upon satisfaction of the conditions to the release of the amounts deposited in the Escrow Account, the gross proceeds from the Offering will be used on the Arcaplanet Acquisition Closing Date to (i) partially fund the consideration payable in connection with the Arcaplanet Acquisition; (ii) refinance the Existing UniCredit Facilities; and (iii) pay the fees and expenses incurred in connection with the Transactions (other than the Post Closing Mergers).

The table below sets out the estimated sources and uses of funds relating to the Transactions (other than the Post Closing Mergers), assuming that such Transactions will be consummated in March 2022. Actual amounts will vary from estimated amounts depending on several factors, including the actual consideration in connection with the Maxi Zoo Acquisition and the Arcaplanet Acquisition, differences from our estimates of fees and expenses and the timing of the Arcaplanet Acquisition. In particular, the consideration in connection with the Arcaplanet Acquisition as shown below reflects the base purchase price payable to the Sellers pursuant to the Arcaplanet Purchase Agreement. Such base purchase price does not account for (i) the ticking fee at the rate of €70,000 per day (the “**Ticking Fee**”) from (and including) March 31, 2021 (the “**Lock Box Date**”) and (ii) any cash and cash equivalents generated by Arcaplanet from (and including) such Lock Box Date to (but excluding) the Arcaplanet Acquisition Closing Date.

The table below should be read in conjunction with “*Description of the Notes*” and “*Capitalization.*”

Sources of Funds	Amount (€ millions)	Uses of Funds	Amount (€ millions)
Notes offered hereby ⁽¹⁾	550.0	Consideration in connection with the Arcaplanet Acquisition ⁽⁶⁾	948.9
Cash and cash equivalents ⁽²⁾	86.9	Refinancing of the existing bank debt facilities ⁽⁷⁾	147.6
Cash Equity Contribution		In kind consideration in connection with the Maxi Zoo Acquisition ⁽⁵⁾ . . .	160.0
Cinven Funds ⁽³⁾	420.2	Estimated transaction fees and expenses ⁽³⁾⁽⁸⁾	40.0
Fressnapf ⁽³⁾	54.4		
Management ⁽⁴⁾	25.0		
Total Cash Equity Contribution	499.6		
In kind equity contribution ⁽⁵⁾	160.0		
Total sources	1,296.5	Total uses⁽⁹⁾	1,296.5

Notes:

- (1) Represents €550.0 million aggregate principal amount due at maturity, assuming the Notes are issued at par. Pursuant to the Escrow Agreement, we may fund the interest payments on the Notes prior to the Arcaplanet Acquisition Closing Date with the escrowed proceeds from the Offering.
- (2) Represents estimated cash and cash equivalents on balance sheets of the Target Group entities that will be acquired as part of the Arcaplanet Acquisition and are expected to be used to consummate the Transactions (other than the Post Closing Mergers). The amounts of such cash and cash equivalents may be increased or decreased depending on the final total consideration payable to the Sellers (see footnote 6 below).
- (3) Represents expected cash equity contributions from the Investors. The amounts of such cash equity contributions may be increased or decreased: (i) depending on (a) the aggregate amount of the Ticking Fee accrued under the Arcaplanet Purchase Agreement as at the Arcaplanet Acquisition Closing Date and the aggregate amount of cash and cash equivalents generated by the Target Group from the Lock Box Date to the Arcaplanet Acquisition Closing Date, that remains on the balance sheets of the Target Group entities as at the Arcaplanet Acquisition Closing Date; (b) the final agreed amount of cash equity contribution from the management; and (ii) if the transaction fees and expenses are greater or less than our current estimate. See “*The Transactions—Arcaplanet Acquisition.*”
- (4) Represent the expected cash equity contribution from the management. The final amount of such contribution will be determined following the Issue Date, but prior to the Arcaplanet Acquisition Closing Date.

- (5) Represents the base purchase price under the Maxi Zoo Acquisition Agreement. The purchase price under the Maxi Zoo Acquisition Agreement may be increased or decreased in accordance with a completion accounts adjustment process provided for in the Maxi Zoo Acquisition Agreement. Any adjustment in respect of an increase or decrease in the purchase price under the Maxi Zoo Acquisition Agreement will be settled in cash by Topco (as purchaser) or Fressnapf (as seller), as applicable, in accordance with the terms of the Maxi Zoo Acquisition Agreement. See “*The Transactions—Maxi Zoo Contribution*.”
- (6) Represents the base purchase price payable to the Sellers pursuant to the Arcaplanet Purchase Agreement on the Arcaplanet Acquisition Closing Date. The final total consideration may change depending on (a) the aggregate amount of the Ticking Fee accrued under the Arcaplanet Purchase Agreement as at the Arcaplanet Acquisition Closing Date and (b) the aggregate amount of cash and cash equivalents generated by the Target Group from the Lock Box Date to the Arcaplanet Acquisition Closing Date, that remains on the balance sheets of the Target Group entities as at the Arcaplanet Acquisition Closing Date.
- (7) Represents the aggregate principal amount outstanding under the Existing UniCredit Facilities, that will be refinanced using Tranche B of the Notes. Does not include accrued but unpaid interest and amortized debt costs in relation to the Existing UniCredit Facilities.
- (8) Represents estimated fees and expenses associated with the (i) Transactions (other than the Post Closing Mergers), including net interest expense that will accrue on proceeds of the Notes deposited into escrow, underwriting, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees; and (ii) Arcaplanet Acquisition and Maxi Zoo Contribution.
- (9) Proceeds from a portion of the Notes designated as Tranche A (“**Tranche A**”), equal to an aggregate principal amount of €449.3 million, will be used to fund a portion of the purchase price under the Arcaplanet Purchase Agreement as per footnote (6) above, and proceeds from a separate portion of the Notes designated as Tranche B (“**Tranche B**”), equal to an aggregate principal amount of approximately €100 million, will be used to: (i) refinance the Existing UniCredit Facilities as per footnote (7) above and (ii) pay the costs, fees and expenses incurred in connection with such refinancing as per footnote (9) above. For the avoidance of doubt, the “virtual tranching” of the Notes is aimed at identifying the separate portions of the proceeds being used to consummate the Arcaplanet Acquisition and the refinancing of the Existing UniCredit Facilities, respectively, and will not entail issuing separate identifiers (CUSIPs, ISINs or common codes) for each such tranche.

CAPITALIZATION

The table below sets out the cash and cash equivalents and consolidated capitalization as at June 30, 2021 of the Issuer (i) on a historical basis, and (ii) on a *pro forma* basis after giving effect to the Transactions (save for any Post Closing Mergers), including the Offering and the application of the proceeds therefrom. The adjustments are based on available information and contain assumptions made by our management. Amounts of indebtedness shown in the table below represent principal amounts and exclude lease liabilities.

This table should be read in conjunction with “*Use of Proceeds*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Description of Certain Financing Arrangements*,” “*Description of the Notes*,” “*Unaudited Pro Forma Consolidated Financial Information*,” the Financial Statements and related notes included elsewhere in this offering memorandum.

	As at June 30, 2021	
	Historical	Pro Forma
	(€ millions)	
Cash and cash equivalents	—	—
Debt	—	—
Notes offered hereby	—	550.0 ⁽¹⁾
Original Revolving Facility ⁽²⁾	—	—
Shareholders’ equity	—	659.6 ⁽³⁾
Total capitalization ⁽⁴⁾	—	1,209.6

Notes:

- (1) Represents the estimated proceeds of the Offering, assuming the Notes are issued at par, gross of the €40.0 million in estimated fees and expenses related to the Transactions, Arcaplanet Acquisition and Maxi Zoo Contribution.
- (2) Represents the €80.0 million super senior Original Revolving Facility, which is expected to be undrawn at the Arcaplanet Acquisition Closing Date. See “*Summary—The Transactions*” and “*Description of Certain Financing Arrangements—Revolving Facility Agreement*.”
- (3) Represents the expected aggregate equity contribution (based on the agreed purchase price pursuant to the Arcaplanet Purchase Agreement) from the Investors and management, if any, and the effect on shareholders’ equity of the Maxi Zoo Contribution. The amount of shareholders’ equity contribution may be increased or decreased as discussed in “*Use of Proceeds*”.
- (4) Total capitalization is calculated as the sum of debt and shareholders’ equity.

SELECTED HISTORICAL FINANCIAL INFORMATION OF AGRIFARMA

The tables below set out selected historical financial information of Agrifarma for the periods and as at the dates indicated. The selected historical financial information of Agrifarma as at and for the years ended December 31, 2020, 2019 and 2018 has been extracted without material adjustment from the Agrifarma Annual Financial Statements. The Agrifarma Annual Financial Statements were audited by PricewaterhouseCoopers S.p.A. The selected historical financial information of Agrifarma as at June 30, 2021 and for the six months ended June 30, 2021 and 2020 has been extracted without material adjustment from the Agrifarma Interim Financial Statements. Interim results are not necessarily indicative of the results that may be expected for any other interim period nor are they indicative of results for a full year.

The tables below present selected historical financial information of Agrifarma on a standalone basis only. Agrifarma's only subsidiaries Arcaplanet S.A., Arcawip S.r.l and First One S.r.l. are all accounted for at cost in the Agrifarma Financial Statements. See "Presentation of Financial and Other Information—Historical Financial Information—Historical financial information of Agrifarma" and "Summary—Summary Corporate and Financing Structure." The Agrifarma Financial Statements have been prepared in accordance with the Italian GAAP. See "Presentation of Financial and Other Information—Historical Financial Information—Basis of preparation of historical financial information." The Italian GAAP differs in certain significant respects from IFRS. See "Summary of Certain Differences Between Italian GAAP and IFRS."

The selected historical financial information presented below is qualified in its entirety by reference to, and should be read in conjunction with, the sections entitled "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma" and "Summary of Certain Differences Between Italian GAAP and IFRS," as well as the Agrifarma Financial Statements included elsewhere in this offering memorandum.

Selected Income Statement Data of Agrifarma

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	(€ thousands)				
A) Value of production					
Revenue from sales and services	227,485 ⁽¹⁾	305,912 ⁽²⁾	339,232 ⁽³⁾	157,519	187,339
Increases in fixed assets for internal work	2,927	3,465	2,485	905	2,087
Other income ⁽⁴⁾	14,043	17,590	18,672	8,577	9,384
Total value of production	244,455	326,967	360,389	167,001	198,810
B) Production costs					
Raw materials, consumables, goods	132,754 ⁽⁵⁾	175,820 ⁽⁵⁾	180,895	83,629	104,268
Service costs ⁽⁶⁾	28,840 ⁽⁵⁾	38,701 ⁽⁵⁾	45,491	22,214	28,540
Leases and rentals ⁽⁷⁾	17,586 ⁽⁵⁾	25,087 ⁽⁵⁾	27,161	13,518	14,276
Personnel expenses	34,965 ⁽⁵⁾	48,437 ⁽⁵⁾	51,198	24,970	26,312
Amortization, depreciation and impairments	25,032 ⁽⁵⁾	30,822 ⁽⁵⁾	30,456	14,856	14,877
Changes in inventories of raw materials, consumables and goods	2,223	(1,211)	2,596	1,351	(6,561)
Provisions for risks and other accruals	2	152	239	—	—
Other operating expenses	2,016	3,025	4,186	2,113	2,347
Total production costs	243,418	320,833	342,222	162,651	184,059
Difference between value and cost of production					
(A-B)	1,037	6,134	18,167	4,350	14,751
C) Financial income and charges					
Other financial income	24	12	10	3	1
Interests and financial charges ⁽⁸⁾	6,578	6,688	6,512	3,336	4,652
Foreign exchange gains / (losses)	(57)	(20)	(20)	(13)	(10)
Total financial charges	(6,611)	(6,696)	(6,522)	(3,346)	(4,661)
D) Valuation adjustments to financial assets and liabilities	14	(14)	n.m.	—	—
Profit/(loss) before taxes (A-B±C±D)	(5,560)	(576)	11,645	1,004	10,090
Income tax expense	1,473	3,500	4,322	(825)	5,732
Profit/(loss) for the period	(7,033)	(4,076)	7,323	1,829	4,358

Notes:

- (1) Does not include revenue from sales and services generated by Mondial Pet Distribution. For the impact of the Mondial Pet Distribution Transaction, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network—Mondial Pet Distribution Transaction.*”
- (2) Includes: (i) €25.4 million contributed by Mondial Pet Distribution, which was merged into Agrifarma in December 2019 adding 71 “Fortesan” branded stores to the network; and (ii) €4.4 million contributed by 15 stores acquired from Zoodom in May 2019. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network.*”
- (3) Includes €0.2 million contributed by five stores acquired from Città degli Animali in November 2020. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network.*”
- (4) Comprises income from promotional activities with suppliers (such as income from preferred display and display maintenance), real estate earnings, refunds and other income not directly related to the core business of Agrifarma. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Description of Key Line Items in Agrifarma’s Income Statement.*”
- (5) For the impact of the Mondial Pet Distribution Transaction, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma’s Results of Operations—Growth of the physical stores network—Mondial Pet Distribution Transaction.*”
- (6) Include advertising, transport, warehousing, consulting and other costs. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Description of Key Line Items in Agrifarma’s Income Statement.*”
- (7) Includes lease and rental costs relating to Agrifarma’s physical stores. See “*Business—Arcaplanet—Distribution—Stores*” and “*Summary of Certain Differences Between Italian GAAP and IFRS—Leases.*”
- (8) Primarily relate to interest expenses under the Existing UniCredit Facilities, which is expected to be repaid in full with the proceeds of the Offering. See “*Use of Proceeds*” and “*Description of Certain Financing Arrangements—Existing UniCredit Facilities Agreement.*”

Selected Balance Sheet Data of Agrifarma

		As at December 31,		As at June 30,
		2018	2019	2020
				2021
		(€ thousands)		
Fixed assets		375,329	361,762	345,228
<i>of which</i>				
Goodwill ⁽¹⁾		244,178	257,330	241,808
Concessions, licenses, trademarks and other similar rights ⁽²⁾		57,310	53,942	50,683
Equity investments in subsidiaries ⁽³⁾		40,470 ⁽⁴⁾	2,537	3,974
Total current assets and accrued income and prepaid expenses		90,105	121,941	142,029
<i>of which</i>				
Total inventories		47,246	57,291	55,143
Total cash and cash equivalents		31,456	52,636	75,309
Total assets		465,434	483,703	487,257
Payables maturing after one year ⁽⁵⁾		145,155	144,713	144,295
Total provisions for risk and charges ⁽⁶⁾		15,951	15,467	14,480
Employees’ severance indemnity		755	3,037	2,677
Payables maturing within one year ⁽⁵⁾		50,613	72,255	70,319
Accrued expenses and deferred income		98	168	100
Total liabilities		212,572	235,640	231,871
Total shareholders’ equity		252,862	248,063	255,386
Total shareholders’ equity and liabilities		465,434	483,703	487,257

Notes:

- (1) Recognized in connection with acquisitions of various stores completed since 2012.
- (2) Primarily reflects the value of “ARCAPLANET” trademark. See “*Business—Arcaplanet—Intellectual Property.*”
- (3) Agrifarma’s investments in Arcaplanet S.A., Arcawip S.r.l. and First One S.r.l. are all accounted for at cost in Agrifarma Financial Statements. See “*Presentation of Financial and Other Information—Historical Financial Information—Historical financial information of Agrifarma*” and “*Summary—Summary Corporate and Financing Structure.*”
- (4) Includes the investment in Mondial Pet Distribution, which was merged with Agrifarma in 2019.
- (5) Includes our liabilities under the Existing UniCredit Facilities, which is expected to be repaid in full with the proceeds of the Offering. See “*Use of Proceeds*” and “*Description of Certain Financing Arrangements—Existing UniCredit Facilities Agreement.*”
- (6) Primarily includes provisions for deferred taxes.

Selected Cash Flow Statement Data of Agrifarma

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	(€ thousands)				
Cash flow from operating activities	18,214	45,067	38,854	8,301	25,982
Cash flow used in investing activities	(38,397)	(23,919)	(14,857)	(4,749)	(15,949)
Cash flow (used in)/from financing activities	34,022	32	(1,324)	—	—
Increase of cash and cash equivalents	13,839	21,180	22,673	3,552	10,033
Total cash and cash equivalents at beginning of the period	17,617	31,456	52,636	52,636	75,309
Total cash and cash equivalents at end of the period	31,456	52,636	75,309	56,188	85,342

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

The following is a discussion and analysis of Agrifarma's results of operations and financial condition as at June 30, 2021 and for the six months ended June 30, 2021 and 2020, as derived from the Agrifarma Interim Financial Statements, and as at and for the years ended December 31, 2020, 2019 and 2018, as derived without material adjustment from the Agrifarma Annual Financial Statements. The Agrifarma Financial Statements are included elsewhere in this offering memorandum.

You should read this discussion in conjunction with the sections entitled "Presentation of Financial and Other Information", "Summary Historical Financial Information and Other Data of Agrifarma," "Selected Historical Financial Information of Agrifarma" and "Capitalization."

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

Overview

Agrifarma is a leading omni-channel pet products and services specialist in Italy. As at June 30, 2021, Agrifarma had 371 stores. Agrifarma's in-store services include "Self Wash" (self-service washing machines and dryers for pet clothing and accessories), "Pet Wash" (dedicated self-service facilities for pet grooming with adjacent hair dryer areas), "Agility" (dedicated areas for dog training and entertainment) and "Para-pharmacy" (through which it offers non-prescription veterinary drugs). In addition to its extensive store network, Arcaplanet offers its products through a leading proprietary e-commerce platform with 7.3 million active users as at June 30, 2021.

Through its stores and e-commerce platform, Agrifarma offers a diverse range of pet food, accessories, and health products under Arcaplanet's 18 own exclusive proprietary brands (the "**Exclusive Brands**") and under more than 100 third-party brands. It categorizes its Exclusive Brands in the following segments: "Specialist," "Super Premium," "Premium" and "Mainstream." Agrifarma primarily focuses on the first three segments, which have higher margins.

For the years ended December 31, 2018, 2019 and 2020, Agrifarma had €339.2 million, €305.9 million and €227.5 million of revenue from sales and services. It had €157.5 million and €187.3 million of revenue from sales and services, respectively, for the six months ended June 30, 2020 and 2021.

Key Factors Affecting Agrifarma's Results of Operations

We believe that the factors discussed below have significantly affected Agrifarma's results of operations, financial condition and cash flow in the historical periods, for which financial information is presented in this offering memorandum, and that these factors will continue to have a material influence on its results of operations, financial condition and cash flow in the future.

Changing consumer preferences in the Italian pet care market

As Agrifarma operates a fundamentally retail customer business exclusively in Italy, its results of operations are closely related to the changing sentiments in the behaviour of Italian consumers. In recent years, the Italian pet care industry has been undergoing fundamental changes due to the following key trends: (i) pet "humanization", (ii) premiumization of pet products and services, (iii) increased pet adoptions and (iv) digital integration.

- **Pet humanization** is the increasing tendency of pet owners to treat their pets as family members. Such attitude drives higher expenditures per pet, as owners are willing to spend more on a more diverse range of premium products (such as pet food, medication and accessories), as well as various services, including pet health care. Pet expenditures have become non-discretionary for many households and can be relatively high, compared to other types of expenses (many of which families have proven to be willing to sacrifice not to jeopardize their pet expenditures). In line with the overall "humanization" trend, calorific coverage (defined as the percentage of calorific needs of the country's pet population satisfied by industrial pet food versus table scraps and cooked food) has been steadily increasing in all major European markets. Although in Italy calorific coverage is currently estimated at approximately 60% (compared to approximately 60-70% in the UK and Germany), it has increased by 5% since 2015.

- **Premiumization of pet products.** With a greater focus on pet welfare, customers are increasingly prepared to spend more on healthy and nutritious pet food to improve pet living conditions. Therefore, in recent years they have been shifting towards more expensive “premium” or “specialist” products at the expense of cheaper mainstream products. In order to respond to that demand for higher quality products, Agrifarma has developed a suit of its own Exclusive Brands, with specific focus on higher-margin top-end products. Agrifarma’s revenue from sales of its Exclusive Brands products increased (as a percentage of its revenue from retail sales) from approximately 25% for the year ended December 31, 2018 to approximately 32% for the year ended December 31, 2019 and further to approximately 41% for the year ended December 31, 2020. We followed a similar strategy with regards to the assortment of third party brands offering, which are mainly focused on the premium, super premium and specialist segments. See “—*Focus on higher margin premium products and services.*”
- **Increased pet adoptions.** Although Italian pet population remained substantially constant in 2010—2019, pet adoptions in the country increased by 5.3%, year-on-year, in 2020 due to a large increase in the number of people working from home during the COVID-19 pandemic and the expectation that flexible working trends will continue post the ongoing public health crisis. The population of cats and dogs in Italy reached 17 million in 2020, according to a leading international consulting firm. The current significant increase in pet ownership is expected to be a structural driver behind increased volume of the Italian pet care market at least in the medium term.
- **Digital integration.** Pet care 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 online shipping into traditionally physical retail models. Omni-channel pet care models, such as Agrifarma’s, are becoming much more prevalent, as the COVID-19 pandemic has helped drive penetration of online channels. In response to that trend, Agrifarma has developed a comprehensive online proposition via its E-commerce Platform. See “—*Omni-channel proposition with complementary services.*”

Resilience of the Italian pet care market to economic crises, including the ongoing COVID-19 pandemic

Over the years, the Italian pet care market has demonstrated a significant degree of resilience to global, regional and national economic downturns. For example, during the global financial crisis of 2007 / 2009, Italian GDP decreased by 3.7% from 2008 to 2009, whereas, according to a leading international consulting firm, the country’s pet care market grew by 4.9%, by value. Outside Italy, such resilience of the pet care industry has been demonstrated across all major markets, including the UK, Germany, France, Spain and the US. This resilience has been largely attributable to structural changes of consumer behaviour, such as pet “humanization” and premiumization of pet products and services, which have made significant pet expenditure non-discretionary for many Italian households. See “—*Changing consumer preferences in the Italian pet care market.*”

In addition, the non-discretionary nature of pet expenditure has been effectively recognized by the Italian government during the COVID-19 pandemic. Pet food shops were declared essential businesses pursuant to the Italian Ministerial Decree No. 76 of March 22, 2020, which allowed Arcaplanet’s stores to remain open despite lockdowns and other government restrictions.

In line with such structural resilience of the market and favourable regulation, in the periods under review Agrifarma’s results of operations have not been significantly impacted by the ongoing COVID-19 pandemic. Agrifarma’s revenue from sales and services grew by €33.3 million, or 10.9%, from €305.9 million for the year ended December 31, 2019 to €339.2 million for the year ended December 31, 2020. This momentum has continued into 2021, with Agrifarma’s revenue from sales and services growing by €29.8 million, or 18.9%, from €157.5 million for the six months ended June 30, 2020 to €187.3 million for the six months ended June 30, 2021. Agrifarma’s development of online capabilities to complement its physical stores network has also helped to mitigate the impacts of the COVID-19 pandemic, as retail sales through the E-commerce Platform grew significantly during the time of this public health crisis. See “—*Omni-channel proposition with complementary services.*”

Growth of the physical stores network

In the periods under review, Agrifarma has grown its physical stores network through both organic additions and strategic acquisitions.

The table below sets out the evolution of Agrifarma's physical store network and revenue from retail sales through physical stores as at and for periods indicated:

	As at and for the				
	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
Stores at the end of the period ⁽¹⁾	239	337	360	350	372
Retail sales through physical stores (€ thousands)	204,273	285,039	311,790	142,850	172,709
Percentage of revenue from sales and services (%)	89.8%	93.2%	91.9%	90.7%	92.2%

Note:

(1) Does not include the stores of Agrifarma Subsidiaries.

Mondial Pet Distribution Transaction

On May 24, 2018, Agrifarma acquired a minority equity investment in Mondial Pet Distribution S.r.l. ("**Mondial Pet Distribution**"), which operated a network of 71 "Fortesan" branded stores primarily in central and northern Italy for a cash purchase price of €24.0 million. On May 29, 2018, Agrifarma acquired the remaining shareholding in Mondial Pet Distribution through a contribution from the Target, its parent entity. The aggregate consideration for the overall acquisition amounted to €39.0 million. On December 12, 2019, the merger between Agrifarma and Mondial Pet Distribution was approved, which was completed on December 31, 2019 with retrospective effect (for accounting and taxation purposes) from January 1, 2019.

Mondial Pet Distribution was accounted for at cost in the 2018 Agrifarma Financial Statements. However, because Mondial Pet Distribution was merged into Agrifarma with retrospective effect from January 1, 2019, the 2019 Agrifarma Financial Statements present the results of operations of the acquired "Fortesan" branded stores, as well as other effects of the overall Mondial Pet Distribution transaction (the "**Mondial Pet Distribution Transaction**").

The table below sets out the impact of the Mondial Pet Distribution Transaction on key line items of Agrifarma's income statement for the year ended December 31, 2019:

	Year ended December 31, 2019
	(€thousands)
Revenue from sales and services	25,401
Raw materials, consumables, goods	4,536
Service costs	4,188
Leases and rentals	4,753
Personnel expenses	9,208
Amortization, depreciation and impairments	3,089

Acquisition of "Zoodom" branded stores

On May 31, 2019, Agrifarma acquired 15 "Zoodom" branded stores from Zoodom Italia S.r.l. ("**Zoodom**") for an aggregate cash consideration of €1.3 million. These stores were located in the Italian regions of Abruzzo, Lombardia, Veneto and Marche and contributed €4.4 million to Agrifarma's revenue from sales and services for year ended December 31, 2019, or 1.4% of its total revenue from sales and services for the period.

Acquisition of "La Città degli Animali" branded stores

On November 30, 2020, Agrifarma acquired five "La Città degli Animali" branded stores from Croci D. for an aggregate cash consideration of €0.6 million. These stores were located in Lombardia region and contributed €0.2 million to Agrifarma's revenue from sales and services for year ended December 31, 2020, or 0.06% of its total revenue from sales and services for the period.

Omni-channel proposition with complementary services

In order to capitalize on the digitalization trends on the Italian pet care market, in the periods under review Agrifarma has been investing in the development of its E-commerce Platform.

The table below sets out the evolution of Agrifarma's retail revenue from sales through the E-commerce Platform for periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	<i>(€ thousands, except percentages)</i>				
Retail sales through the E-commerce Platform	11,238	16,469	23,570	12,720	12,742
Percentage of revenue from sales and services (%)	4.9%	5.4%	6.9%	8.1%	6.8%

In addition, Agrifarma offers various complementary services to pet owners in its stores. In particular, as at June 30, 2021: (i) 106 stores had on-site “Para-pharmacies” (through which Agrifarma offers non-prescription veterinary drugs); (ii) 102 stores offered “Self Wash” (self-service washing machines and dryers for pet clothing and accessories) and/or “Pet Wash” (dedicated self-service facilities for pet grooming with adjacent hair dryer areas) services; and (iii) 14 14,800 m² dedicated “Agility” spaces for training and entertaining dogs. These complementary in-store services further strengthen Agrifarma's customer relationships.

Focus on higher margin premium products and services

Exclusive Brands products are core to Agrifarma's product offering. Its Exclusive Brands offering comprises both food and non-food products positioned at the high-end of the market to capture increasing customer demand for quality products. Some of Agrifarma's bestselling Exclusive Brands for pet food are Hi[®], Next[®] and Virtus[®], while our bestselling non-food brands include Lovedi[®], Perfect[®] and Next[®]. Virtus[®] brand has the highest Net Promoter Score amongst all Agrifarma's Exclusive Brands. In the periods under review, Agrifarma has been investing heavily in the development of its higher-margin Exclusive Brands in the “Specialist,” “Super Premium” and “Premium” segments.

The table below sets out Agrifarma's revenue from retail sales, by brand group, for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	<i>(€ thousands)</i>				
Revenue from retail sales	215,511	301,508	335,360	155,570	185,451
of which:					
Exclusive Brands	54,129	96,105	136,667	58,418	83,851
third party brands	161,382	205,403	198,693	97,152	101,600

Loyal and extensive customer base

Agrifarma has a loyal and constantly growing base of 1.5 million Arcacard[®] cardholders (as at June 30, 2021), which generates over 75% of its revenue from sales and services. The Arcacard[®] loyalty program provides Agrifarma with intimate knowledge of its customers' spending habits and needs, allowing it to continuously evaluate its offering of products and services.

In 2017—2020, the Arcacard[®] cardholders base increased from 0.9 million to 1.3 million, at a CAGR of 13.5%. Many of Arcacard[®] cardholders are high-spenders (defined as cardholders who spend over €250 per year, on average). In 2017—2020, (i) the number of high-spenders increased from approximately 184,000 to approximately 308,000, at a CAGR of 19.0%; and (ii) average spending in this customer group increased from approximately €540 per year to approximately €560 per year. In addition, during the same period, Arcaplanet increased the number of its other cardholders from approximately 680,00 to approximately 956,000, at a CAGR of 12.0%, while their average spending grew from approximately €75 per year to approximately €80 per year.

Macroeconomic Environment in Italy

Agrifarma operates its business exclusively in Italy. Therefore, macroeconomic conditions and general market trends in Italy have an impact on our results of operations. Consumer spending in Italy is generally correlated to macroeconomic and political developments. At present, Italian government is characterized by general and widespread political uncertainty, with several major events having taken place in the last three years. In the 2018 general election, no party won an outright majority, resulting in a hung parliament and protracted negotiations to form a new government. These negotiations were concluded with the creation of a coalition government, which collapsed in August 2019. In September 2019, a new coalition government was sworn in,

composed of the Democratic party and the Five Star Movement. In January 2021, this coalition government subsequently collapsed following a political crisis, and in February 2021, a new unity government of the main political parties was formed, led by Mario Draghi as Prime Minister.

Description of Key Line Items in Agrifarma's Income Statement

Value of production line items

Revenue from sales and services

Revenue from sales and services is comprised of revenue from retail sales and other revenue. Revenue from retail sales relates to revenue generated through the retail sales of goods and services both in stores and online to individual customers. Other revenue represents (i) for the year ended December 31, 2019, residual wholesale sales by Mondial Pet Distribution (see “—Key Factors Affecting Agrifarma's Results of Operations—Growth of the physical stores network”) and (ii) sales to Agrifarma's subsidiaries Arcaplanet S.A., Arcawip S.r.l. and First One S.r.l. (and, prior to the merger of Mondial Pet Distribution into Agrifarma, Mondial Pet Distribution).

Increases in fixed assets for internal work

Increases in fixed assets for internal work primarily include capitalized incorporation and expansion costs, mainly related to the opening of new stores and, to a lesser extent, existing stores.

Other income

Other income mainly relates to income from promotional activities with suppliers (such as income from preferred display and display maintenance), real estate earnings, refunds and other income not directly related to the core business of Agrifarma.

Production costs line items

Raw materials, consumables, goods

Raw materials, consumables, goods mainly relate to the purchases of goods from suppliers, which mostly include the cost of purchasing pet food and accessories for resale. This line item is presented net of discounts on purchases recognized by suppliers.

Service costs

Service costs are mainly comprised of:

- (i) *Advertising costs*, which mainly include advertising on national television, national press and computerized billboards, and expenses incurred in connection with promotional events, as well as other commercial incentives and services;
- (ii) *Transport costs*, which mainly include transportation expenses relating to stores and e-commerce sales provided by third parties, as well as travel expenses;
- (iii) *Warehousing costs*, which mainly includes costs related to the integrated logistics service for storage, handling, conservation and delivery of goods;
- (iv) *Consulting expenses*, which mainly include third-party legal, tax, administrative, commercial and technical advice.

Leases and rentals

Leases and rentals relate to the use of third-party assets, which mainly include Agrifarma's stores, all of which are leased.

Personnel expenses

Personnel expenses relate to salaries and wages, social security contributions, employee severance indemnity and other personnel costs.

Amortization, depreciation and impairments

Amortization, depreciation and impairments mainly relate to: (i) amortization of intangible assets, including goodwill, in accordance with the Italian Accounting Standard Setter (the “OIC”); (ii) depreciation of tangible assets, (iii) impairment of fixed assets; and (iv) provisions for doubtful accounts.

Changes in inventories of raw materials, consumables and goods

Changes in inventories of raw materials, consumables and goods mainly relate to the consumption of goods and raw materials during the sale cycle.

Provisions for risks

Provisions for risks mainly include accrued provisions based on the best estimate of the expected cost of potential future litigations.

Other operating expenses

Other operating expenses mainly relate to indirect expenses, such as non-financial capital losses, taxes and duties and other sundry operating expenses.

Interests and financial charges

Interests and financial charges mainly relate to financial expenses on bank debt.

Income tax expense

Income tax expense is estimated on the result for the period, as well as the applicable laws and regulations and represent the best management estimate of the tax charge.

Results of Operations

Six months ended June 30, 2020 and 2021

The table below sets out Agrifarma's income statement for the periods indicated:

	Six months ended June 30,				Change	
	2020	% ⁽¹⁾	2021	% ⁽¹⁾	2020-2021	%
(€ thousands, except percentages)						
A) Value of production						
Revenue from sales and services	157,519	100.0%	187,339	100.0%	29,820	18.9%
Increases in fixed assets for internal work	905	0.6%	2,087	1.1%	1,182	n.a.
Other income	8,577	5.4%	9,384	5.0%	807	9.4%
Total value of production	167,001	n.a.	198,810	n.a.	31,809	19.0%
B) Production costs						
Raw materials, consumables, goods	83,629	53.1%	104,268	55.7%	20,639	24.7%
Service costs	22,214	14.1%	28,540	15.2%	6,326	28.5%
Leases and rentals	13,518	8.6%	14,276	7.6%	758	5.6%
Personnel expenses	24,970	15.9%	26,312	14.0%	1,342	5.4%
Amortization, depreciation and impairments	14,856	9.4%	14,877	7.9%	21	0.1%
Change in inventories of raw materials, consumables and goods	1,351	0.9%	(6,561)	(3.5%)	(7,912)	n.a.
Other operating expenses	2,113	1.3%	2,347	1.3%	234	11.1%
Total production costs	162,651	n.m.	184,059	98.2%	21,408	13.2%
Difference between value and cost of production (A-B)	4,350	2.8%	14,751	7.9%	10,401	n.a.
C) Financial income and charges						
Other financial income	3	n.m.	1	n.m.	(2)	(66.7%)
Interests and financial charges	3,336	2.1%	4,652	2.5%	1,316	39.4%
Foreign exchange gains/(losses)	(13)	n.m.	(10)	n.m.	3	(23.1%)
Total financial charges	(3,346)	(2.1%)	(4,661)	(2.5%)	(1,315)	(39.3%)
Profit/(loss) before taxes (A-B±C)	1,004	0.6%	10,090	5.4%	9,086	n.a.
Income tax expense	(825)	(0.5%)	5,732	3.1%	6,557	n.a.
Profit/(loss) for the period	1,829	1.2%	4,358	2.3%	2,529	n.a.

Note:

(1) Indicates percentages of revenue from sales and services for the relevant period.

Revenue from sales and services

Agrifarma's revenue from sales and services increased by €29.8 million, or 18.9%, to €187.3 million for the six months ended June 30, 2021 from €157.5 million for the six months ended June 30, 2020. This increase was mainly driven by an increase in the number of stores, due to both organic growth and acquisitions, growth of sales via the E-commerce Platform and a significant increase in revenue from sales of Exclusive Brands products across both channels.

The table below sets out Agrifarma's revenue from sales and services, by channel, for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Six months ended June 30,				Change	
	2020	% ⁽¹⁾	2021	% ⁽¹⁾	2020-2021	%
(€ thousands, except percentages)						
Revenue from retail sales ⁽²⁾	155,570	98.8%	185,451	99.0%	29,881	19.2%
of which:						
sales through physical stores	142,850	90.7%	172,709	92.2%	29,859	20.9%
sales through the E-commerce Platform	12,720	8.1%	12,742	6.8%	22	0.2%
Other revenue ⁽³⁾	1,949	1.2%	1,888	1.0%	(61)	(3.1%)
Total revenue from sales and services	157,519	100.0%	187,339	100.0%	29,820	18.9%

Notes:

- (1) Indicates percentages of revenue from sales and services for the relevant period.
- (2) Represents sales to individual customers through Agrifarma's store network and E-commerce Platform. See “—Description of Key Line Items in Agrifarma's Income Statement—Value of production line items—Revenue from sales and services.”
- (3) Includes sales to Agrifarma's subsidiaries Arcaplanet S.A. and Arcawip S.r.l. See “—Description of Key Line Items in Agrifarma's Income Statement—Value of production line items—Revenue from sales and services.”

Revenue from retail sales

Revenue from retail sales increased by €29.9 million, or 19.2%, to €185.5 million for the six months ended June 30, 2021 from €155.6 million for the six months ended June 30, 2020. This increase was mainly driven by: (i) the increase in sales from existing operating stores; (ii) the creation of new operating stores in Italy; and (iii) the addition to the network of five stores through the acquisition of Città degli Animali in November 2020 (see “—Key Factors Affecting Agrifarma's Results of Operations—Growth of the physical stores network”). Agrifarma's physical store network grew by 33 stores between June 30, 2020 and June 30, 2021.

Agrifarma's revenue from sales of its Exclusive Brands products increased to approximately 45% of its revenue from retail sales for the six months ended June 30, 2021 from approximately 38% for the six months ended June 30, 2020.

Other revenue

Other revenues remained substantially unchanged at €1.9 million for the six months ended June 30, 2021 and 2020.

Increases in fixed assets for internal work

Increases in fixed assets for internal work increased significantly by €1.2 million to €2.1 million for the six months ended June 30, 2021 from €0.9 million for the six months ended June 30, 2020. This item is mainly related to the capitalization of personnel, marketing and consultancy costs incurred prior to opening new stores and, to a lesser extent, to costs for existing stores. This increase was mainly driven by higher number of stores opened in the six months ended June 30, 2021 (16), compared to the six months ended June 30, 2020 (3).

Other income

The table below sets out Agrifarma's other income for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Six months ended June 30,				Change	
	2020	% ⁽¹⁾	2021	% ⁽¹⁾	2020-2021	%
<i>(€ thousands, except percentages)</i>						
Income from promotional activities	8,033	5.1%	8,701	4.6%	668	8.3%
Real estate earnings	185	0.1%	149	0.1%	(36)	(19.5%)
Other ⁽²⁾	359	0.2%	534	0.3%	175	48.7%
Total other income	8,577	5.4%	9,384	5.0%	807	9.4%

Notes:

(1) Indicates percentages of revenue from sales and services for the relevant period.

(2) Includes reimbursements of expenses, insurance compensations, certain contingencies and certain other types of income.

Other income increased by €0.8 million, or 9.4%, to €9.4 million for the six months ended June 30, 2021 from €8.6 million for the six months ended June 30, 2020. This increase was mainly driven by an increase in income from promotional activities from suppliers, as a result of an increase in the purchases of raw materials.

Raw materials, consumables, goods

Raw materials, consumables, goods, increased by €20.7 million, or 24.7%, to €104.3 million for the six months ended June 30, 2021 from €83.6 million for the six months ended June 30, 2020. This increase was mainly driven by an increase in volumes of pet food and accessories purchased from suppliers, as a result of increased sales and the increased in the number of stores in the network, as well as the change in the mix of products offered with an increased proportion of Exclusive Brands products sales. Such products are generally of higher quality and thus are more expensive.

As a percentage of revenue from sales and services, raw materials, consumables, goods increased to 55.7% for the six months ended June 30, 2021 from 53.1% for the six months ended June 30, 2020.

Service costs

The table below sets out Agrifarma's service costs for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Six months ended June 30,				Change	
	2020	% ⁽¹⁾	2021	% ⁽¹⁾	2020-2021	%
<i>(€ thousands, except percentages)</i>						
Advertising	6,809	4.3%	6,869	3.7%	60	0.9%
Transport	4,328	2.7%	4,827	2.6%	499	11.5%
Warehousing	3,381	2.1%	3,956	2.1%	575	17.0%
Consulting ⁽²⁾	1,151	0.7%	4,846	2.6%	3,695	n.a.
Utilities ⁽³⁾	2,205	1.4%	2,404	1.3%	199	9.0%
Other ⁽⁴⁾	4,340	2.8%	5,638	3.0%	1,298	29.9%
Total service costs	22,214	14.1%	28,540	15.2%	6,326	28.5%

Notes:

(1) Indicates percentages of revenue from sales and services for the relevant period.

(2) Includes technical services and consulting and legal fees and consulting.

(3) Includes electricity, gas, water and other charges.

(4) Includes insurance, travel, communications and other types of expenses.

Service costs increased by €6.3 million, or 28.5%, to €28.5 million for the six months ended June 30, 2021 from €22.2 million for the six months ended June 30, 2020.

This increase in service costs was mainly due to the combined effect of the following:

- (i) Transport costs increased by €0.5 million, or 11.5%, to €4.8 million for the six months ended June 30, 2021 from €4.3 million for the six months ended June 30, 2020. This increase was mainly driven by an increase in the number of operating stores.
- (ii) Warehousing costs increased by €0.6 million, or 17.0%, to €4.0 million for the six months ended

June 30, 2021 from €3.4 million for the six months ended June 30, 2020. This increase was mainly driven by an increase in the number of operating stores and, in general, of sales volumes.

- (iii) Consulting expenses increased by €3.7 million, to €4.8 million for the six months ended June 30, 2021 from €1.1 million for the six months ended June 30, 2020. This increase was mainly driven by an increase in services and technical consulting primarily related to the Arcaplanet Acquisition.

As a percentage of revenue from sales and services, service costs increased to 15.2% for the six months ended June 30, 2021 from 14.1% for the six months ended June 30, 2020.

Leases and rentals

Leases and rentals increased by €0.8 million, or 5.6%, to €14.3 million for the six months ended June 30, 2021 from €13.5 million for the six months ended June 30, 2020. This increase was mainly driven by the increase in the number of operating stores.

As a percentage of revenue from sales and services, leases and rentals decreased to 7.6% for the six months ended June 30, 2021 from 8.6% for the six months ended June 30, 2020.

Personnel expenses

The table below sets out Agrifarma's personnel expenses for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Six months ended June 30,				Change	
	2020	% ⁽¹⁾	2021	% ⁽¹⁾	2020-2021	%
<i>(€ thousands, except percentages)</i>						
Wages and salaries	18,152	11.5%	19,561	10.4%	1,409	7.8%
Social security contributions	5,047	3.2%	5,219	2.8%	172	3.4%
Severance indemnity	1,294	0.8%	1,398	0.7%	104	8.0%
Other personnel costs	477	0.3%	134	0.1%	(343)	(71.9%)
Total personnel expenses	24,970	15.9%	26,312	14.0%	1,342	5.4%

Note:

- (1) Indicates percentages of revenue from sales and services for the relevant period.

Personnel expenses increased by €1.3 million, or 5.4%, to €26.3 million for the six months ended June 30, 2021 from €25.0 million for the six months ended June 30, 2020. This increase was mainly driven by an increase in the average number of employees to 1,573 for the six months ended June 30, 2021 from 1,397 for the six months ended June 30, 2020. Such increase was mainly driven by the opening of new stores and an increase in indirect personnel to support the business growth.

As a percentage of revenue from sales and services, personnel expenses decreased to 14.0% for the six months ended June 30, 2021 from 15.9% for the six months ended June 30, 2020.

Amortization, depreciation and impairments

The table below sets out Agrifarma's amortization, depreciation and impairments for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Six months ended June 30,				Change	
	2020	% ⁽¹⁾	2021	% ⁽¹⁾	2020-2021	%
<i>(€ thousands, except percentages)</i>						
Amortization of intangible assets ⁽²⁾	12,461	7.9%	12,752	6.8%	291	2.3%
Depreciation of tangible assets	2,198	1.4%	2,212	1.2%	14	0.6%
Impairments	197	0.1%	(87)	n.m.	(284)	n.a.
Total amortization, depreciation and impairments	14,856	9.4%	14,877	7.9%	21	0.1%

Notes:

- (1) Indicates percentages of revenue from sales and services for the relevant period.
(2) Primarily relate to the "ARCAPLANET" trademark. See "*Business—Arcaplanet—Intellectual Property*."

Amortization, depreciation and impairments amounted to €14.9 million for the six months ended June 30, 2021 and 2020 and remained substantially unchanged between the two periods.

As a percentage of revenue from sales and services, amortization, depreciation and impairments decreased to 7.9% for the six months ended June 30, 2021 from 9.4% of revenue for the six months ended June 30, 2020.

Change in inventories of raw materials, consumables and goods

Change in inventories of raw materials, consumables and goods decreased by €7.9 million, to negative €6.5 million, for the six months ended June 30, 2021 from €1.4 million for the six months ended June 30, 2020.

Other operating expenses

Other operating expenses amounted to €2.1 million for the six months ended June 30, 2021 and €2.3 million for the six months ended June 30, 2020 and remained substantially unchanged between the two periods.

Interests and financial charges

Interests and financial charges increased by €1.3 million, or 4.2%, to €4.6 million for the six months ended June 30, 2021 from €3.3 million for the six months ended June 30, 2020. They mainly relate to the Existing UniCredit Facilities provided under the Existing UniCredit Facilities Agreement. See “*Description of Certain Financing Arrangements—Existing UniCredit Facilities Agreement*”.

Income tax expense

The table below sets out Agrifarma’s income tax expense for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Six months ended June 30,				Change	
	2020	% ⁽¹⁾	2021	% ⁽¹⁾	2020-2021	%
<i>(€ thousands, except percentages)</i>						
Current taxes	2,652	1.7%	5,992	3.2%	3,340	n.a.
Prior period taxes	(3,020)	(1.9%)	195	0.1%	3,215	n.a.
Deferred taxes	(457)	(0.3%)	(455)	(0.2%)	2	(0.4%)
Total income tax expense	(825)	(0.5%)	5,732	3.1%	6,557	n.a.

Note:

(1) Indicates percentages of revenue from sales and services for the relevant period.

Income tax expense increased by €6.6 million to €5.7 million for the six months ended June 30, 2021 from a tax benefit of €0.8 million for the six months ended June 30, 2020. This increase was mainly driven by an increase in current taxes as a result of a higher profit before taxes, which was partially offset by a decrease in prior period taxes related to patent box and ACE (Allowance for Corporate Equity) tax benefits.

Years ended December 31, 2019 and 2020

The table below sets out Agrifarma's income statement for the periods indicated:

	Year ended December 31,				Change	
	2019	% ⁽¹⁾	2020	% ⁽¹⁾	2019-2020	%
<i>(€ thousands, except percentages)</i>						
A) Value of production						
Revenue from sales and services	305,912 ⁽²⁾	100.0%	339,232 ⁽³⁾	100.0%	33,320	10.9%
Increases in fixed assets for internal work	3,465	1.1%	2,485	0.7%	(980)	(28.3%)
Other income	17,590	5.8%	18,672	5.5%	1,082	6.2%
Total value of production	326,967	106.9%	360,389	106.2%	33,422	10.2%
B) Production costs						
Raw materials, consumables, goods	175,820	57.5%	180,895	53.3%	5,075	2.9%
Service costs	38,701	12.7%	45,491	13.4%	6,790	17.5%
Leases and rentals	25,087	8.2%	27,161	8.0%	2,074	8.3%
Personnel expenses	48,437	15.8%	51,198	15.1%	2,761	5.7%
Amortization, depreciation and impairments	30,822	10.1%	30,456	9.0%	(366)	(1.2%)
Change in inventories of raw materials, consumables and goods	(1,211)	(0.4%)	2,596	0.8%	3,807	n.a.
Provisions for risks	123	0.1%	227	n.m.	104	84.6%
Other provisions	29	n.m.	12	n.m.	(17)	n.a.
Other operating expenses	3,025	1.0%	4,186	1.2%	1,161	38.4%
Total production costs	320,833	104.9%	342,222	100.9%	21,389	6.7%
Difference between value and cost of production (A-B)	6,134	2.0%	18,167	5.4%	12,033	n.a.
C) Financial income and charges						
Other financial income	12	n.m.	10	n.m.	(2)	(16.7%)
Interests and financial charges	6,688	2.2%	6,512	1.9%	(176)	(2.6%)
Foreign exchange gains / (losses)	(20)	n.m.	(20)	n.m.	—	(5%)
Total financial charges	(6,696)	(2.2%)	(6,522)	(1.9%)	174	(2.6%)
D) Valuation adjustments to financial assets and liabilities	(14)	n.m.	n.m.	n.m.	14	n.a.
Profit/(loss) before taxes (A-B±C±D)	(576)	(0.2%)	11,645	3.4%	12,221	n.a.
Income tax expense	3,500	1.1%	4,322	1.3%	822	23.5%
Profit/(loss) for the year	(4,076)	(1.3%)	7,323	2.2%	11,399	n.a.

Notes:

- (1) Indicates percentages of revenue from sales and services for the relevant period.
- (2) Includes: (i) €25.4 million contributed by Mondial Pet Distribution, which was merged into Agrifarma in December 2019 adding 71 "Fortesan" branded stores to the network; and (ii) €4.4 million contributed by 15 stores acquired from Zoodom in May 2019. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma—Key Factors Affecting Agrifarma's Results of Operations—Growth of the physical stores network."
- (3) Includes €0.2 million contributed by five stores acquired from Città degli Animali in November 2020. See "—Key Factors Affecting Agrifarma's Results of Operations—Growth of the physical stores network."

Revenue from sales and services

Agrifarma's revenue from sales and services increased by €33.3 million, or 10.9%, to €339.2 million for the year ended December 31, 2020 from €305.9 million for the year ended December 31, 2019. This increase was mainly driven by an increase in the number of stores, due to both organic growth and acquisitions, growth of sales via the E-commerce Platform and a significant increase in revenue from sales of Exclusive Brands products across both channels.

The table below sets out Agrifarma's revenue from sales and services, by channel, for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Year ended December 31,				Change	
	2019	% ⁽¹⁾	2020	% ⁽¹⁾	2019-2020	%
(€ thousands, except percentages)						
Revenue from retail sales ⁽²⁾	301,508	98.6%	335,360	98.9%	33,852	11.2%
of which:						
sales through physical stores	285,039	93.2%	311,790	91.9%	26,751	9.4%
sales through the E-commerce Platform	16,469	5.4%	23,570	6.9%	7,101	43.1%
Other revenue ⁽³⁾	4,404	1.4%	3,872	1.1%	(532)	(12.1%)
Total revenue from sales and services	305,912	100.0%	339,232	100.0%	33,320	10.9%

Notes:

- (1) Indicates percentages of revenue from sales and services for the relevant period.
- (2) Represents sales to individual customers through Agrifarma's store network and E-commerce Platform. See “—Description of Key Line Items in Agrifarma's Income Statement—Value of production line items—Revenue from sales and services.”
- (3) Includes (i) for the year ended December 31, 2019, residual wholesale sales by Mondial Pet Distribution (see “—Key Factors Affecting Agrifarma's Results of Operations—Growth of the physical store network”) and (ii) sales to Agrifarma's subsidiaries Arcaplanet S.A., Arcawip S.r.l. and First One S.r.l. See “—Description of Key Line Items in Agrifarma's Income Statement—Value of production line items—Revenue from sales and services.”

Revenue from retail sales

Revenue from retail sales increased by €33.9 million, or 11.2%, to €335.4 million for the year ended December 31, 2020 from €301.5 million for the year ended December 31, 2019. This increase was mainly driven by: (i) the increase in sales from stores opened in previous years; (ii) the creation of 23 new Arcaplanet Stores in Italy during the year; (iii) the addition to the network of five stores through the acquisition of Città degli Animali in November 2020 (see “—Key Factors Affecting Agrifarma's Results of Operations—Growth of the physical store network”); and (iv) an increase in revenue generated by sales through the E-commerce Platform, primarily related to customers' shift to the e-commerce channel due to restrictions related to the COVID-19 pandemic.

Agrifarma's revenue from sales of its Exclusive Brands products increased to approximately 42% of all its revenue from retail sales for the year ended December 31, 2020 from approximately 32% for the year ended December 31, 2019.

Other revenue

Other revenue decreased by €0.5 million, or 12.1%, to €3.9 million for the year ended December 31, 2020 from €4.4 million for the year ended December 31, 2019. This decrease was mainly due to a decrease in volumes of wholesale products sold.

Increases in fixed assets for internal work

Increases in fixed assets for internal work decreased by €1.0 million, or 28.3%, to €2.5 million for the year ended December 31, 2020 from €3.5 million for the year ended December 31, 2019. This item is mainly related to the capitalization of personnel, marketing and consultancy costs incurred in preparation for opening new stores and, to a lesser extent, existing stores. This decrease was mainly driven by the smaller number of new Arcaplanet Stores opened in the year ended December 31, 2020 (23), compared to the year ended December 31, 2019 (28).

Other income

The table below sets out Agrifarma's other income for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Year ended December 31,				Change	
	2019	% ⁽¹⁾	2020	% ⁽¹⁾	2019-2020	%
(€ thousands, except percentages)						
Income from promotional activities	15,831	5.2%	16,752	4.9%	921	5.8%
Real estate earnings	300	0.1%	356	0.1%	56	18.7%
Operating grants	22	n.m.	47	n.m.	25	n.a.
Other ⁽²⁾	1,437	0.5%	1,517	0.4%	80	5.6%
Total other income	17,590	5.8%	18,672	5.5%	1,082	6.2%

Notes:

- (1) Indicates percentages of revenue from sales and services for the relevant period.
- (2) Includes reimbursements of expenses, insurance compensations, certain contingencies, capital gains of non-financial nature and certain other types of income.

Other income increased by €1.1 million, or 6.2%, to €18.7 million for the year ended December 31, 2020 from €17.6 million for the year ended December 31, 2019. This increase was mainly driven by an increase in income from promotional activities with suppliers, as a result of an increase in the purchases of raw materials.

Raw materials, consumables, goods

Raw materials, consumables, goods, increased by €5.1 million, or 2.9%, to €180.9 million for the year ended December 31, 2020 from €175.8 million for the year ended December 31, 2019. This increase was mainly driven by an increase in volumes of pet food and accessories purchased from suppliers, as a result of increased sales and the number of operating stores in the network, as well as the change in the mix of products offered with an increased proportion of Exclusive Brands products sales. Such products are generally of higher quality and thus are more expensive.

As a percentage of revenue from sale and services, raw materials, consumables, goods decreased to 53.3% for the year ended December 31, 2020 from 57.5% for the year ended December 31, 2019.

Service costs

The table below sets out Agrifarma's service costs for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Year ended December 31,				Change	
	2019	% ⁽¹⁾	2020	% ⁽¹⁾	2019-2020	%
<i>(€ thousands, except percentages)</i>						
Advertising	7,153	2.3%	11,033	3.3%	3,880	54.2%
Transport	8,245	2.7%	8,986	2.6%	741	9.0%
Warehousing	5,940	1.9%	7,036	2.1%	1,096	18.5%
Consulting ⁽²⁾	3,674	1.2%	2,999	0.9%	(675)	(18.4%)
Utilities ⁽³⁾	4,722	1.5%	4,769	1.4%	47	1.0%
Other ⁽⁴⁾	8,967	2.9%	10,668	3.1%	1,701	19.0%
Total service costs	38,701	12.7%	45,491	13.4%	6,790	17.5%

Notes:

- (1) Indicates percentages of revenue from sales and services for the relevant period.
- (2) Includes technical services and consulting and legal fees and consulting.
- (3) Includes electricity, gas, water and other charges.
- (4) Includes insurance, travel, communications and other types of expenses.

Service costs increased by €6.8 million, or 17.5%, to €45.5 million for the year ended December 31, 2020 from €38.7 million for the year ended December 31, 2019.

This increase was mainly due to the combined effect of the following:

- (i) Advertising costs increased by €3.8 million, or 54.2%, to €11.0 million for the year ended December 31, 2020 from €7.2 million for the year ended December 31, 2019. This increase was mainly driven by promotional activities related to the opening of new stores and an increase in media advertising to support the launch of two new Exclusive Brands (HiPork[®] and Luna&Teo[®]); as well as the existing Exclusive Brands (Virtus[®], In The Nature[®], Hi[®] brand family, Wolllys Ranch[®], Perfect[®], Lovedi[®] and Pet Around You[®]).
- (ii) Transport costs increased by €0.7 million, or 9.0%, to €9.0 million for the year ended December 31, 2020 from €8.3 million for the year ended December 31, 2019. This increase was mainly driven by an increase in costs to deliver e-commerce sales during the lockdown period at the time of the COVID-19 pandemic.
- (iii) Warehousing costs increased by €1.1 million, or 18.5%, to €7.0 million for the year ended

December 31, 2020 from €5.9 million for the year ended December 31, 2019. This increase was mainly driven by an increase in the number of operating stores and, in general, of sales volumes.

- (iv) Consulting expenses decreased by €0.7 million, or 18.4%, to €3.0 million for the year ended December 31, 2020 from €3.7 million for the year ended December 31, 2019. This decrease was mainly driven by a decrease in services and technical consulting mainly relating to a sector study consultancy, which was carried out in 2019 (€0.4 million) and a decrease in tax, administrative and commercial consulting mainly relating to the Mondial Pet Distribution merger, which occurred in 2019 (€0.3 million).

As a percentage of revenue from sales and services, service costs increased to 13.4% for the year ended December 31, 2020 from 12.7% for the year ended December 31, 2019.

Leases and rentals

Leases and rentals increased by €2.1 million, or 8.3%, to €27.2 million for the year ended December 31, 2020 from €25.1 million for the year ended December 31, 2019. This increase was mainly driven by the increase in the number of operating stores.

As a percentage of revenue from sales and services, leases and rentals remained substantially unchanged for the years ended December 31, 2020 and 2019.

Personnel expenses

The table below sets out Agrifarma's personnel expenses for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Year ended December 31,				Change	
	2019	% ⁽¹⁾	2020	% ⁽¹⁾	2019-2020	%
<i>(€ thousands, except percentages)</i>						
Wages and salaries	36,435	11.9%	37,681	11.1%	1,246	3.4%
Social security contributions	9,403	3.1%	10,409	3.1%	1,006	10.7%
Severance indemnity	2,434	0.8%	2,623	0.8%	189	7.8%
Other personnel costs	165	0.1%	485	0.1%	320	n.a.
Total personnel expenses	48,437	15.8%	51,198	15.1%	2,761	5.7%

Note:

(1) Indicates percentages of revenue from sales and services for the relevant period.

Personnel expenses increased by €2.8 million, or 5.7%, to €51.2 million for the year ended December 31, 2020 from €48.4 million for the year ended December 31, 2019. This increase was mainly driven by an increase in the average number of employees to 1,538 for the year ended December 31, 2020 from 1,441 for the year ended December 31, 2019. Such increase was mainly driven by the acquisition of Città degli Animali's business unit, the opening of new stores and an increase in indirect personnel to support business growth.

As a percentage of revenue from sales and services, personnel expenses decreased slightly to 15.1% for the year ended December 31, 2020 from 15.8% for the year ended December 31, 2019.

Amortization, depreciation and impairments

The table below sets out Agrifarma's amortization, depreciation and impairments for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Year ended December 31,				Change	
	2019	% ⁽¹⁾	2020	% ⁽¹⁾	2019-2020	%
<i>(€ thousands, except percentages)</i>						
Amortization of intangible fixed assets ⁽²⁾	25,205	8.2%	25,544	7.5%	339	1.3%
Depreciation of tangible fixed assets	4,108	1.3%	4,242	1.3%	134	3.3%
Impairments	1,509	0.5%	670	0.2%	(839)	(55.6%)
Total amortization, depreciation and impairments	30,822	10.1%	30,456	9.0%	(366)	(1.2%)

Notes:

- (1) Indicates percentages of revenue from sales and services for the relevant period.
 (2) Primarily relate to the “ARCAPLANET” trademark. See “*Business—Arcaplanet—Intellectual Property*.”

Amortization, depreciation and impairments decreased by €0.3 million, or 1.2%, to €30.5 million for the year ended December 31, 2020 from €30.8 million for the year ended December 31, 2019. This decrease was mainly driven by a decrease in impairments, mainly related to software impairments, which was partially offset by an increase in amortization and depreciation due to new store openings.

As a percentage of revenue from sales and services, amortization, depreciation and impairments costs decreased slightly to 9.0% for the year ended December 31, 2020 from 10.1% for the year ended December 31, 2019.

Change in inventories of raw materials, consumables and goods

Change in inventories of raw materials, consumables and goods increased to €2.6 million for the year ended December 31, 2020 from negative €1.2 million for the year ended December 31, 2019.

Provisions for risks

Provisions for risks increased by €0.1 million, or 84.6%, to €0.2 million for the year ended December 31, 2020 from €0.1 million for the year ended December 31, 2019. These provisions mainly related to legal proceedings in both years.

Other operating expenses

Other operating expenses increased by €1.2 million, or 38.4%, to €4.2 million for the year ended December 31, 2020 from €3.0 million for the year ended December 31, 2019. This increase was mainly driven by an increase in sundry operating expenses related to higher costs incurred for promotional gifts in the year ended December 31, 2020.

Interests and financial charges

Interests and financial charges amounted to €6.5 million and €6.7 million for the years ended December 31, 2020 and 2019, respectively. They mainly relate to the Existing UniCredit Facilities provided under the Existing UniCredit Facilities Agreement. See “*Description of Certain Financing Arrangements—Existing UniCredit Facilities Agreement*”.

Income tax expense

The table below sets out Agrifarma’s income tax expense for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Year ended December 31,				Change	
	2019	% ⁽¹⁾	2020	% ⁽¹⁾	2019-2020	%
	(€ thousands, except percentages)					
Current taxes	5,347	1.7%	8,485	2.5%	3,138	58.7%
Prior year taxes	(796)	(0.3%)	(3,175)	(0.9%)	(2,379)	n.a.
Deferred taxes	(1,051)	(0.3%)	(988)	(0.3%)	63	(6.0%)
Income tax expense	3,500	1.1%	4,322	1.3%	822	23.5%

Note:

- (1) Indicates percentages of revenue from sales and services for the relevant period.

Income tax expense increased by €0.8 million, or 23.5%, to €4.3 million for the year ended December 31, 2020 from €3.5 million for the year ended December 31, 2019. This increase was mainly driven by an increase in current taxes as a result of a higher taxable profit before taxes, which was partially offset by a decrease in prior year taxes related to patent box and ACE tax benefits.

Years ended December 31, 2018 and 2019

The table below sets out Agrifarma's income statement for the periods indicated:

	Year ended December 31,				Change	
	2018	% ⁽¹⁾	2019	% ⁽¹⁾	2018-2019	%
(€ thousands, except percentages)						
A) Value of production						
Revenue from sales and services	227,485	100.0%	305,912 ⁽²⁾	100.0%	78,427	34.5%
Increases in fixed assets for internal work	2,927	1.3%	3,465	1.1%	538	18.4%
Other income	14,043	6.2%	17,590	5.8%	3,547	25.3%
Total value of production	244,455	107.5%	326,967	106.9%	82,512	33.8%
B) Production costs						
Raw materials, consumables, goods	132,754	58.4%	175,820 ⁽³⁾	57.5%	43,066	32.4%
Service costs	28,840	12.7%	38,701 ⁽³⁾	12.7%	9,861	34.2%
Leases and rentals	17,586	7.7%	25,087 ⁽³⁾	8.2%	7,501	42.7%
Personnel expenses	34,965	15.4%	48,437 ⁽³⁾	15.8%	13,472	38.5%
Amortization, depreciation and impairments	25,032	11.0%	30,822 ⁽³⁾	10.1%	5,790	23.1%
Change in inventories of raw materials, consumables and goods	2,223	1.0%	(1,211)	(0.4%)	(3,434)	n.a.
Provisions for risks	—	—	123	n.m.	123	n.a.
Other provisions	2	n.m.	29	n.m.	27	n.a.
Other operating expenses	2,016	0.9%	3,025	1.0%	1,009	50.0%
Total production costs	243,418	107.0%	320,833	104.9%	77,415	31.8%
Difference between value and cost of production						
(A-B)	1,037	0.5%	6,134	2.0%	5,097	n.a.
C) Financial income and charges						
Other financial income	24	n.m.	12	n.m.	(12)	n.a.
Interests and financial charges	6,578	2.9%	6,688	2.2%	110	1.7%
Foreign exchange gains / (losses)	(57)	n.m.	(20)	n.m.	37	n.a.
Total financial charges	(6,611)	(2.9%)	(6,696)	(2.2%)	(85)	1.3%
D) Valuation adjustments to financial assets and liabilities	14	n.m.	(14)	n.m.	(28)	n.a.
Profit/(loss) before taxes (A-B±C±D)	(5,560)	(2.4%)	(576)	(0.2%)	4,984	(89.6%)
Income tax expense	1,473	0.6%	3,500	1.1%	2,027	n.a.
Profit/(loss) for the year	(7,033)	(3.1%)	(4,076)	(1.3%)	2,957	(42.0%)

Notes:

- (1) Indicates percentages of revenue from sales and services for the relevant period.
- (2) Includes: (i) €25.4 million contributed by Mondial Pet Distribution, which was merged into Agrifarma in December 2019 adding 71 "Fortesan" branded stores to the network; and (ii) €4.4 million contributed by 15 stores acquired from Zoodom in May 2019. See "—Key Factors Affecting Agrifarma's Results of Operations—Growth of the physical stores network."
- (3) For the impact of the Mondial Pet Distribution Transaction, see "—Key Factors Affecting Agrifarma's Results of Operations—Growth of the physical stores network—Mondial Pet Distribution Transaction."

Revenue from sales and services

Agrifarma's revenue from sales and services increased by €78.4 million, or 34.5%, to €305.9 million for the year ended December 31, 2019 from €227.5 million for the year ended December 31, 2018. This increase was mainly driven by the increase in the number of stores, due to both organic growth and acquisitions.

The table below sets out Agrifarma's revenue from sales and services, by channel, for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Year ended December 31,				Change	
	2018	% ⁽¹⁾	2019	% ⁽¹⁾	2018-2019	%
<i>(€ thousands, except percentages)</i>						
Revenue from retail sales ⁽²⁾	215,511	94.7%	301,508	98.6%	85,997	39.9%
of which:						
sales through physical stores	204,273	89.8%	285,039	93.2%	80,766	39.5%
sales through the E-commerce Platform	11,238	4.9%	16,469	5.4%	5,231	46.5%
Other revenue ⁽³⁾	11,974	5.3%	4,404	1.4%	(7,570)	(63.2%)
Total revenue from sales and services	227,485	100.0%	305,912	100.0%	78,427	34.5%

Notes:

- (1) Indicates percentages of revenue from sales and services for the relevant period.
- (2) Represents sales to individual customers through Agrifarma's store network and E-commerce Platform. See “—Description of Key Line Items in Agrifarma's Income Statement—Value of production line items—Revenue from sales and services.”
- (3) Includes (i) for the year ended December 31, 2019, residual wholesale sales by Mondial Pet Distribution (see “—Key Factors Affecting Agrifarma's Results of Operations—Growth of the physical stores network”) and (ii) sales to Agrifarma's subsidiaries Arcaplanet S.A., Arcawip S.r.l. and First One S.r.l. (and, prior to the merger of Mondial Pet Distribution into Agrifarma, Mondial Pet Distribution). See “—Description of Key Line Items in Agrifarma's Income Statement—Value of production line items—Revenue from sales and services.”

Revenue from retail sales

Revenue from retail sales increased by €86.0 million, or 39.9%, to €301.5 million for the year ended December 31, 2019 from €215.5 million for the year ended December 31, 2018. This increase was mainly driven by (i) the creation of 28 new Arcaplanet Stores in Italy during the year; (ii) the addition to the network of 71 “Fortesan” branded stores through the merger with Mondial Pet Distribution in December 2019 and (iii) the addition to the network of 15 stores acquired from Zoodom in May 2019.

Agrifarma's revenue from retail sales of its Exclusive Brand increased to approximately 32% of all its revenue from retail sales for the year ended December 31, 2019 from approximately 25% for the year ended December 31, 2018.

Other revenue

Other revenue decreased by €7.6 million, or 63.2%, to €4.4 million for the year ended December 31, 2019 from €12.0 million for the year ended December 31, 2018. This decrease was mainly due to the merger with Mondial Pet Distribution, which resulted in a decrease in sales to Agrifarma's subsidiaries to €nil for the year ended December 31, 2019 from €11.4 million for the year ended December 31, 2018 and an increase in the volume of wholesale sales to €3.2 million for the year ended December 31, 2019 from €nil for the year ended December 31, 2018.

Increases in fixed assets for internal work

Increases in fixed assets for internal work increased by €0.6 million, or 18.4%, to €3.5 million for the year ended December 31, 2019 from €2.9 million for the year ended December 31, 2018. This item mainly related to the capitalization of personnel, marketing and consultancy costs incurred prior in preparation for opening new stores and, to a lesser extent, existing stores. This increase was mainly driven by the higher number of new Arcaplanet Stores opened in the year ended December 31, 2019 (28), compared to the year ended December 31, 2018 (24).

Other income

The table below sets out Agrifarma's other income for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Year ended December 31,				Change	
	2018	% ⁽¹⁾	2019	% ⁽¹⁾	2018-2019	%
<i>(€ thousands, except percentages)</i>						
Income from promotional activities	12,625	5.5%	15,831	5.2%	3,206	25.4%
Real estate earnings	126	0.1%	300	0.1%	174	n.a.
Operating grants	—	—	22	n.m.	22	n.a.
Other ⁽²⁾	1,292	0.6%	1,437	0.5%	145	11.2%
Total other income	14,043	6.2%	17,590	5.8%	3,547	25.3%

Notes:

- (1) Indicates percentages of revenue from sales and services for the relevant period.
(2) Includes reimbursements of expenses, insurance compensations, certain contingencies, capital gains of non-financial nature and certain other types of income.

Other income increased by €3.6 million, or 25.3%, to €17.6 million for the year ended December 31, 2019 from €14.0 million for the year ended December 31, 2018. This increase was mainly driven by an increase in income from promotional activities with suppliers, as a result of an increase in the purchase of raw materials.

Raw materials, consumables, goods

Raw materials, consumables, goods increased by €43.0 million, or 32.4%, to €175.8 million for the year ended December 31, 2019 from €132.8 million for the year ended December 31, 2018. This increase was mainly driven by an increase in volumes of pet food and accessories purchased from suppliers, as a result of increased sales and the number of stores in the network, as well as the change in the mix of products offered with an increased proportion of Exclusive Brands products sales. Such products are generally of higher quality and thus are more expensive. Raw materials, consumables, goods costs for the year ended December 31, 2019 includes €4.5 million related to Mondial Pet Distribution.

As a percentage of revenue from sale and services, raw materials, consumables, goods decreased to 57.5% in for the year ended December 31, 2019 from 58.4% in for the year ended December 31, 2018.

Service costs

The table below sets out Agrifarma's service costs for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Year ended December 31,				Change	
	2018	% ⁽¹⁾	2019	% ⁽¹⁾	2018-2019	%
<i>(€ thousands, except percentages)</i>						
Advertising	6,493	2.9%	7,153	2.3%	660	10.2%
Transport	5,430	2.4%	8,245	2.7%	2,815	51.8%
Warehousing	4,662	2.0%	5,940	1.9%	1,278	27.4%
Consulting ⁽²⁾	2,225	1.0%	3,674	1.2%	1,449	65.1%
Utilities ⁽³⁾	3,268	1.4%	4,722	1.5%	1,454	44.5%
Other ⁽⁴⁾	6,762	3.0%	8,967	2.9%	2,205	32.6%
Total service costs	28,840	12.7%	38,701	12.7%	9,861	34.2%

Notes:

- (1) Indicates percentages of revenue from sales and services for the relevant period.
(2) Includes technical services and consulting and legal fees and consulting.
(3) Includes electricity, gas, water and other charges.
(4) Includes insurance, travel, communications and other types of expenses.

Service costs increased by €9.9 million, or 34.2%, to €38.7 million for the year ended December 31, 2019 from €28.8 million for the year ended December 31, 2018. Service costs for the year ended December 31, 2019 include €4.2 million related to Mondial Planet Distribution.

This increase was mainly due to the combined effect of the following:

- (i) Advertising costs increased by €0.7 million, or 10.2%, to €7.2 million for the year ended December 31, 2019 from €6.5 million for the year ended December 31, 2018. The increase was

mainly driven by promotional activities related to the opening of new stores and an increase in media advertising to support the launch of new Exclusive Brands, such as Virtus[®], In The Nature[®], Hi[®] brand family, Wollys Ranch[®], Perfect[®], Lovedi[®] and Pet Around You[®].

- (ii) Transport costs increased by €2.8 million, or 51.8%, to €8.2 million for the year ended December 31, 2019 from €5.4 million for the year ended December 31, 2018. The increase was mainly driven by the increase in the number of operating stores due to the acquisition of Zoodom and Mondial Pet Distribution stores.
- (iii) Warehousing costs increased by €1.3 million, or 27.4%, to €6.0 million for the year ended December 31, 2019 from €4.7 million for the year ended December 31, 2018. The increase was mainly driven by an increase in the number of operating stores (including Mondial Pet Distribution stores) and, in general, of sales volumes.
- (iv) Consulting expenses increased by €1.5 million, or 65.1%, to €3.7 million for the year ended December 31, 2019 from €2.2 million for the year ended December 31, 2018. This increase was mainly driven by an increase in services and technical consulting related to the integration of Mondial Pet Distribution into Agrifarma and Agrifarma's new headquarters in Carasco (Genoa).
- (v) Utilities increased by €1.4 million, or 44.5%, to €4.7 million for the year ended December 31, 2019 from €3.3 million for the year ended December 31, 2018. This increase was mainly driven by the increase in the number of operating stores (including Mondial Pet Distribution stores).

As a percentage of revenue from sales and services, service costs remained substantially unchanged at 12.7% year-on-year.

Leases and rentals

Leases and rentals increased by €7.5 million, or 42.7%, to €25.1 million for the year ended December 31, 2019 from €17.6 million for the year ended December 31, 2018. The increase was mainly driven by the increase in the number of operating stores (in particular, Mondial Pet Distribution stores). Leases and rentals for the year ended December 31, 2019 include €4.8 million related to Mondial Pet Distribution stores.

As a percentage of revenue from sales and services, leases and rentals increased to 8.2% for the year ended December 31, 2019 from 7.7% for the year ended December 31, 2018.

Personnel expenses

The table below sets out Agrifarma's personnel expenses for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Year ended December 31,				Change	
	2018	% ⁽¹⁾	2019	% ⁽¹⁾	2018-2019	%
	(€ thousands, except percentages)					
Wages and salaries	26,787	11.8%	36,435	11.9%	9,648	36.0%
Social security contributions	6,344	2.8%	9,403	3.1%	3,059	48.2%
Severance indemnity	1,732	0.8%	2,434	0.8%	702	40.5%
Other personnel costs	102	0.0%	165	0.1%	63	61.8%
Total personnel expenses	34,965	15.4%	48,437	15.8%	13,472	38.5%

Note:

(1) Indicates percentages of revenue from sales and services for the relevant period.

Personnel expenses increased by €13.4 million, or 38.5%, to €48.4 million for the year ended December 31, 2019 from €35.0 million for the year ended December 31, 2018. This increase was mainly driven by an increase in the average number of employees from 1,441 for the year ended December 31, 2019 from 978 for the year ended December 31, 2018. Such increase was mainly driven by the Mondial Pet Distribution Transaction, which resulted in the addition of 292 new employees and the addition of 41 former Zoodom employees. Personnel expenses for the year ended December 31, 2019 include €9.2 million related to Mondial Pet Distribution stores.

As a percentage of revenue from sales and services, personnel expenses increased slightly to 15.8% for the year ended December 31, 2019 from 15.4% for the year ended December 31, 2018.

Amortization, depreciation and impairments

The table below sets out Agrifarma's amortization, depreciation and impairments for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Year ended December 31,				Change	
	2018	% ⁽¹⁾	2019	% ⁽¹⁾	2018-2019	%
<i>(€ thousands, except percentages)</i>						
Amortization of intangible fixed assets ⁽²⁾	22,121	9.7%	25,205	8.2%	3,084	13.9%
Depreciation of tangible fixed assets	2,718	1.2%	4,108	1.3%	1,390	51.1%
Impairments	193	0.1%	1,509	0.5%	1,316	n.a.
Total amortization, depreciation and impairments	25,032	11.0%	30,822	10.1%	5,790	23.1%

Notes:

(1) Indicates percentages of revenue from sales and services for the relevant period.

(2) Primarily relate to the "ARCAPLANET" trademark. See "*Business—Arcaplanet—Intellectual Property*."

Amortization, depreciation and impairments increased by €5.8 million, or 23.1%, to €30.8 million for the year ended December 31, 2019 from €25.0 million for the year ended December 31, 2018. This increase was mainly driven by (i) an increase of €3.1 million in amortization of intangible fixed assets, mainly related to goodwill arising from the Mondial Pet Distribution Transaction and higher development costs and leasehold improvement related to the opening of new stores; and (ii) an increase of €1.4 million in depreciation of tangible fixed assets mainly related to the opening of new stores.

As a percentage of revenue from sales and services, amortization, depreciation and impairments costs decreased slightly to 10.1% for the year ended December 31, 2019 from 11.0% for the year ended December 31, 2018.

Change in inventories of raw materials, consumables and goods

Change in inventories of raw materials, consumables and goods decreased to negative €1.2 million for the year ended December 31, 2019 from €2.2 million for the year ended December 31, 2018.

Provisions for risks

Provisions for risks amounted to €123 thousand for the year ended December 31, 2019 and €nil for the year ended December 31, 2018. The provisions for the year ended December 31, 2019 mainly related to legal proceedings.

Other operating expenses

Other operating expenses increased by €1.0 million, or 50.0%, to €3.0 million for the year ended December 31, 2019 from €2.0 million for the year ended December 31, 2018. This increase was mainly driven by an increase in: (i) losses from the disposal of assets, and (ii) sundry operating expenses mainly related to a higher number of operating stores.

Interests and financial charges

Interests and financial charges amounted to €6.7 million and €6.6 million for the years ended December 31, 2019 and 2018, respectively. They mainly relate to the Existing UniCredit Facilities provided under the Existing UniCredit Facilities Agreement. See "*Description of Certain Financing Arrangements—Existing UniCredit Facilities Agreement*".

Income tax expense

The table below sets out Agrifarma's income tax expense for the periods indicated, in absolute numbers and as a percentage of revenue from sales and services:

	Year ended December 31,				Change	
	2018	% ⁽¹⁾	2019	% ⁽¹⁾	2018-2019	%
<i>(€ thousands, except percentages)</i>						
Current taxes	3,102	1.4%	5,347	1.7%	2,245	72.4%
Prior year taxes	(571)	(0.3%)	(796)	(0.3%)	(225)	39.4%
Deferred taxes	(1,058)	(0.5%)	(1,051)	(0.3%)	7	(0.7%)
Income tax expense	1,473	0.6%	3,500	1.1%	2,027	n.a.

Note:

(1) Indicates percentages of revenue from sales and services for the relevant period.

Income tax expense increased by €2.0 million, to €3.5 million for the year ended December 31, 2019 from €1.5 million for the year ended December 31, 2018. This increase was mainly driven by an increase in current taxes as a result of a higher profit before taxes, which was partially offset by a decrease in prior year taxes related to higher patent box benefit.

Liquidity and Capital Resources

Overview

Following the completion of the Transactions, we expect that the Combined Group's principal sources of liquidity will be cash flows from operating activities and drawings under the Original Revolving Facility. The availability of the Original Revolving Facility will be subject to certain conditions.

Historically, the principal resources of Agrifarma's liquidity have been its cash flows from operating activities and drawings under the revolving credit facility under the Existing UniCredit Facilities Agreement. See "Description of Certain Financing Arrangements—Existing UniCredit Facilities Agreement". The Existing UniCredit Facilities are expected to be refinanced in full with the proceeds of the Offering on or about the Issue Date. See "Use of Proceeds."

Agrifarma's liquidity requirements arise mainly from its need to meet debt service requirements and to fund its capital expenditure. Agrifarma's management believes that its cash flows from operating activities, cash on hand and the availability of borrowings under the Original Revolving Facility will be sufficient to fund its operating capital expenditures and debt service for at least the next twelve months. Furthermore, Agrifarma's management believes that its current liability position will be sufficient to meet its needs, subject to a variety of factors, including (i) its future ability to generate cash flows from its operations, (ii) the level of its outstanding indebtedness and prevailing interest rates, which affects its debt service requirements with respect to such indebtedness, (iii) its ability to continue to borrow funds from financial institutions, (iv) its capital expenditure requirements, and (v) general economic, financial, competitive market, legislative, regulatory and other factors, many of which are beyond its control, as well as other factors discussed in the section entitled "Risk Factors."

Cash Flows

Six months ended June 30, 2020 and 2021

The table below sets out a summary of Agrifarma's cash flows for the periods indicated:

	Six months ended June 30,	
	2020	2021
<i>(€ thousands)</i>		
Cash flow from operating activities	8,301	25,982
Cash flow used in investing activities	(4,749)	(15,949)
Cash flow from financing activities	—	—
Increase of cash and cash equivalents	3,552	10,033
Total cash and cash equivalents at beginning of period	52,636	75,309
Total cash and cash equivalents at end of period	56,188	85,342

Cash flow from operating activities

Cash flow from operating activities increased by €17.7 million, to €26.0 million for the six months ended June 30, 2021 from €8.3 million for the six months ended June 30, 2020.

This was mainly due to:

- (i) an increase in cash flow prior to the changes in net working capital by €10.9 million, to €31.2 million for the six months ended June 30, 2021 from €20.3 million for the six months ended June 30, 2020, in line with the increase in Agrifarma EBITDA;
- (ii) an increase in changes in net working capital by €11.3 million, to cash generated of €2.6 million for the six months ended June 30, 2021 from cash absorbed of €8.7 million for the six months ended June 30, 2020, primarily related to an increase in payables to suppliers, partially offset by a decrease in inventories and other non-trade working capital items; only partially offset by
- (iii) an increase in income tax paid by €5.0 million, to €5.0 million for the six months ended June 30, 2021 from nil for the six months ended June 30, 2020, primarily related to a different timing in cash out (in 2020, taxes were paid in July).

Cash flow used in investing activities

Cash flow used in investing activities increased by €11.2 million, to €16.0 million for the six months ended June 30, 2021 from €4.8 million for the six months ended June 30, 2020. This increase was mainly due to (i) a loan of €4.5 million granted to First One S.r.l. to fund the construction of the Tagliamento Facility; (ii) an equity investment in First One S.r.l. of €1.5 million; and (iii) an increase in investments in tangible and intangible fixed assets.

For the six months ended June 30, 2021, cash flows used in investing in fixed assets was mainly related to: (i) investments in intangible fixed assets for €6.8 million, primarily related to capitalized incorporation costs and leasehold improvement connected to the opening of 16 new stores, the refurbishment of existing stores and the implementation of new software, and (ii) investments in tangible fixed assets for €3.2 million, primarily related to purchases of furniture, fittings, office and department equipment, ordinary and electronic office machines, and vehicles for the new stores and the refurbishment of the existing car park.

For the six months ended June 30, 2020, cash flows used in investing activities was mainly related to: (i) investments in intangible fixed assets for €3.0 million, primarily related to capitalized incorporation costs and leasehold improvement connected to the opening of 3 new stores and the refurbishment of existing stores; and (ii) investments in tangible fixed assets for €1.8 million, primarily related to purchases of furniture, fittings, office and department equipment, ordinary and electronic office machines, and vehicles for the new stores and the refurbishment of the existing ones.

Cash flow from financing activities

There was no cash flow from financing activities in either period.

Years ended December 31, 2018, 2019 and 2020

The table below sets out a summary of Agrifarma's cash flows for the periods indicated:

	Year ended December 31,		
	2018	2019	2020
	(€ thousands)		
Cash flow from operating activities	18,214	45,067	38,854
Cash flow used in investing activities	(38,397)	(23,919)	(14,857)
Cash flow (used in)/from financing activities	34,022	32	(1,324)
Increase of cash and cash equivalents	13,839	21,180	22,673
Total cash and cash equivalents at beginning of the period	17,617	31,456	52,636
Total cash and cash equivalents at end of the period	31,456	52,636	75,309

Cash flow from operating activities

2020 compared with 2019

Cash flow from operating activities decreased by €6.2 million, to €38.9 million for the year ended December 31, 2020 from €45.1 million for the year ended December 31, 2019.

This was mainly due to:

- (i) an increase in cash flow prior to the changes in net working capital by €11.5 million, to €52.0 million for the year ended December 31, 2020 from €40.5 million for the year ended December 31, 2019, in line with the increase in Agrifarma EBITDA; more than fully offset by
- (ii) a decrease in changes in net working capital by €10.4 million, to €1.7 million for the year ended December 31, 2020 from €12.1 million for the year ended December 31, 2019, primarily related to a decrease in payables to suppliers and other non-trade working capital items, only partially offset by an increase in inventories; and
- (iii) an increase in income tax paid by €4.3 million, to €6.2 million for the year ended December 31, 2020 from €1.9 million for the year ended December 31, 2019.

2019 compared with 2018

Cash flow from operating activities increased by €26.9 million, to €45.1 million for the year ended December 31, 2019 from €18.2 million for the year ended December 31, 2018.

This was mainly due to:

- (i) an increase in cash flow prior to the changes in net working capital by €12.7 million, to €40.5 million for the year ended December 31, 2019 from €27.8 million for the year ended December 31, 2018, in line with the increase in Agrifarma EBITDA; and
- (ii) an increase in changes in net working capital by €11.7 million, to €12.1 million for the year ended December 31, 2019 from €0.4 million for the year ended December 31, 2018, primarily driven by an increase in payables to suppliers and other non-trade working capital items, partially offset by an increase in inventories.

Cash flow used in investing activities

2020 compared with 2019

Cash flow used in investing activities decreased by €9.1 million, to €14.9 million for the year ended December 31, 2020 from €24.0 million for the year ended December 31, 2019. This decrease was mainly due to a decrease in investments in tangible and intangible fixed assets and acquisitions of business units and investments.

For the year ended December 31, 2020, cash flows used in investing activities was mainly related to:

- (i) €0.6 million related to the acquisition of Città degli Animali (net of cash acquired); (ii) investments in intangible fixed assets for €9.1 million, primarily related to capitalized incorporation costs and improvements to third party assets connected to the opening of 23 new stores and the refurbishment of existing stores; and
- (iii) investments in tangible fixed assets of €5.4 million, primarily related to purchases of furniture, fittings, office and department equipment, ordinary and electronic office machines, and vehicles for the new stores.

For the year ended December 31, 2019, cash flows used in investing activities was mainly related to:

- (i) €1.3 million related to the acquisitions of stores from Zoodom (net of cash acquired); (ii) investments in intangible fixed assets for €11.1 million, primarily related to capitalized incorporation costs and leasehold improvements connected to the opening of 28 new stores and the refurbishment of recently acquired stores; and
- (iii) investments in tangible fixed assets for €8.8 million, primarily related to purchases of furniture, fittings, office and department equipment, ordinary and electronic office machines, and vehicles for the new stores.

2019 compared with 2018

Cash flow used in investing activities decreased by €14.4 million, to €24.0 million for the year ended December 31, 2019 from €38.4 million for the year ended December 31, 2018. This decrease was mainly due to a decrease in purchases of financial assets, only partially offset by an increase in investments in tangible and intangible fixed assets.

A description of the principal components of cash flow used in investing activities for the year ended December 31, 2019 is set out above.

For the year ended December 31, 2018, cash flow used in investing activities was mainly related to:

- (i) investments in financial assets for €26.5 million, mainly related to the Mondial Pet Distribution Transaction;
- (ii) investments in intangible fixed assets of €8.4 million, primarily related to capitalized incorporation costs

and leasehold improvement connected to the opening of 24 new stores and the refurbishment of the Country Shop's retail chain, acquired in 2017; and (iii) investments in tangible fixed assets of €3.7 million, primarily related to purchases of furniture, fittings, office and department equipment, ordinary and electronic office machines.

Cash flow (used in)/from financing activities

2020 compared with 2019

Cash flow used in financing activities decreased by €1.4 million, to cash used of €1.3 million for the year ended December 31, 2020 from cash generated of €32 thousand for the year ended December 31, 2019. This decrease was mainly related to repayments of the first instalments under Capex 1 and Capex 2 facilities of the Existing UniCredit Facilities Agreement for an aggregate amount of €1.3 million in the year ended December 31, 2020.

2019 compared with 2018

Cash generated from financing activities decreased by €34.0 million, to €32 thousand for the year ended December 31, 2019 from €34.0 million for the year ended December 31, 2018. This decrease was mainly related to a drawdown of additional €35.0 million under Facility B1 of the Existing UniCredit Facilities Agreement in the year ended December 31, 2018.

Changes in net working capital

Changes in net working capital are defined as the sum of the movements in inventories, trade receivables, trade payables, accrued income and prepaid expenses, accrued expenses and deferred income and other net working capital assets and liabilities. Changes in net working capital is not a measure of net income, operating income, operating performance or liquidity presented in accordance with Italian GAAP or any other generally accepted accounting principles. When assessing Agrifarma's operating performance, you should not consider this data in isolation or as a substitute for its net income, operating income or any other operating performance or liquidity measure that is calculated in accordance with Italian GAAP or any other generally accepted accounting principles. See "*Presentation of Financial and Other Information—Non-GAAP Measures.*"

The table below sets out a calculation of changes in net working capital for the periods indicated, as derived from Agrifarma's cash flow statement:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	(€ thousands)				
Decrease/(increase) of inventories	2,306	(1,055)	2,596	1,351	(6,561)
Decrease/(increase) in receivables from customers	(573)	(1,429)	219	1,932	1,382
Increase/(decrease) in payables to suppliers	978	9,841	(2,260)	(10,961)	11,564
Decrease/(increase) in accrued income and prepaid expenses	(129)	(514)	404	(391)	(835)
Increase/(decrease) in accrued expenses and deferred income	23	(65)	(68)	(83)	(79)
Other changes in net working capital	(2,228)	5,325	785	(613)	(2,894)
Agrifarma changes in net working capital	377	12,103	1,676	(8,765)	2,577

Agrifarma's business operations are mainly affected by the volumes and timing of sales. Its net working capital is structurally positive as it collects cash from its retail activities at the time of the sale while pays its suppliers on standard credit terms.

Payment agreements with customers generally depend on the distribution channel. In case of retail sales, there are no particular payment dilations, while for large sales volumes and for distributors, contracts require payments within specific periods, which can be between zero-days (pre-payment) and 90 days, or in certain instances, up to 120 days.

See "*Cash Flows*" for further information.

Capital Expenditures

Agrifarma's capital expenditures consist mainly of investments to expand its retail chain and upgrade existing stores.

The table below sets out Agrifarma's capital expenditures for the periods indicated, as derived from Agrifarma's cash flow statement:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	(€ thousands)				
Intangible fixed assets	8,374	11,066	9,085	2,992	6,843
Tangible fixed assets	3,749	8,806	5,383	1,798	3,203
Capital expenditures	12,123	19,872	14,468	4,790	10,046

Six months ended June 30, 2021

For the six months ended June 30, 2021, Agrifarma's capital expenditures amounted to €10.0 million, of which €6.8 million related to intangible fixed assets and €3.2 million related to tangible fixed assets.

Investments in intangible fixed assets were mainly related to incorporation costs and leasehold improvement connected to the opening of 16 new stores, the refurbishment of existing stores for the implementation of new software.

Investments in tangible fixed assets were mainly related to purchases of furniture, fittings, office and department equipment, ordinary and electronic office machines, and vehicles for the new stores and the refurbishment of the existing car park.

Six months ended June 30, 2020

For the six months ended June 30, 2020, Agrifarma's capital expenditures amounted to €4.8 million, of which €3.0 million related to intangible fixed assets and €1.8 million related to tangible fixed assets.

Investments in intangible fixed assets were mainly related to incorporation costs and leasehold improvement connected to the opening of three new stores and the refurbishment of existing stores.

Investments in tangible fixed assets were mainly related to purchases of furniture, fittings, office and department equipment, ordinary and electronic office machines, and vehicles for the new stores and the refurbishment of the existing ones.

Year ended December 31, 2020

For the year ended December 31, 2020, Agrifarma's capital expenditures amounted to €14.5 million, of which €9.1 million related to intangible fixed assets and €5.4 million related to tangible fixed assets.

Investments in intangible fixed assets were mainly related to capitalized incorporation costs and leasehold improvement connected to the opening of 23 new stores and the refurbishment of existing stores.

Investments in tangible fixed assets were mainly related to purchases of furniture, fittings, office and department equipment, ordinary and electronic office machines, and vehicles for the new stores.

Year ended December 31, 2019

For the year ended December 31, 2019, Agrifarma's capital expenditures amounted to €19.9 million, of which €11.1 million related to intangible fixed assets and €8.8 million related to tangible fixed assets.

Investments in intangible fixed assets were mainly related to capitalized incorporation costs and leasehold improvement connected to the opening of 28 new stores and the refurbishment of recently acquired stores.

Investments in tangible fixed assets were mainly related to purchases of furniture, fittings, office and department equipment, ordinary and electronic office machines, and vehicles for the new stores.

Year ended December 31, 2018

For the year ended December 31, 2018, Agrifarma's capital expenditures amounted to €12.1 million, of which €8.4 million related to intangible fixed assets and €3.7 million related to tangible fixed assets.

Investments in intangible fixed assets were mainly related to capitalized incorporation costs and leasehold improvement connected to the opening of 24 new stores and the refurbishment of the Country Shop's retail chain acquired in 2017.

Investments in tangible fixed assets were mainly related to purchases of furniture, fittings, office and department equipment, ordinary and electronic office machines.

Capital Resources

The Existing UniCredit Facilities Agreement was originally entered into on April 26, 2016 by Noah 3 S.p.A (“**Noah 3**”) with certain arrangers named therein, with UniCredit Bank AG, Milan Branch, as agent and security agent. The original purpose of the Existing UniCredit Facilities was to finance the acquisition by Noah 3 of Saluki S.p.A. (“**Saluki**”). Following completion of such acquisition, with effect from November 20, 2016, Noah 3 and Saluki, among others, merged by incorporation into Agrifarma.

The Existing UniCredit Facilities Agreement was subsequently amended and restated on May 13, 2016, April 7, 2017 and December 14, 2017. The aggregate commitments available under the Existing UniCredit Facilities Agreement are €148.9 million. The total aggregate principal amount outstanding under the Existing UniCredit Facilities is €147.6 million.

The Existing UniCredit Facilities are expected to be repaid in full on or about the Arcaplanet Acquisition Closing Date with a portion of the proceeds of the Offering, followed by termination of the Existing UniCredit Facilities Agreement and release of all related security interests. See “*Use of Proceeds*.”

Contractual Obligations

The table below sets out Agrifarma’s third-party contractual obligations (excluding any interest payments under such contractual obligations and commitments) as at June 30, 2021.

(€ thousands)	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Existing UniCredit Facilities ⁽¹⁾	147,704	—	—	147,704
Payables to suppliers	64,548	—	—	64,548
Total	<u>212,252</u>	<u>—</u>	<u>—</u>	<u>212,252</u>

Note:

(1) Represents the aggregate amount of € of €147,704 thousand at amortized cost outstanding under the Existing UniCredit Facilities as at June 30, 2021.

Off-Balance Sheet Arrangements

As at June 30, 2021, Agrifarma did not have any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

Agrifarma’s activity is exposed to a variety of financial risks including credit risk, liquidity risk and market risk. The following section discusses the significant financial risks, to which Agrifarma is exposed. This discussion does not address other risks to which Agrifarma is exposed in the normal course of business. See “*Risk Factors*”.

Credit Risk

Credit risk represents Agrifarma’s risk to potential losses resulting from non-compliance with the obligations assumed by counterparties. Agrifarma is not significantly exposed to credit risk, as its exposure to potential losses that may arise from the failure of customers to meet their obligations is very limited. As transactions with customers are normally settled in cash, Agrifarma’s trade receivables are almost exclusively represented by amounts due from suppliers. As at June 30, 2021 and December 31, 2020, 2019 and 2018, no provisions for doubtful accounts were recognized in connection with to trade receivables.

Liquidity Risk

Liquidity risk represents Agrifarma’s risk of not being able to fulfil present or future obligations owing to insufficient available funds. Management expects that Agrifarma will be able to meet the requirements arising from its operating cash flow needs, to fund both capital expenditures and working capital, using the liquidity available and generated by current operations, as well as with the lines of credit currently available.

The Existing UniCredit Facilities Agreement requires compliance with certain financial covenants. Such covenants were always met during the periods under review.

Management believes that Agrifarma's liquidity is sufficient to meet its liquidity requirements, therefore Agrifarma's exposure to liquidity risk is currently very limited.

Market Risk

Market risk is the combination of the following components:

- (i) *Interest rate risk*: Agrifarma is exposed to interest rate risk arising from the Existing UniCredit Facilities, which are available at variable interest rates. Agrifarma entered into a derivative contract in order to mitigate such risk;
- (ii) *Exchange rate risk*: Agrifarma operates predominately in Italy and is not currently exposed to any significant currency risk; and
- (iii) *Price risk*: price risk is a recurring factor in any market, but as Agrifarma's business is focused on retail sales, the price factor has a controllable incidence of variability.

Critical Accounting Estimates

The Agrifarma Financial Statements included elsewhere in this offering memorandum contain a description of certain accounting policies, which require us to make estimates and assumptions that affect reported results and disclosures. Agrifarma's management believes that the following items are critical accounting policies. "Critical accounting policies" means policies that are both important to the description of Agrifarma's financial performance and results of operations and require critical management judgments and estimates in relation to matters that are inherently uncertain. Although Agrifarma's management believes that its discretionary judgments and estimates are appropriate, actual future results may differ from its estimates.

Depreciation and amortization

Tangible and intangible assets are depreciated or amortized on a straight-line basis over their estimated useful life. The economic useful life of these assets is determined at the time of purchase, based on historical experience for similar assets, market conditions and expected future events which may affect them, such as technological changes. An asset's actual useful life may, therefore, be different from its estimated useful life.

Provisions for inventories

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.

Impairment of non-current assets

Intangible assets, including goodwill, and property plant and equipment are stated at cost, net of amortization calculated based on the relevant expected residual useful life. The carrying value of intangible assets, including goodwill, and property, plant and equipment is reviewed whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is higher than the recoverable value, an impairment loss is recorded. The existence of impairment indicators and the impairment test are based on subjective valuations, using internal information or external information and based on historical experience. The correct identification of the factors indicating a potential impairment and the estimates to determine the impairment, may depend on conditions, which vary over time, affecting the assessments and estimates.

Provisions for risks and charges

Provisions for risks and charges are provided in respect of known or probable losses or liabilities whose timing and extent cannot be determined at the year-end but an estimation of cost can be provided by the management.

No provisions are accrued when the obligation is possible but not probable or when the cost of a probable loss or liability cannot be reliably estimated. However, such possible obligations are disclosed in the notes to the Agrifarma Financial Statements. The quantification of the provision and the classification as an obligation as probable are based on assumptions and estimates using information and knowledge which may vary over time. Therefore, the final outcome of such litigations may be significantly different from those considered during the preparation of the financial statements. The amount recorded in the Financial Statements represent management's best estimate at the relevant reporting date.

Provision for impairment of receivables

Receivables are recognized at the nominal amount, less provisions applied based on management's estimation of the recoverability of the receivable. A provision for impairment of receivables is recorded when there are indications that the full carrying value of the receivable may not be recoverable. The provision covers the estimate of the risk of losses which derives from past experience with similar receivables, from the analysis of overdue receivables (current and historical), of losses and recoveries and finally from monitoring economic trends and forecasts both currently and prospectively to Agrifarma's business.

Tax provisions, including deferred taxes

This includes the liabilities for probable taxes, deriving from non-definitive assessments and pending disputes, and the deferred tax liabilities determined on the basis of the taxable temporary differences, applying the estimated rate in force at the moment in which these differences are deemed to be reversed.

UNAUDITED **PRO FORMA** CONSOLIDATED FINANCIAL INFORMATION

*The following unaudited pro forma consolidated financial information of the Combined Group (the “**Unaudited Pro Forma Consolidated Financial Information**”) has been derived from the Financial Statements and prepared for illustrative purposes only to give effect to the Transactions (save for the Post Closing Mergers) as though they had occurred on June 30, 2021 for the purpose of the unaudited pro forma consolidated balance sheet of the Combined Group; as at January 1, 2020 for the purpose of the unaudited pro forma consolidated income statement of the Combined Group for the year ended December 31, 2020; as at January 1, 2021 for the purpose of the unaudited pro forma consolidated income statement of the Combined Group for the six months ended June 30, 2021 and as at July 1, 2020 for the purpose of the unaudited pro forma consolidated income statement of the Combined Group for the twelve months ended June 30, 2021. The Unaudited Pro Forma Consolidated Financial Information is based on our current estimates of, and good faith assumptions regarding, the adjustments arising from the Transactions.*

For the purposes of the Unaudited Pro Forma Consolidated Financial Information, Agrifarma’s interests in Agrifarma Subsidiaries have continued to be recorded as investment valued at cost. The Unaudited Pro Forma Consolidated Financial Information does not include the financial information of the Target, which did not have any material assets and liabilities at June 30, 2021, other than its investment in Agrifarma. Within approximately 15 months of the completion of the Arcaplanet Acquisition, the Issuer, the Target and Maxi Zoo will be merged into Agrifarma S.p.A., with Agrifarma S.p.A. being the ultimate surviving entity. The effects of the Post Closing Mergers are not included in this Unaudited Pro Forma Consolidated Financial Information.

The Unaudited Pro Forma Consolidated Financial Information has been prepared for informational purposes only and does not purport to represent or to be indicative of the results of operations or financial position that the Combined Group would have reported had the Transactions been completed as at the dates presented, and is not, and should not be taken as, representative of our future consolidated results of operations or financial position, nor does it purport to project the Combined Group’s financial position as at any future date or results of operations for any future period. Future results may vary significantly from the results reflected in the following tables because of various factors, including those discussed in “Risk Factors.” The Unaudited Pro Forma Consolidated Financial Information should be read in conjunction with “Presentation of Financial and Other Information,” “Use of Proceeds,” “Capitalization,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Agrifarma,” “Description of the Notes” and the Financial Statements included elsewhere in this offering memorandum.

The Unaudited Pro Forma Consolidated Financial Information was not prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Regulation or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting Unaudited Pro Forma Consolidated Financial Information have been audited or reviewed in accordance with any generally accepted auditing standards. Moreover, given the different purpose of the pro forma data compared to the data in the historical financial statements and the different methods of calculating the effects of the Transactions on the pro forma consolidated balance sheet and the pro forma consolidated income statement, the Unaudited Pro Forma Consolidated Financial Information and the Financial Statements should be read and interpreted without attempting to reconcile them.

Introduction

The Transactions

Description of the Transactions

The Arcaplanet Acquisition

On June 24, 2021 the Issuer entered into an agreement to acquire the entire issued share capital of Noah 2. S.p.A. (the “**Target**”), the holding entity of Agrifarma S.p.A. (“**Agrifarma**”) for a purchase price of €948.9 million (the “**Arcaplanet Acquisition**”). The Arcaplanet Acquisition will be financed from (i) an estimated equity contribution in the amount of €499.6 million (the “**Cash Equity Contribution**”) and from (ii) a portion of the net proceeds of the Offering (as described below) in the amount of €449.3 million.

The consummation of the Arcaplanet Acquisition is subject to the satisfaction of certain closing conditions, including customary antitrust approvals and the performance of certain closing actions.

The Maxi Zoo Contribution

Also on June 24, 2021, Seventh Cinven Fund (No. 1) Limited Partnership (the “**Seventh Cinven Fund**”), Shiba Topco Limited, an intermediate holding company of the Issuer (“**TopCo**”) and Fressnapf Beteiligungs GmbH (“**Fressnapf**”) entered into the Maxi Zoo Acquisition Agreement whereby Topco will purchase the entire issued share capital of Maxi Zoo Italia S.p.A. (“**Maxi Zoo**”) from Fressnapf in exchange for an issuance of certain new shares in Topco to Fressnapf, concurrently with the direct or indirect subscription for certain additional new shares in Topco by each of the Seventh Cinven Fund (and/or its permitted assignees) and Fressnapf (the “**Maxi Zoo Acquisition**”). TopCo’s investment in Maxi Zoo will subsequently be contributed to the Issuer through a series of transactions (the “**Maxi Zoo Contribution**”). The purchase price for the Maxi Zoo Acquisition is €160.0 million, subject to adjustment based on the net debt or cash position and working capital at the date of closing of the Maxi Zoo Acquisition.

The Maxi Zoo Acquisition is expected to complete shortly before, or substantially concurrently with, the Arcaplanet Acquisition. In accordance with the Maxi Zoo Acquisition Agreement, the consummation of the Maxi Zoo Acquisition is subject to certain antitrust approvals and the performance of certain closing actions. As soon as practicable after the completion of the Maxi Zoo Acquisition, (i) Topco will contribute all of its investment in the Maxi Zoo shares to the Issuer through a series of transactions.

For the purposes of the preparation of the Unaudited Pro Forma Consolidated Financial Information the contribution of the Maxi Zoo shares to the Issuer has been assumed to be performed at the same value as the Maxi Zoo Acquisition (€160.0 million) with a corresponding entry to shareholders equity.

The Offering

For the sole purpose of the preparation of the Unaudited Pro Forma Consolidated Financial Information, the aggregate principal amount has been assumed to be €550.0 million (the “**Offering**”) gross of estimated transaction costs of €15.1 million.

The proceeds of the Offering will be used:

- to fund a portion of the purchase price under the Arcaplanet Purchase Agreement for an aggregate principal amount of €449.3 million; and
- to refinance, together with existing cash and cash equivalents, the financial liabilities of Agrifarma under the facilities agreement entered into with certain arrangers named therein and with UniCredit Bank AG, Milan Branch, as agent and security agent (the “**Existing UniCredit Facilities**”), which are required to be repaid in the event of a change in control and to pay the costs, fees and expenses incurred in connection with such refinancing for an aggregate principal amount of €147.6 million.

The Issuer was incorporated on June 21, 2021 to facilitate the Transactions and as at the date of this Unaudited Pro Forma Consolidated Financial Information did not have any revenue generating activities of its own and had not engaged in activities other than those related to its incorporation and in preparation for the Transactions. Neither Noah 2 S.p.A. nor Agrifarma S.p.A. has historically prepared consolidated financial statements. However, on a historical basis, the subsidiaries of Agrifarma S.p.A. were not material to its results and therefore could have been recorded as investments valued at cost. For the purposes of the preparation of this Unaudited Pro Forma Consolidated Financial Information, Agrifarma’s interests in its subsidiaries have therefore continued to be recorded as investments valued at cost. Within approximately 15 months of the completion of the Arcaplanet Acquisition, the Issuer, the Target and Maxi Zoo will be merged into Agrifarma

S.p.A, with Agrifarma S.p.A, being the ultimate surviving entity. The effects of the merger are not included in this Unaudited Pro Forma Consolidated Financial Information.

The Unaudited Pro Forma Consolidated Financial Information does not include the financial information of Noah 2. S.p.A., which did not have any material assets and liabilities at June 30, 2021, other than its investment in Agrifarma.

Pro forma consolidated balance sheet as at June 30, 2021

The table below sets out the *pro forma* adjustments made in order to present the main potential effects of the Transactions (save for the Post Closing Mergers) on the balance sheet of the Issuer as at June 30, 2021:

	Balance sheet of the Issuer Note A	Pro forma Adjustments									Pro forma balance sheet of the Issuer Total
		Arcaplanet Acquisition					Maxi Zoo Contribution				
		Balance sheet of Agrifarma	Cash Equity Contribution	Arcaplanet Acquisition goodwill	Refinancing	Balance sheet of Maxi Zoo	Accounting policy adjustments	Maxi Zoo Contribution goodwill	Offering	Transaction costs	
		Note B	Note C	Note D	Note E	Note F	Note G	Note H	Note I	Note J	
(€ thousands)											
B) Fixed assets											
I. Intangible fixed assets											
Incorporation and expansion costs	2	6,034	—	—	—	7	1,407	—	—	—	7,450
Development costs	—	492	—	—	—	—	—	—	—	—	492
Industrial patents and intellectual property rights	—	657	—	—	—	—	—	—	—	—	657
Concessions, licences, trademarks and similar rights	—	49,042	—	—	—	—	—	—	—	—	49,042
Goodwill	—	234,054	—	689,156	—	103	—	160,502	—	24,875	1,108,690
Assets under development and advances	—	1,261	—	—	—	—	—	—	—	—	1,261
Other	—	26,346	—	—	—	5,507	—	—	—	—	31,853
Total intangible fixed assets	2	317,886	—	689,156	—	5,617	1,407	160,502	—	24,875	1,199,445
II. Tangible fixed assets											
Land and buildings	—	80	—	—	—	—	—	—	—	—	80
Plant and machinery	—	51	—	—	—	272	—	—	—	—	323
Industrial and commercial equipment	—	6,215	—	—	—	6,883	—	—	—	—	13,098
Other assets	—	10,883	—	—	—	235	—	—	—	—	11,118
Assets under development and advances	—	419	—	—	—	21	—	—	—	—	440
Total tangible fixed assets	—	17,648	—	—	—	7,411	—	—	—	—	25,059
III. Financial fixed assets											
Equity investments	—	5,510	—	—	—	—	—	—	—	—	5,510
Receivables	—	5,097	—	—	—	78	—	—	—	—	5,175
Total financial fixed assets	—	10,607	—	—	—	78	—	—	—	—	10,685
Total Fixed Assets (B)	2	346,141	—	689,156	—	13,106	1,407	160,502	—	24,875	1,235,189
C) Current assets											
I. Inventories											
Raw ancillary materials and consumables	—	641	—	—	—	—	—	—	—	—	641
Finished products and goods	—	61,063	—	—	—	17,836	—	—	—	—	78,899
Total inventories	—	61,704	—	—	—	17,836	—	—	—	—	79,540
II. Receivables											
From customers	—	6,113	—	—	—	162	—	—	—	—	6,275
From subsidiaries	—	1,367	—	—	—	—	—	—	—	—	1,367
From companies subject to the control of parent companies	—	—	—	—	—	36	—	—	—	—	36
Taxes	—	25	—	—	—	—	—	—	—	—	25
Deferred tax assets	—	856	—	—	—	—	—	—	—	—	856
From others	47	591	—	—	—	852	—	—	—	—	1,490
Total receivables	47	8,952	—	—	—	1,050	—	—	—	—	10,049
III. Non fixed financial assets											
Financial assets for centralized treasury management	—	—	—	—	—	20,507	—	(20,507)	—	—	—
Total non fixed financial assets	—	—	—	—	—	20,507	—	(20,507)	—	—	—

	Balance sheet of the Issuer	Pro forma Adjustments									Pro forma balance sheet of the Issuer
		Arcaplanet Acquisition					Maxi Zoo Contribution				
		Balance sheet of Agrifarma	Cash Equity Contribution	Arcaplanet Acquisition goodwill	Refinancing	Balance sheet of Maxi Zoo	Accounting policy adjustments	Maxi Zoo Contribution goodwill	Offering	Transaction costs	
		Note B	Note C	Note D	Note E	Note F	Note G	Note H	Note I	Note J	
		Note A	Note B	Note C	Note D	Note E	Note F	Note G	Note H	Note I	
(€ thousands)											
IV. Cash and cash equivalents											
Total cash and cash equivalents	3	85,342	499,619	(948,900)	(147,589)	1,525	—	—	534,875	(24,875)	—
Total current assets (C)	50	155,998	499,619	(948,900)	(147,589)	40,918	—	(20,507)	534,875	(24,875)	89,589
D) Accrued income and prepaid expenses	—	2,129	—	—	—	556	—	—	—	—	2,685
Total Assets	52	504,268	499,619	(259,744)	(147,589)	54,580	1,407	139,995	534,875	—	1,327,463
SHAREHOLDERS' EQUITY AND LIABILITIES											
A) Shareholders' equity	3	259,744	499,619	(259,744)	—	18,991	1,014	139,995	—	—	659,622
B) Provisions for risks and charges											
Retirement benefits and similar obligations	—	—	—	—	—	—	—	—	—	—	—
Taxes, including deferred taxes	—	13,662	—	—	—	—	—	—	—	—	13,662
Other	—	166	—	—	—	3,887	—	—	—	—	4,053
Total provisions for risks and charges	—	13,828	—	—	—	3,887	—	—	—	—	17,715
C) Employees' severance indemnity	—	2,601	—	—	—	4,076	—	—	—	—	6,677
D) Payables											
Bonds	—	—	—	—	—	—	—	—	534,875	—	534,875
To banks	—	147,704	—	—	(147,589)	—	—	—	—	—	115
Advances	—	93	—	—	—	72	—	—	—	—	165
To suppliers	49	64,548	—	—	—	11,236	—	—	—	—	75,833
To subsidiaries	—	—	—	—	—	—	—	—	—	—	—
To companies subject to the control of parent companies	—	—	—	—	—	1,657	—	—	—	—	1,657
Tax payables	—	4,730	—	—	—	2,301	393	—	—	—	7,424
Due to social security and welfare institutions	—	3,122	—	—	—	586	—	—	—	—	3,708
Other	—	7,877	—	—	—	11,774	—	—	—	—	19,651
Total payables (D)	49	228,074	—	—	(147,589)	27,626	393	—	534,875	—	643,428
E) Accrued expenses and deferred income	—	21	—	—	—	—	—	—	—	—	21
Total shareholders' equity and liabilities	52	504,268	499,619	(259,744)	(147,589)	54,580	1,407	139,995	534,875	—	1,327,463

Pro forma consolidated income statement for the year ended December 31, 2020

The table below sets out the *pro forma* adjustments made in order to present the main potential effects of the Transactions (save for the Post Closing Mergers) on the income statement of the Issuer for the year ended December 31, 2020:

	Pro forma Adjustments								Pro forma income statement of the Issuer Total
	Arcaplanet Acquisition			Maxi Zoo Contribution					
	Income statement of the Issuer	Income statement of Agrifarma	Refinancing	Income statement of Maxi Zoo	Accounting policy adjustments	Modification of supply chain arrangements	Goodwill amortization	Offering	
	Note A	Note B	Note C	Note D	Note E	Note F	Note G	Note H	
	(€ thousands)								
A) Value of production									
Revenue from sales and services . .	—	339,232	—	124,563	—	—	—	—	463,795
Increases in fixed assets for internal work	—	2,485	—	—	390	—	—	—	2,875
Other income	—	18,672	—	3,300	—	—	—	—	21,972
Total value of production	—	360,389	—	127,863	390	—	—	—	488,642
B) Production costs									
Raw materials, consumables, goods	—	180,895	—	70,534	—	1,910	—	—	253,339
Service costs	—	45,491	—	12,893	—	—	—	—	58,384
Leases and rentals	—	27,161	—	12,724	—	—	—	—	39,885
Personnel expenses	—	51,198	—	22,997	—	—	—	—	74,195
Amortization, depreciation and impairments	—	30,456	—	3,827	495	—	95,162	—	129,940
Change in inventories of raw materials, consumables and goods	—	2,596	—	(1,614)	—	1,408	—	—	2,390
Provisions for risks	—	227	—	—	—	—	—	—	227
Other provisions	—	12	—	—	—	—	—	—	12
Other operating expenses	—	4,186	—	1,910	—	—	—	—	6,096
Total production costs	—	342,222	—	123,271	495	3,318	95,162	—	564,468
Difference between value and cost of production (A-B)	—	18,167	—	4,592	(105)	(3,318)	(95,162)	—	(75,826)
C) Financial income and charges									
Other financial income	—	10	—	110	—	—	—	—	120
Interests and financial charges . . .	—	6,512	(6,511)	74	—	—	—	26,603	26,678
Foreign exchange gains / (losses) .	—	(20)	—	—	—	—	—	—	(20)
Total financial income/(charges) . .	—	(6,522)	6,511	36	—	—	—	(26,603)	(26,578)
D) Valuation adjustments to financial assets and liabilities . . .	—	—	—	—	—	—	—	—	—
Profit/(loss) before taxes (A-B±C±D)	—	11,645	6,511	4,628	(105)	(3,318)	(95,162)	(26,603)	(102,404)
Income tax expense	—	4,322	1,563	1,138	(29)	(926)	—	(6,385)	(317)
Profit/(loss) for the period	—	7,323	4,948	3,490	(76)	(2,392)	(95,162)	(20,218)	(102,087)

Pro forma consolidated income statement for the six months ended June 30, 2021

The table below sets out the *pro forma* adjustments made in order to present the main potential effects of the Transactions (save for the Post Closing Mergers) on the consolidated income statement of the Issuer for the six months ended June 30, 2021:

	Pro forma Adjustments								
	Arcaplanet Acquisition			Maxi Zoo Contribution					
	Income statement of the Issuer	Income statement of Agrifarma	Refinancing	Income statement of Maxi Zoo	Accounting policy adjustments	Modification of supply chain arrangements	Goodwill amortization	Offering	Pro forma income statement of the Issuer
	Note A	Note B	Note C	Note D	Note E	Note F	Note G	Note H	Total
	(€ thousands)								
A) Value of production									
Revenue from sales and services . .	—	187,339	—	73,399	—	—	—	—	260,738
Increases in fixed assets for internal work	—	2,087	—	—	291	—	—	—	2,378
Other income	—	9,384	—	1,291	—	—	—	—	10,675
Total value of production	—	198,810	—	74,690	291	—	—	—	273,791
B) Production costs									
Raw materials, consumables, goods	—	104,268	—	46,014	—	(2,472)	—	—	147,810
Service costs	47	28,540	—	6,283	—	—	—	—	34,870
Leases and rentals	—	14,276	—	6,873	—	—	—	—	21,149
Personnel expenses	—	26,312	—	12,868	—	—	—	—	39,180
Amortization, depreciation and impairments	—	14,877	—	1,948	282	—	47,663	—	64,770
Change in inventories of raw materials, consumables and goods	—	(6,561)	—	(1,749)	—	812	—	—	(7,498)
Provisions for risks	—	—	—	—	—	—	—	—	—
Other provisions	—	—	—	—	—	—	—	—	—
Other operating expenses	—	2,347	—	914	—	—	—	—	3,261
Total production costs	47	184,059	—	73,151	282	(1,660)	47,663	—	303,542
Difference between value and cost of production (A-B)	(47)	14,751	—	1,539	9	1,660	(47,663)	—	(29,751)
C) Financial income and charges									
Other financial income	—	1	—	74	—	—	—	—	75
Interests and financial charges . . .	—	4,652	(4,652)	—	—	—	—	13,266	13,266
Foreign exchange gains / (losses) . .	—	(10)	—	—	—	—	—	—	(10)
Total financial income/(charges) . . .	—	(4,661)	4,652	74	—	—	—	(13,266)	(13,201)
D) Valuation adjustments to financial assets and liabilities	—	—	—	—	—	—	—	—	—
Profit/(loss) before taxes (A-B±C±D)	(47)	10,090	4,652	1,613	9	1,660	(47,663)	(13,266)	(42,952)
Income tax expense	—	5,732	1,116	542	3	463	—	(3,184)	4,672
Profit/(loss) for the period	(47)	4,358	3,536	1,071	6	1,197	(47,663)	(10,082)	(47,624)

Pro forma consolidated income statement for the twelve months ended June 30, 2021

The table below sets out the *pro forma* adjustments made in order to present the main potential effects of the Transactions (save for the Post Closing Mergers) on the consolidated income statement of the Issuer for the twelve months ended June 30, 2021:

	Pro forma Adjustments								Pro forma income statement of the Issuer Total
	Arcaplanet Acquisition			Maxi Zoo Contribution					
	Income statement of the Issuer	Income statement of Agrifarma	Refinancing	Income statement of Maxi Zoo	Accounting policy adjustments	Modification of supply chain arrangements	Goodwill amortization	Offering	
	Note A	Note B	Note C	Note D	Note E	Note F	Note G	Note H	
	(€ thousands)								
A) Value of production									
Revenue from sales and services . .	—	369,052	—	142,312	—	—	—	—	511,364
Increases in fixed assets for internal work	—	3,667	—	—	652	—	—	—	4,319
Other income	—	19,479	—	3,240	—	—	—	—	22,719
Total value of production	—	392,198	—	145,552	652	—	—	—	538,402
B) Production costs									
Raw materials, consumables, goods	—	201,534	—	86,999	—	(2,995)	—	—	285,538
Service costs	47	51,817	—	13,653	—	—	—	—	65,517
Leases and rentals	—	27,919	—	13,365	—	—	—	—	41,284
Personnel expenses	—	52,540	—	24,543	—	—	—	—	77,083
Amortization, depreciation and impairments	—	30,477	—	3,865	529	—	95,201	—	130,072
Change in inventories of raw materials, consumables and goods	—	(5,316)	—	(3,441)	—	1,799	—	—	(6,958)
Provisions for risks	—	227	—	—	—	—	—	—	227
Other provisions	—	12	—	—	—	—	—	—	12
Other operating expenses	—	4,420	—	2,259	—	—	—	—	6,679
Total production costs	47	363,630	—	141,243	529	(1,196)	95,201	—	599,454
Difference between value and cost of production (A-B)	(47)	28,568	—	4,309	123	1,196	(95,201)	—	(61,052)
C) Financial income and charges									
Other financial income	—	8	—	141	—	—	—	—	149
Interests and financial charges . . .	—	7,828	(7,827)	74	—	—	—	26,531	26,606
Foreign exchange gains / (losses) . .	—	(17)	—	—	—	—	—	—	(17)
Total financial income/(charges) . . .	—	(7,837)	7,827	67	—	—	—	(26,531)	(26,474)
D) Valuation adjustments to financial assets and liabilities . . .	—	—	—	—	—	—	—	—	—
Profit/(loss) before taxes (A-B±C±D)	(47)	20,731	7,827	4,376	123	1,196	(95,201)	(26,531)	(87,526)
Income tax expense	—	10,879	1,878	1,135	34	334	—	(6,367)	7,893
Profit/(loss) for the period	(47)	9,852	5,949	3,241	89	862	(95,201)	(20,164)	(95,418)

Explanatory notes of the Unaudited Pro Forma Consolidated Financial Information

Basis of preparation

The Unaudited Pro Forma Consolidated Financial Information has been prepared on the basis of the historical financial information derived from the financial statements and information detailed above, adjusted to reflect the effects of the Transactions (save for the Post Closing Mergers).

The accounting policies adopted in preparing the Unaudited Pro Forma Consolidated Financial Information are the same as those used to prepare the Agrifarma Annual Financial Statements, which were prepared in accordance with Italian GAAP.

Unless otherwise indicated, all amounts set forth in the Unaudited Pro Forma Consolidated Financial Information are expressed in thousands of Euros.

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

Pro Forma Consolidated Balance Sheet as at June 30, 2021

Note A—Balance sheet of the Issuer

This column includes the stand-alone balance sheet of the Issuer as at June 30, 2021, derived from the unaudited accounting records of the Issuer.

Note B—Balance sheet of Agrifarma

This column includes the balance sheet of Agrifarma as at June 30, 2021, derived from the Agrifarma Interim Financial Statements.

Note C—Cash Equity Contribution

This column includes the *pro forma* adjustment related to the estimated cash equity contribution in an estimated aggregate amount of €499.6 million to partially finance the Arcaplanet Acquisition. In particular, the Cash Equity Contribution has been estimated to be contributed as follows:

	(€ millions)
Cinven Funds	420.2
Fressnapf	54.4
Management	25.0
Total Cash Equity Contribution	<u>499.6</u>

It should be noted that the amount of such Cash Equity Contribution may be increased or decreased (i) if the transaction fees and expenses are greater or lesser than our current estimate, (ii) as a result of purchase price adjustments under the Arcaplanet Purchase Agreement and Maxi Zoo Acquisition Agreement, (iii) the Ticking Fee related to the Arcaplanet Acquisition and (iv) based on the final agreed amount of Cash Equity Contribution from the management.

Note D—Arcaplanet Acquisition goodwill

This column includes the estimated impact of the Arcaplanet Acquisition on the consolidated balance sheet of the Issuer.

The base price for the Arcaplanet Acquisition is equal to €948.9 million. The purchase price will also include, in addition to the base price, an interest component equal to a daily amount of €70 thousand accruing on the base price for the period from the locked box date (March 31, 2021) to (and including) the date on which the Arcaplanet Acquisition is consummated (the “**Arcaplanet Acquisition Closing Date**”).

For the purposes of this Unaudited Pro Forma Consolidated Financial Information, the purchase price is assumed to be the base price and does not include any adjustment to simulate the interest component.

According to Italian GAAP, at the time of the Arcaplanet Acquisition, that is, the date on which the Issuer obtains control over the Target and Agrifarma, the Issuer will recognize the identifiable assets and liabilities acquired. Any positive difference between the acquisition cost and the book value of the net assets acquired will be attributed, where possible, to each identifiable asset acquired, within the limit of the fair value of such assets, and, in any case, for values not exceeding their recoverable amount, as well as to each identifiable

liability assumed; the remaining difference will be attributed to goodwill, if the recognition criteria are met. For the purposes of the preparation of the Unaudited Pro Forma Consolidated Financial Information, on a provisional basis, the difference between the acquisition cost and the book value of the net assets acquired as at June 30, 2021 has been entirely allocated to goodwill.

The table below sets out the determination of the provisional goodwill related to the Arcaplanet Acquisition:

	(€ thousands)
Total purchase consideration (a)	948,900
<i>Net assets acquired:</i>	
Net assets as at June 30, 2021	259,744
Elimination of previously recognized goodwill	(234,054)
Total net assets acquired (b)	25,690
Provisional goodwill (c) = (a)-(b)	923,210
Previously recognized goodwill (d)	234,054
Pro forma adjustment on goodwill (c)-(d)	689,156

The impact of this adjustment on the Issuer's consolidated shareholder's equity, equal to a negative amount of €259,744 thousand, is detailed as follows:

	As at June 30, 2021 (€ thousands)
Elimination of Agrifarma's net equity (column B)	(259,744)
Total impact on shareholder's equity	(259,744)

Note E—Refinancing

A portion of the proceeds of the Notes, together with existing cash and cash equivalents, will be used to refinance the financial liabilities of Agrifarma with UniCredit as lender and other arrangers which are required to be repaid in the event of a change in control (the “Existing UniCredit Facilities”). The residual nominal amount of the Existing UniCredit Facilities is equal to €147,589 thousand as at June 30, 2021.

Note F—Balance sheet of Maxi Zoo

This column includes the balance sheet of Maxi Zoo as at June 30, 2021, derived from the Maxi Zoo Interim Financial Statements.

Note G—Accounting policy adjustments

This column includes the impact of certain policy adjustments on Maxi Zoo's balance sheet, to align the accounting for the capitalization of pre-opening costs with the accounting policy of Agrifarma. In particular, Agrifarma capitalizes such costs whilst Maxi Zoo has historically expensed pre-opening costs. The pre-opening costs capitalized mainly refer to personnel expenses and marketing expenses and, in line with the accounting policy of Agrifarma, have been amortized over a period of five years. As at June 30, 2021 the amount of the pre-opening costs capitalized, net of the related accumulated amortization, amount to €1,407 thousand.

It should be noted that the above adjustment has been identified on the basis of a preliminary analysis of the potential accounting policy differences with the Maxi Zoo Financial Statements; hence, following the Maxi Zoo Contribution, the Issuer will conduct a complete analysis, which may highlight further significant differences.

Note H—Maxi Zoo Contribution goodwill

This column includes the estimated impact of the Maxi Zoo Contribution on the consolidated balance sheet of the Issuer.

The base consideration value for the Maxi Zoo Contribution is equal to €160 million. Such consideration value will be subject to adjustments, in particular based on working capital and net debt of Maxi Zoo at closing date.

For the purposes of this Unaudited Pro Forma Consolidated Financial Information, the value for the Maxi Zoo Contribution is assumed to be the base consideration value; any adjustment to the base consideration value may increase or decrease the amount of the Cash Equity Contribution as reported in column C, and will impact goodwill.

According to Italian GAAP, at the time of the Maxi Zoo Contribution, that is, the date on which the Issuer obtains control over Maxi Zoo, the Issuer will recognize the identifiable assets and liabilities acquired. Any positive difference between the value of the investment held by the Issuer in Maxi Zoo and the book value of the net assets of Maxi Zoo will be attributed, where possible, to each identifiable asset acquired, within the limit of the fair value of such assets, and, in any case, for values not exceeding their recoverable amount, as well as to each identifiable liability assumed; the remaining difference will be attributed to goodwill, if the recognition criteria are met. For the purposes of the preparation of the Unaudited Pro Forma Consolidated Financial Information, on a provisional basis, the difference between the value of the investment held by the Issuer in Maxi Zoo and the book value of the net assets of Maxi Zoo as at June 30, 2021 has been entirely allocated to goodwill.

The table below sets out the determination of the provisional goodwill related to the Maxi Zoo Contribution:

	(€ thousands)
Value for the Maxi Zoo Contribution (a)	160,000
<i>Net assets contributed:</i>	
Net assets as at June 30, 2021	18,991
Accounting policy adjustments ⁽¹⁾	1,014
Termination of cash-pooling agreements ⁽²⁾	(20,507)
Elimination of previously recognized goodwill	(103)
Total net assets contributed (b)	(605)
Provisional goodwill (c) = (a)-(b)	160,605
Previously recognized goodwill (d)	103
Pro forma adjustment on goodwill (c)-(d)	160,502

Notes:

- (1) See note G above for further details.
- (2) Relates to the elimination of the cash-pooling receivable of Maxi Zoo as at June 30, 2021 as a result of the termination of the cash-pooling agreement with Fressnapf's group. It should be noted that any cash transferred on the date of the Maxi Zoo Acquisition would result in a change in the purchase price consideration, and therefore goodwill, and a change in the Cash Equity Contribution.

The impact of this adjustment on the Issuer's consolidated shareholder's equity, equal to a positive amount of €139,995 thousand, is detailed as follows:

	As at June 30, 2021 (€ thousands)
(+) Total contribution value of Maxi Zoo shares	160,000
(-) Elimination of Maxi Zoo's net equity (column F)	(18,991)
(-) Elimination of the impact of the Accounting policy adjustments on Maxi Zoo's net equity (column G)	(1,014)
Total impact on shareholder's equity	139,995

Note I—Offering

This column includes the pro forma adjustments to the balance sheet of the Issuer derived from the proposed issuance of €550,000 thousand in aggregate principal amount of the Notes in the Offering, net of the estimated transaction costs for the Offering, estimated to be €15,125 thousand.

Note J—Transaction costs

For the purposes of the preparation of this Unaudited Pro Forma Consolidated Financial Information, the transaction costs related to the Arcaplanet Acquisition and Maxi Zoo Contribution have been estimated to be €24,875 thousand. Such costs have been recognized as goodwill in the pro forma consolidated balance sheet as at June 30, 2021.

Pro Forma Consolidated Income Statement for the year ended December 31, 2020

Note A—Income statement of the Issuer

This column includes the stand-alone income statement of the Issuer from its incorporation date (November 2020) to December 31, 2020, derived from the unaudited accounting records of the Issuer.

Note B—Income statement of Agrifarma

This column includes the income statement of Agrifarma for the year ended December 31, 2020, derived from the 2020 Agrifarma Financial Statements.

Note C—Refinancing

This column includes the elimination of the finance expense equal to €6,511 thousand recorded by Agrifarma in its historical financial statements in relation to the indebtedness to be refinanced (see note E to the pro forma consolidated balance sheet above) and the related tax effect, estimated in €1,563 thousand, determined by applying the tax rate of 24% (IRES).

Note D—Income statement of Maxi Zoo

This column includes the income statement of Maxi Zoo for the year ended December 31, 2020, derived from the 2020 Maxi Zoo Financial Statements.

Note E—Accounting policy adjustments

This column includes the impact of certain policy adjustments on Maxi Zoo's income statement, to align the accounting for the capitalization of pre-opening costs with the accounting policy of Agrifarma. In particular, Agrifarma capitalizes such costs whilst Maxi Zoo has historically expensed pre-opening costs. Therefore, this adjustment reflects:

- the capitalization of pre-opening costs incurred in the period for an amount of €390 thousand;
- the amortization of pre-opening costs capitalized in the balance sheet for an amount of €495 thousand based on a straight-line amortization over the expected useful life of five years;
- the related income tax effect on the above-described adjustments determined using the applicable interest rate of 27.9%.

It should be noted that the above adjustment has been identified on the basis of a preliminary analysis of the potential accounting policy differences with the Maxi Zoo Financial Statements; hence, following the Maxi Zoo Contribution, the Issuer will conduct a complete analysis, which may highlight further significant differences.

Note F—Modification of supply chain arrangements

This column includes the impact deriving from the modification of supply chain arrangements as a result of the Maxi Zoo Acquisition, and in particular the elimination of the impact of the Fressnapf group's transfer pricing adjustment and the effects of the pricing agreement for the purchase of exclusive label products by Maxi Zoo from Fressnapf pursuant to an agreement entered into between Fressnapf and the Issuer as a result of the Maxi Zoo Acquisition.

For the year ended December 31, 2020 these adjustments lead to an increase of the cost for raw materials, consumables and goods for an amount of €1,910 thousand and to a negative impact on change in inventories of raw materials, consumables and goods for an amount of €1,408 thousand, with a positive related tax effect amounting to €926 thousand (determined using the applicable tax rate of 27.9%).

Note G—Goodwill amortization

This column includes the estimated pro forma effects on the Issuer's consolidated income statement that may occur from the accounting for the Arcaplanet Acquisition, Maxi Zoo Contribution and related transaction costs. In particular, such effects include the pro forma adjustments to account for the amortization of goodwill recorded on the Arcaplanet Acquisition, Maxi Zoo Contribution and related transaction costs.

The pro forma adjustments are determined as follows:

	<u>Arcaplanet Acquisition</u>	<u>Maxi Zoo Contribution</u>	<u>Transaction costs</u>	<u>Total</u>
		(€ thousands)		
Amortization of goodwill ⁽¹⁾	(92,321)	(16,060)	(2,488)	(110,869)
Elimination of previously recognized amortization of goodwill ⁽²⁾	15,672	36	—	15,707
Impact on profit / (loss)	(76,649)	(16,024)	(2,488)	(95,162)

Notes:

- (1) It should be noted that for the purposes of this unaudited pro forma consolidated income statement for the year ended December 31, 2020, it has been assumed that the goodwill arising on the Arcaplanet Acquisition (€923.2 million), Maxi Zoo Contribution (€160.6 million) and related transaction costs (€24.9 million) will be all amortized over 10 years.
- (2) Relates to the reversal of amortization of goodwill recorded in the historical income statement of Agrifarma and Maxi Zoo for the year ended December 31, 2020.

Note H—Offering

This column represents the estimated finance costs related to the Offering.

As previously indicated, the aggregate principal amount of the Notes under the Offering has been assumed to be €550,000 thousand. The effective interest rate on the Notes has been preliminarily assumed to be 5.1%, based on the nominal interest rates applicable to the notes at the date of issue assumed to be 4.5% and also taking into account the expenses associated with the Offering, assumed to be €15,125 thousand.

The tax effect of the above adjustment has been calculated applying the tax rate of 24% (IRES).

The table below sets out the impact of the estimated finance costs:

	<u>Year ended December 31, 2020</u>
	(€ thousands)
Finance expenses of the Offering (a)	(26,603)
Applicable tax rate (b)	24.0%
Income tax effect (c)=(a)*(b)	6,385
Impact on profit/(loss) (a)+(c)	(20,218)

Pro Forma Consolidated Income Statement for the six months ended June 30, 2021

Note A—Income statement of the Issuer

This column includes the stand-alone income statement of the Issuer for the six months ended June 30, 2021, derived from the unaudited accounting records of the Issuer.

Note B—Income statement of Agrifarma

This column includes the income statement of Agrifarma for the six months ended June 30, 2021, derived from the Agrifarma Interim Financial Statements.

Note C—Refinancing

This column includes the elimination of the finance expense equal to €4,652 thousand recorded by Agrifarma in its historical financial statements in relation to the indebtedness to be refinanced (see note E to the pro forma consolidated balance sheet above) and the related tax effect, estimated in €1,116 thousand, determined by applying the tax rate of 24% (IRES).

Note D—Income statement of Maxi Zoo

This column includes the income statement of Maxi Zoo for the six months ended June 30, 2021, derived from the Maxi Zoo Interim Financial Statements.

Note E—Accounting policy adjustments

This column includes the impact of certain policy adjustments on Maxi Zoo's income statement, to align the accounting for the capitalization of pre-opening costs with the accounting policy of Agrifarma. In particular, Agrifarma capitalizes such costs whilst Maxi Zoo has historically expensed pre-opening costs. Therefore, this adjustment reflects:

- the capitalization of pre-opening costs incurred in the period for an amount of €291 thousand;
- the amortization of pre-opening costs capitalized in the balance sheet for an amount of €282 thousand based on a straight-line amortization over the expected useful life of five years;
- the related income tax effect on the above-described adjustments determined using the applicable interest rate of 27.9%.

It should be noted that the above adjustment has been identified on the basis of a preliminary analysis of the potential accounting policy differences with the Maxi Zoo Financial Statements; hence, following the Maxi Zoo Contribution, the Issuer will conduct a complete analysis, which may highlight further significant differences.

Note F—Modification of supply chain arrangements

This column includes the impact deriving from the modification of supply chain arrangements as a result of the Maxi Zoo Acquisition, and in particular the elimination of the impact of the Fressnapf group's transfer pricing adjustment and the effects of the pricing agreement for the purchase of exclusive label products by Maxi Zoo from Fressnapf pursuant to an agreement entered into between Fressnapf and the Issuer as a result of the Maxi Zoo Acquisition.

For the six months ended June 30, 2021 these adjustments lead to a decrease of the cost for raw materials, consumables and goods for an amount of €2,472 thousand and to a negative impact on change in inventories of raw materials, consumables and goods for an amount of €812 thousand, with a negative related tax effect amounting to €463 thousand (determined using the applicable tax rate of 27.9%).

Note G—Goodwill amortization

This column includes the estimated pro forma effects on the Issuer's consolidated income statement that may occur from the accounting for the Arcaplanet Acquisition, Maxi Zoo Contribution and related transaction costs. In particular, such effects include the pro forma adjustments to account for the amortization of goodwill recorded on the Arcaplanet Acquisition, Maxi Zoo Contribution and related transaction costs.

The pro forma adjustments are determined as follows:

	<u>Arcaplanet Acquisition</u>	<u>Maxi Zoo Contribution</u>	<u>Transaction costs</u>	<u>Total</u>
		(€ thousands)		
Amortization of goodwill ⁽¹⁾	(46,161)	(8,030)	(1,244)	(55,435)
Elimination of previously recognized amortization of goodwill ⁽²⁾	7,754	18	—	7,772
Impact on profit / (loss)	(38,407)	(8,012)	(1,244)	(47,663)

Notes:

- (1) It should be noted that for the purposes of this unaudited pro forma consolidated income statement for the six months ended June 30, 2021, it has been assumed that the goodwill arising on the Arcaplanet Acquisition (€923.2 million), Maxi Zoo Contribution (€160.6 million) and related transaction costs (€24.9 million) will be all amortized over 10 years.
- (2) Relates to the reversal of amortization of goodwill recorded in the historical income statement of Agrifarma and Maxi Zoo for the six months ended June 30, 2021.

Note H—Offering

This column represents the estimated finance costs related to the Offering. See also note H to the pro forma consolidated income statement for the twelve months ended December 31, 2020 for more details.

The table below sets out the impact of the estimated finance costs:

	<u>Six months ended June 30, 2021</u>
	(€ thousands)
Finance expenses of the Offering (a)	(13,266)
Applicable tax rate (b)	24.0%
Income tax effect (c)=(a)*(b)	3,184
Impact on profit/(loss) (a)+(c)	(10,082)

Pro Forma Consolidated Income Statement for the twelve months ended June 30, 2021

Note A—Income statement of the Issuer

This column includes the stand-alone income statement of the Issuer from its incorporation date (November 2020) to June 30, 2021, derived from the unaudited accounting records of the Issuer.

Note B—Income statement of Agrifarma

This column includes the income statement of Agrifarma for the twelve months ended June 30, 2021, calculated by taking the six months ended June 30, 2021 and adding to it the difference between the full year ended December 31, 2020 and the six months ended June 30, 2020:

	Six months ended June 30, 2021	Year ended December 31, 2020	Six months ended June 30, 2020	Income statement of Agrifarma for the twelve months ended June 30, 2021
	(1)	(2)	(3)	(1)+(2)-(3)
<i>(€ thousands)</i>				
A) Value of production				
Revenue from sales and services	187,339	339,232	157,519	369,052
Increases in fixed assets for internal work	2,087	2,485	905	3,667
Other income	9,384	18,672	8,577	19,479
Total value of production	198,810	360,389	167,001	392,198
B) Production costs				
Raw materials, consumables, goods	104,268	180,895	83,629	201,534
Service costs	28,540	45,491	22,214	51,817
Leases and rentals	14,276	27,161	13,518	27,919
Personnel expenses	26,312	51,198	24,970	52,540
Amortization, depreciation and impairments	14,877	30,456	14,856	30,477
Change in inventories of raw materials, consumables and goods	(6,561)	2,596	1,351	(5,316)
Provisions for risks	—	227	—	227
Other provisions	—	12	—	12
Other operating expenses	2,347	4,186	2,113	4,420
Total production costs	184,059	342,222	162,651	363,630
Difference between value and cost of production (A-B)	14,751	18,167	4,350	28,568
C) Financial income and charges				
Other financial income	1	10	3	8
Interests and financial charges	4,652	6,512	3,336	7,828
Foreign exchange gains / (losses) . . .	(10)	(20)	(13)	(17)
Total financial income/(charges)	(4,661)	(6,522)	(3,346)	(7,837)
D) Valuation adjustments to financial assets and liabilities	—	—	—	—
Profit/(loss) before taxes (A-B±C±D)	10,090	11,645	1,004	20,731
Income tax expense	5,732	4,322	(825)	10,879
Profit/(loss) for the period	4,358	7,323	1,829	9,852

Note C—Refinancing

This column includes the elimination of the finance expense equal to €7,827 thousand recorded by Agrifarma in its historical financial statements in relation to the indebtedness to be refinanced (see note E to the pro forma consolidated balance sheet above) and the related tax effect, estimated to be €1,878 thousand, determined by applying the tax rate of 24% (IRES).

Note D—Income statement of Maxi Zoo

This column includes the income statement of Maxi Zoo for the twelve months ended June 30, 2021, calculated by taking the six months ended June 30, 2021 and adding to it the difference between the full year ended December 31, 2020 and the six months ended June 30, 2020:

	Six months ended June 30, 2021	Year ended December 31, 2020	Six months ended June 30, 2020	Income statement of Maxi Zoo for the twelve months ended June 30, 2021
	(1)	(2)	(3)	(1)+(2)-(3)
<i>(€ thousands)</i>				
A) Value of production				
Revenue from sales and services	73,399	124,563	55,650	142,312
Increases in fixed assets for internal work	—	—	—	—
Other income	1,291	3,300	1,351	3,240
Total value of production	74,690	127,863	57,001	145,552
B) Production costs				
Raw materials, consumables, goods	46,014	70,534	29,549	86,999
Service costs	6,283	12,893	5,523	13,653
Leases and rentals	6,873	12,724	6,232	13,365
Personnel expenses	12,868	22,997	11,322	24,543
Amortization, depreciation and impairments	1,948	3,827	1,910	3,865
Change in inventories of raw materials, consumables and goods	(1,749)	(1,614)	78	(3,441)
Provisions for risks	—	—	—	—
Other provisions	—	—	—	—
Other operating expenses	914	1,910	565	2,259
Total production costs	73,151	123,271	55,179	141,243
Difference between value and cost of production (A-B)	1,539	4,592	1,822	4,309
C) Financial income and charges				
Other financial income	74	110	43	141
Interests and financial charges	—	74	—	74
Foreign exchange gains / (losses) . . .	—	—	—	—
Total financial income/(charges)	74	36	43	67
D) Valuation adjustments to financial assets and liabilities	—	—	—	—
Profit/(loss) before taxes (A-B±C±D)	1,613	4,628	1,865	4,376
Income tax expense	542	1,138	545	1,135
Profit/(loss) for the period	1,071	3,490	1,320	3,241

Note E—Accounting policy adjustments

This column includes the impact of certain policy adjustments on Maxi Zoo's income statement, to align the accounting for the capitalization of pre-opening costs with the accounting policy of Agrifarma. In particular, Agrifarma capitalizes such costs whilst Maxi Zoo has historically expensed pre-opening costs. Therefore, this adjustment reflects:

- the capitalization of pre-opening costs incurred in the period for an amount of €652 thousand;
- the amortization of pre-opening costs capitalized in the balance sheet for an amount of €529 thousand based on a straight-line amortization over the expected useful life of five years;
- the related income tax effect on the above-described adjustments determined using the applicable interest rate of 27.9%.

It should be noted that the above adjustment has been identified on the basis of a preliminary analysis of the potential accounting policy differences with the Maxi Zoo Financial Statements; hence, following the Maxi Zoo Contribution, the Issuer will conduct a complete analysis, which may highlight further significant differences.

Note F—Modification of supply chain arrangements

This column includes the impact deriving from the modification of supply chain arrangements as a result of the Maxi Zoo Acquisition, and in particular the elimination of the impact of the Fressnapf group's transfer pricing adjustment and the effects of the pricing agreement for the purchase of exclusive label products by Maxi Zoo from Fressnapf pursuant to an agreement entered into between Fressnapf and the Issuer as a result of the Maxi Zoo Acquisition.

For the twelve months ended June 30, 2021 these adjustments lead to a decrease of the cost for raw materials, consumables and goods for an amount of €2,995 thousand and to a negative impact on change in inventories of raw materials, consumables and goods for an amount of €1,799 thousand, with a negative related tax effect amounting to €334 thousand (determined using the applicable tax rate of 27.9%).

Note G—Goodwill amortization

This column includes the estimated pro forma effects on the Issuer's consolidated income statement that may occur from the accounting for the Arcaplanet Acquisition, Maxi Zoo Contribution and related transaction costs. In particular, such effects include the pro forma adjustments to account for the amortization of goodwill recorded on the Arcaplanet Acquisition, Maxi Zoo Contribution and related transaction costs.

The pro forma adjustments are determined as follows:

	<u>Arcaplanet Acquisition</u>	<u>Maxi Zoo Contribution</u>	<u>Transaction costs</u>	<u>Total</u>
		(€ thousands)		
Amortization of goodwill ⁽¹⁾	(92,321)	(16,060)	(2,488)	(110,869)
Elimination of previously recognized amortization of goodwill ⁽²⁾	15,633	36	—	15,668
Impact on profit / (loss)	(76,688)	(16,024)	(2,488)	(95,201)

Notes:

- (1) It should be noted that for the purposes of this unaudited pro forma consolidated income statement for the twelve months ended June 30, 2021, it has been assumed that the goodwill arising on the Arcaplanet Acquisition (€923.2 million), Maxi Zoo Contribution (€160.6 million) and related transaction costs (€24.9 million) will be all amortized over 10 years.
- (2) Relates to the reversal of amortization of goodwill recorded in the historical income statement of Agrifarma and Maxi Zoo for the twelve months ended June 30, 2021.

Note H—Offering

This column represents the estimated finance costs related to the Offering. See also note H to the pro forma consolidated income statement for the twelve months ended December 31, 2020 for more details.

The table below sets out the impact of the estimated finance costs:

	<u>Twelve months ended June 30, 2021</u>
	(€ thousands)
Finance expenses of the Offering (a)	(26,531)
Applicable tax rate (b)	24.0%
Income tax effect (c)=(a)*(b)	6,367
Impact on profit/(loss) (a)+(c)	(20,164)

It should be noted that the pro forma consolidated income statements do not show the non-recurring effects of costs strictly connected to the refinancing of the Existing UniCredit Facilities, such as the unamortized costs related to the borrowings subject to refinancing.

In addition, the pro forma consolidated income statements do not reflect any estimate of the economic effects of the synergies that the Combined Group expects to realize through the Transactions.

It should be noted that the Unaudited Pro Forma Consolidated Financial Information has been prepared pursuant to Italian GAAP and certain transactions would have had different accounting treatment under IFRS.

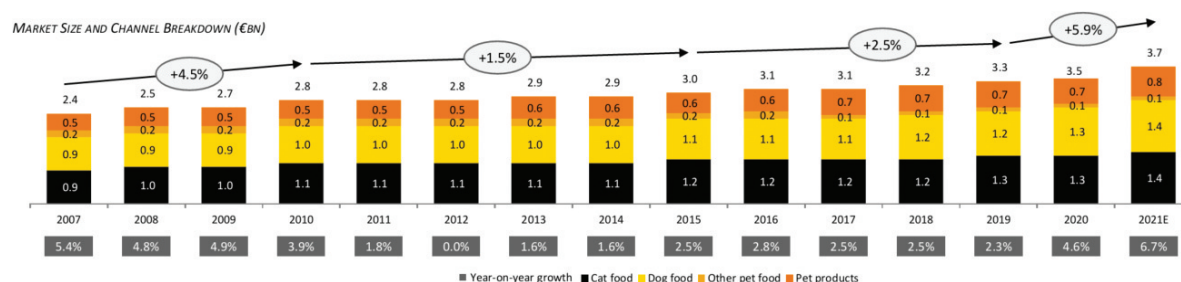
INDUSTRY

Certain of the information set forth in this “Industry” section has been derived from external sources, including information from reputable international consulting firms. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but some of the information may have been derived from estimates or subjective judgments or may have been subject to limited audit or validation and there is no guarantee, representation or warranty (either expressly or implied) of the accuracy or completeness of such data or changes to such data following publication thereof. Third party sources explicitly disclaim any liability for any loss or damage, howsoever caused, arising from any errors, omissions or reliance on any information or views contained in their reports. While we believe these market data and other information are accurate and correct, we have not independently verified them. Furthermore, such estimates or judgments, particularly as they relate to expectations about our market and industry, involve risks and uncertainties and are subject to change based on various factors, including those discussed under “Risk Factors” and “Information Regarding Forward-Looking Statements” elsewhere in this offering memorandum. These projections and other forward-looking statements in this “Industry” section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See “Presentation of Financial and Other Information—Industry and Market Data”, “Risk Factors” and “Information Regarding Forward-Looking Statements”.

Italian Pet Care Market Overview

According to a leading international consulting firm, the Italian pet care market was worth €3.5 billion in 2020 following years of steady growth. The market can be broadly broken down into two segments, namely “Pet food” and “Pet products”. The “Pet food” segment constitutes approximately 80% of the overall market with a total value of €2.7 billion in 2020. As dogs and cats are the most common household pets, “Dog food” and “Cat food” are the primary pet food products, accounting for €1.3 billion each in total market value of the segment. “Dog food” and “Cat food” products include single portion and multi-portion products of both private label and exclusive brands, including wet food, dry food and treats & mixers. The remaining €0.1 billion of “Other Pet food” is mainly comprised of bird food, fish food and small mammal/reptile foods. Of the €0.7 billion in market value that is accounted for by “Pet products”, “Pet healthcare & dietary supplements” sub-segment constitutes the largest portion at €0.4 billion. “Accessories”, such as toys and pet homes, make up €0.2 billion, with the remaining €0.1 billion represented by “Cat litter” products. This definition of the Italian pet care market excludes veterinary services, which are estimated to be worth approximately €1.5 billion in 2020.

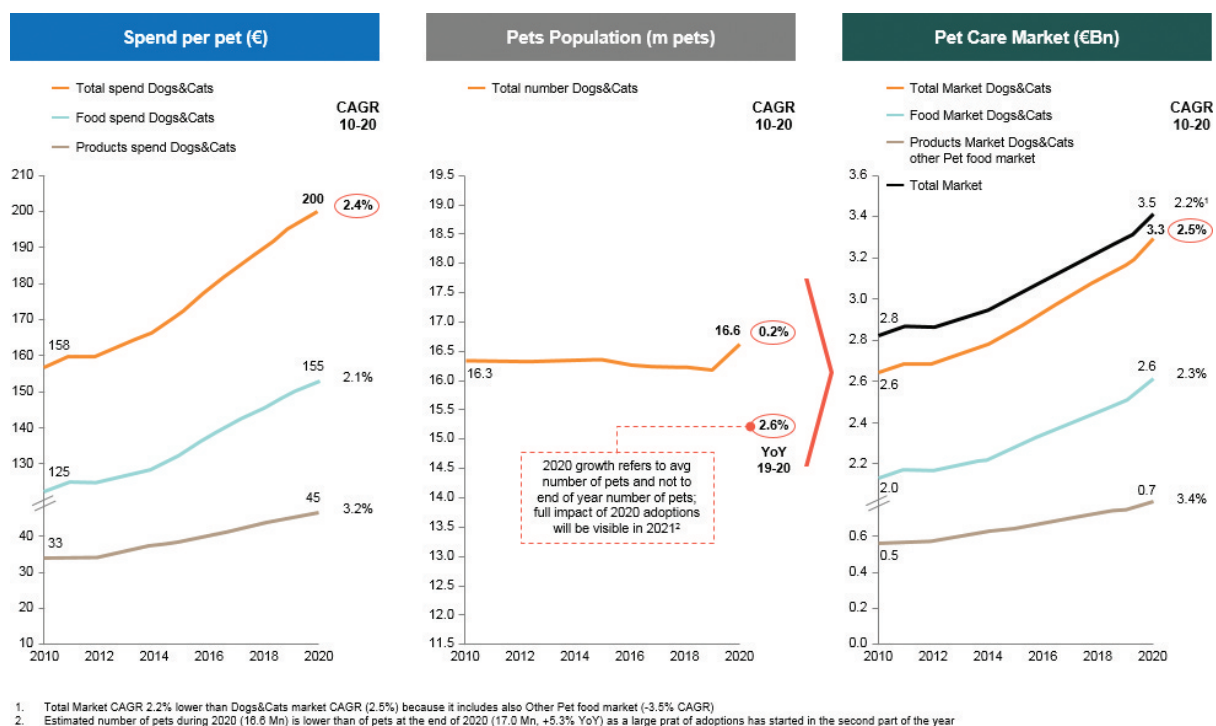
The graphics below set out the evolution of the Italian pet care market for the periods indicated:



The market is highly resilient with defensive characteristics and grew at a CAGR of 2.5% between 2015 and 2020, primarily driven by price increases due to premiumization and limited inflation. Pet population has remained roughly constant since 2010, except during 2020, in which the COVID-19 pandemic led to an increase in pet ownership. Expenditures per pet have mainly been driven by overall price increases, however, there has been a slight increase in pet food sales as pet owners shift from feeding their pets table scraps to healthier pet food options (leading to an increase in calorific coverage).

Increasing prices are most pronounced in the “Pet products” segment, which experienced a 3-4% price increase between 2015 and 2020. “Dog food” and “Cat food” (the largest sub-segments of the market) each saw a 1-2% increase in prices between 2015 and 2020, according to a leading international consulting firm. In terms of volume, such leading international consulting firm estimates that consumption per pet increased by only 0-0.5% during the same period.

The graphics below set out the evolution of spend per pet, pet population and the Italian pet care market for the periods indicated:



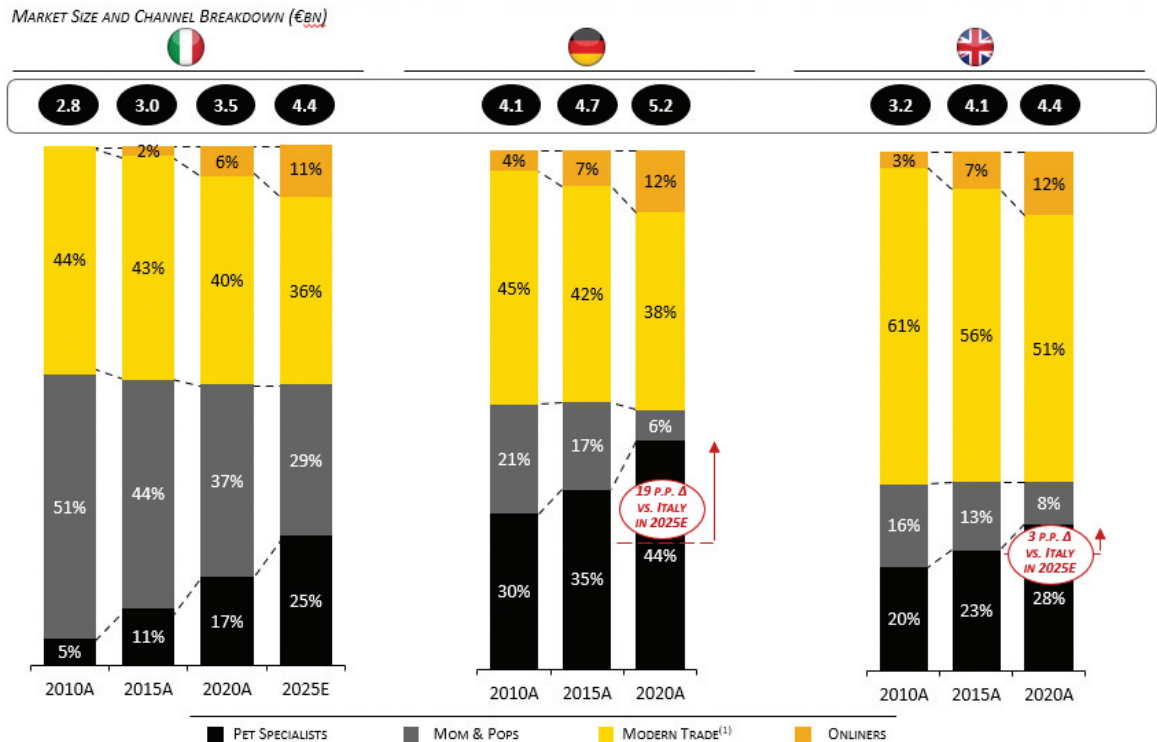
The main growth drivers of the Italian pet care market are the “Pet product” segment and “Dog food” sub-segment within the “Pet food” segment, which are expected to grow at a CAGR of 6.8% and 4.8%, respectively, between 2020 and 2025 (historically having grown at a slower CAGR of 4.1% and 3.6%, respectively, between 2015 and 2020). The “Cat food” sub-segment within the “Pet food” segment is expected to grow at a slightly slower CAGR of 4.5% between 2020 and 2025 (historically having grown at an even slower CAGR of 2.5% between 2015 and 2020). The “Other Pet food” sub-segment within the “Pet food” segment is expected to contract at a CAGR of 3.5% between 2020 and 2025 (historically having contracted at a faster CAGR of 4.0% between 2015 and 2020). Across all mentioned categories, (other than the “Other Pet food” sub-segment), growth is projected to accelerate in the coming years. Such projected growth is due to various drivers, including pet “humanization”, premiumization, pet adoptions, increased calorific coverage and digital integration.

At €3.5 billion in 2020, the Italian pet care market is smaller and less developed, when compared to other Western European pet care markets, such as Germany and the UK with market values of €5.2 billion and €4.4 billion, respectively, in 2020. As the Italian pet care market develops, certain market characteristics, such as consumer behaviour, are expected to evolve in the future following the trends similar to those experienced in the German and UK markets. For example, total expenditure per pet per year was approximately €200 in Italy in 2020, whereas it was higher at €304 for the UK and at €235 for Germany in the same period (other markets, such as the US and France also have a notably higher spend per pet). The lower spend per pet in the Italian pet care market results from relatively lower per capita income and lower calorific coverage of commercial pet foods, compared to more mature markets due to a higher incidence of feeding table scraps (which may also be driven by both lower income levels and a lower level of pet “humanization”).

Another key characteristic of the Italian pet care market is the level of fragmentation between pet specialists, independent (“mom & pop”) stores, modern traders and online players. Over the last 10 years, pet specialists and online players have gained market share mainly at the expense of independent (“mom & pop”) stores. One reason online businesses take market share primarily from such independent (“mom & pop”) stores is that there are large areas of the country in which major pet care chains are not yet present. Online players serve many customers in these areas, taking market share that formerly belonged to pre-existing independent (“mom & pop”) stores. According to a leading international consulting firm, in 2010, the market share split, by value, was 44% for modern traders, 51% for independent (“mom & pop”) stores and 5% for pet specialists, with virtually no online penetration. By 2020, pet specialists grew to represent 17% of the market, while independent (“mom & pop”) stores had declined to a 37% share of the market. Despite the decline, the market share of independent (“mom & pop”) stores in Italy remains significantly above the market shares seen in mature markets, such as Germany and the UK, they had 6% and 8% market shares, by value, respectively, in 2020. The market share of online players, which was negligible in 2010, grew to 6% by 2020 and is forecast to increase to 11% by 2025. However, the projected market share of online players in the Italian market is still below the current online market shares in Germany and the UK, which both had online market

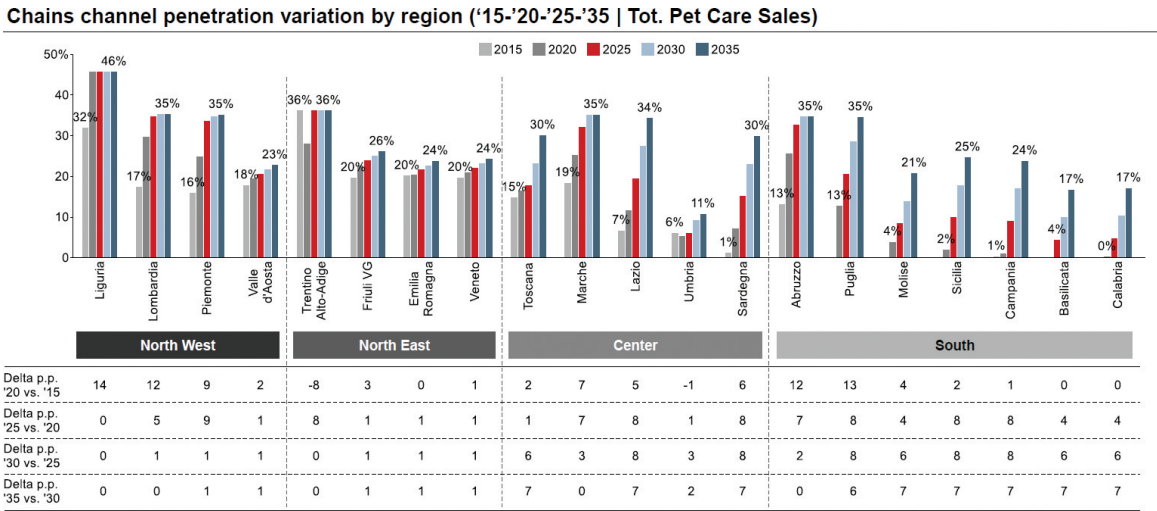
shares of 12% in 2020. Given that some physical retailers also have a portion of their sales coming through the online channel, it is important to note the split between overall online sales in the market (including the online portion of sales of pet specialists, independent (“mom & pop”) stores and modern traders) versus the physical channel. In 2020, such combined online sales accounted for approximately 9%, by value, of the overall Italian market, which shows a lower level of penetration than some other major European countries. Online penetration is also generally slower in pet care than in other industries. Customers continue to strongly prefer the in-store shopping experience due to the advice available and in-store services, as well as being able to browse and view products in person. The importance of in-store shopping for pet care products is further evidenced by the growing number of services pet specialists tend to offer in their stores, such as vet grooming and smaller medical procedures.

The charts below set out the Italian pet care market breakdown, as compared to Germany and the UK:



Importantly, various regions in Italy have substantial whitespace for expansion given the historic dominance by independent (“mom & pop”) stores in these areas. Market developments over the last 10 years present opportunities for further growth for chains, such as Arcaplanet. The Center and South regions of Italy are prime regions for expansion, as they are currently underpenetrated by pet care chains. A leading international consulting firm also projects that the North West and Center regions of Italy will have the highest levels of new store development through 2035.

The chart below sets out the penetration of various Italian regions by pet care chains for the periods indicated:

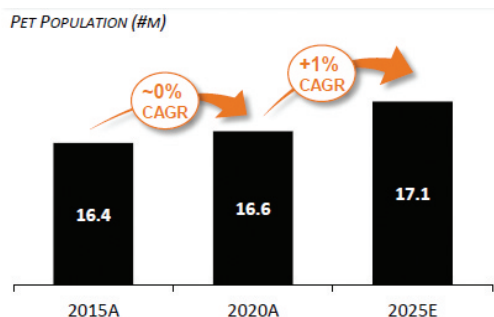


Impact of the COVID-19 Pandemic

Unlike other sectors, especially in the retail segment, that were negatively impacted by the widespread national lockdowns during the ongoing COVID-19 pandemic, pet care in Italy was largely considered an essential service and the majority of stores remained open. Heightened levels of home reclusion increased the need for companionship, driving an increase in pet adoptions, which together with the stockpiling effect at the beginning of the year helped accelerate growth in 2020, with the market growing 4.6% year-on-year. Further, demand for pet adoptions exceeded supply and there has been evidence of a backlog that has carried into 2021.

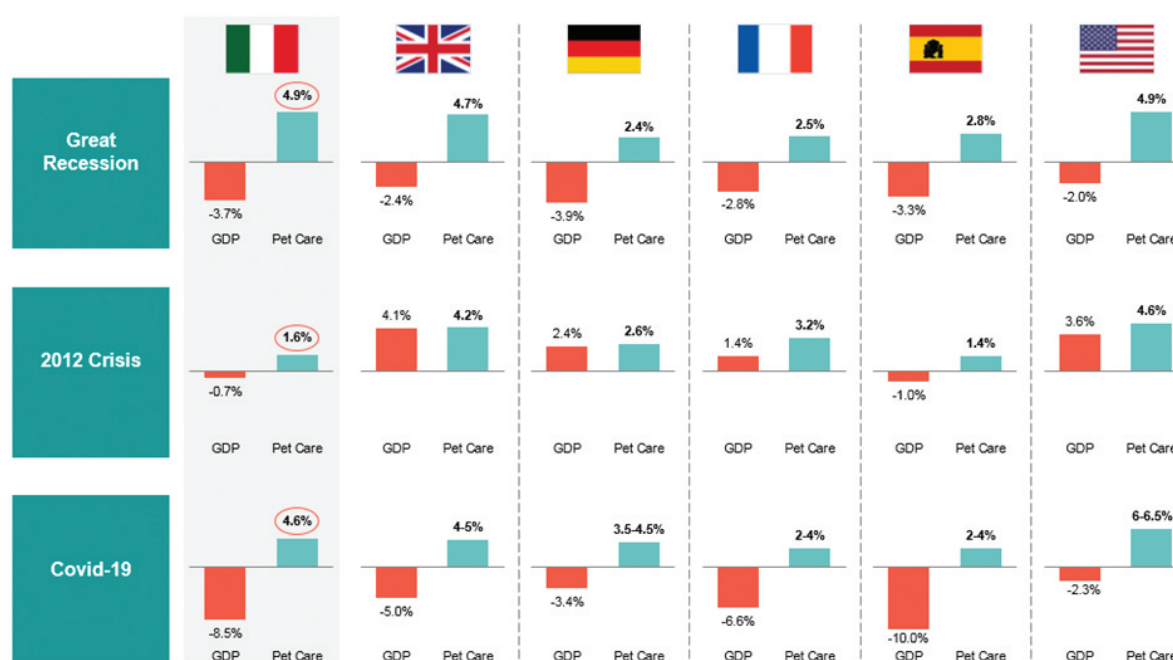
The remaining effects of the ongoing pandemic are expected to help drive growth in the near future with the market projected to grow to €4.4 billion by the end of 2025, at a CAGR of 4.9% between 2020 and 2025.

The chart below sets out the growth of pet population in Italy for the periods indicated:



The resilience of the pet care market has also been well demonstrated across a number of economic cycles with evidence of strong growth throughout the 2007/2009 financial crisis, the 2012 Eurozone sovereign financial crisis and the COVID-19 pandemic. The Italian pet care market, as well as several other major pet care markets, has shown considerable durability in the times of economic downturn and continued to grow steadily despite contracting GDP. Pet care spending has proven to be essential and non-discretionary. According to a 2020 survey, 86% of pet owners in the United States maintained or increased their spending on pet care during the COVID-19 pandemic.

The table below sets out the growth of pet care markets in various countries at the times of contracting GDP during recent economic crises:



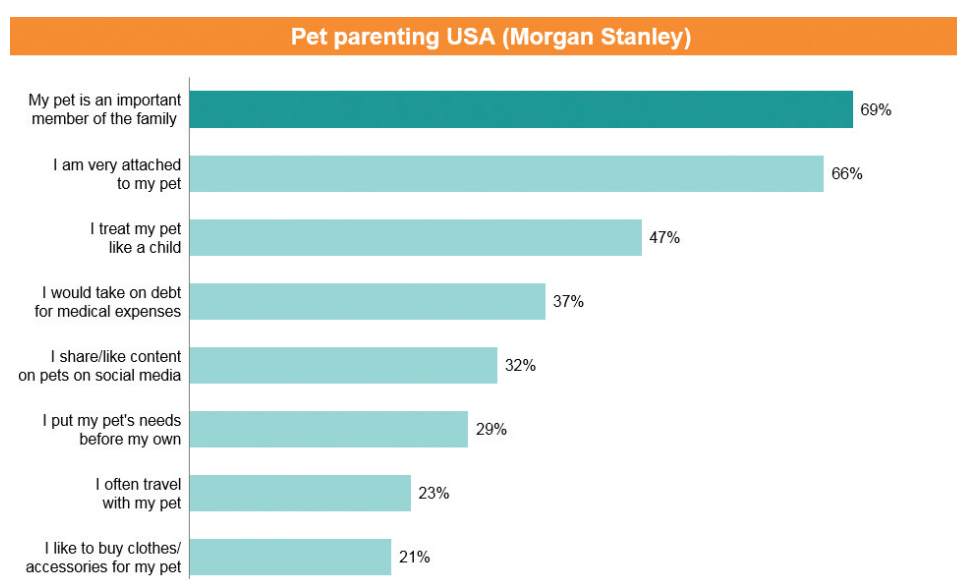
Within the pet care industry, businesses experienced a range of different impacts from the ongoing COVID-19 pandemic. Some business models have struggled while others have prospered. One of the COVID-19 pandemic's main effects across economies has been to restrict movement, including movement between and

within countries. This, of course, has had a bigger impact on larger players, such as Arcaplanet, which have more sizeable stores located outside of town centers in shopping complexes and away from homes, making it more difficult to travel during lockdown restrictions. Many independent (“mom & pop”) stores, which are located primarily in town centers, have felt less of this impact.

Key Market Drivers and Growth Areas

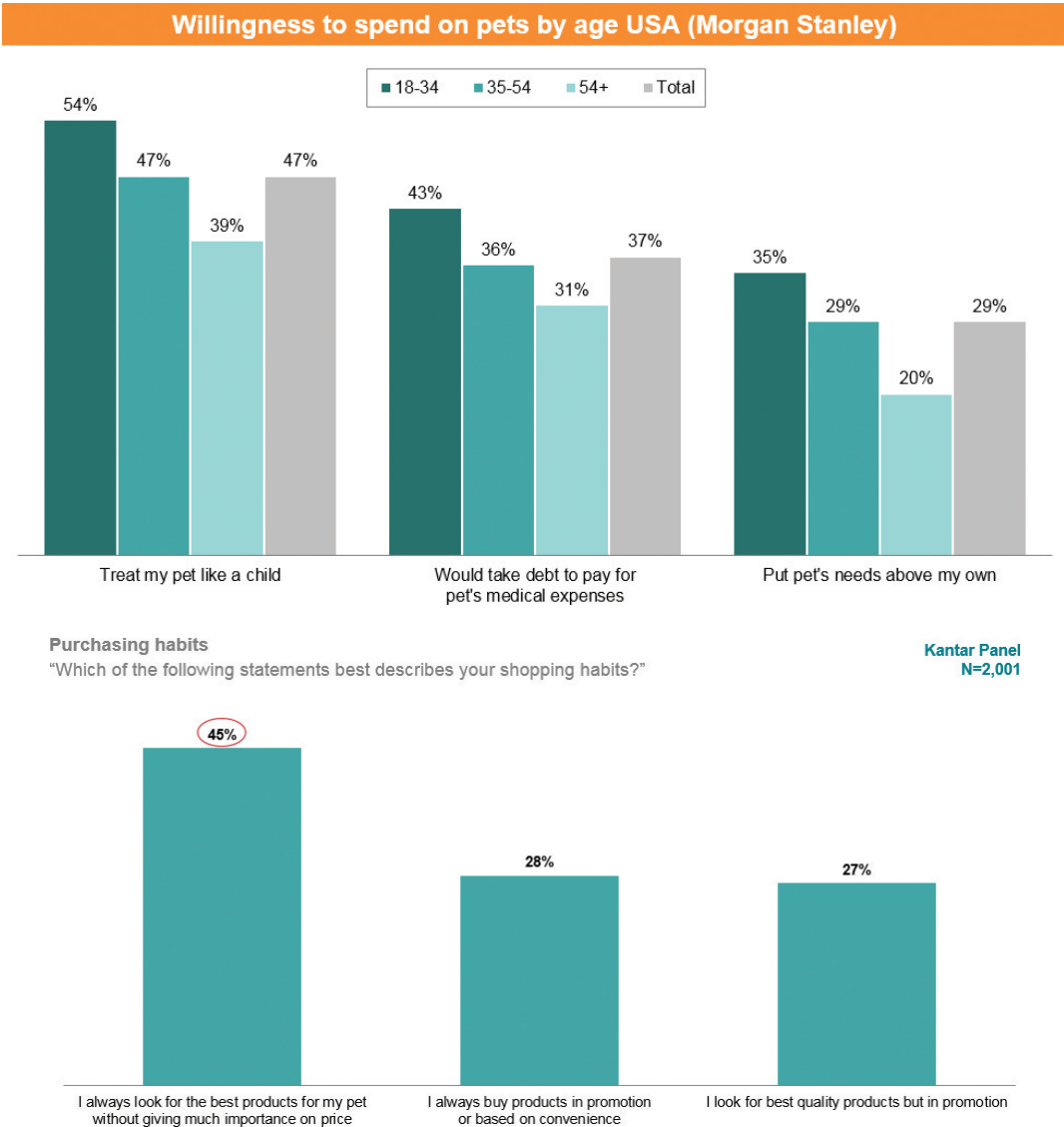
The expected growth in the Italian pet care market is supported by a number of drivers including: (i) pet “humanization”, (ii) premiumization, (iii) pet adoptions, (iv) increased calorific coverage and (v) digital integration.

- **Pet humanization.** An increase in non-traditional family structures has paved the way for new definitions of parenthood and allowed humans to develop deeper relationships with animals, especially among the younger generations. As a result, there is an increasing trend of “pet parenting” with pet owners treating pets more like family members. The pet “humanization” trend is helping drive higher expenditures per pet as pet owners are willing to spend more on premium food products, medication and health treatments, as well as on a more diverse range of pet products and services. The results of a survey conducted by Morgan Stanley (shown below) highlight the trend towards pet “humanization”, showing that the majority of pet owners see their pets as “an important member of the family”.



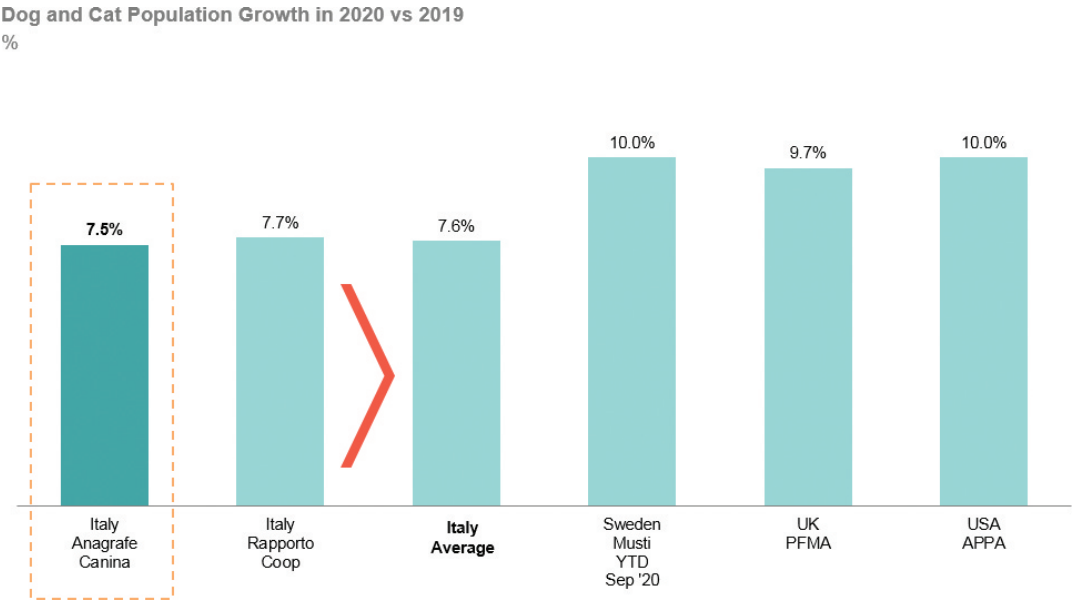
- **Premiumization.** With a greater focus on pet welfare, customers are increasingly prepared to spend more on healthy and nutritious pet food to improve pet living conditions. Therefore, customers are shifting towards premium and / or specialist products. Many products are now designed to support a customized diet for pets based on the pet’s age, size, breed, weight and lifestyle. Premium food products that are functional, complete and balanced drive increased spending per pet. Consumers are also focused on increased optionality and food waste reduction, driving a gradual shift from medium format to high €/kg mono-portions. The trend towards premium pet products is more prevalent across younger consumer groups.

The tables below illustrate customers' willingness to spend on pet (by age group) and prevailing purchasing habits:



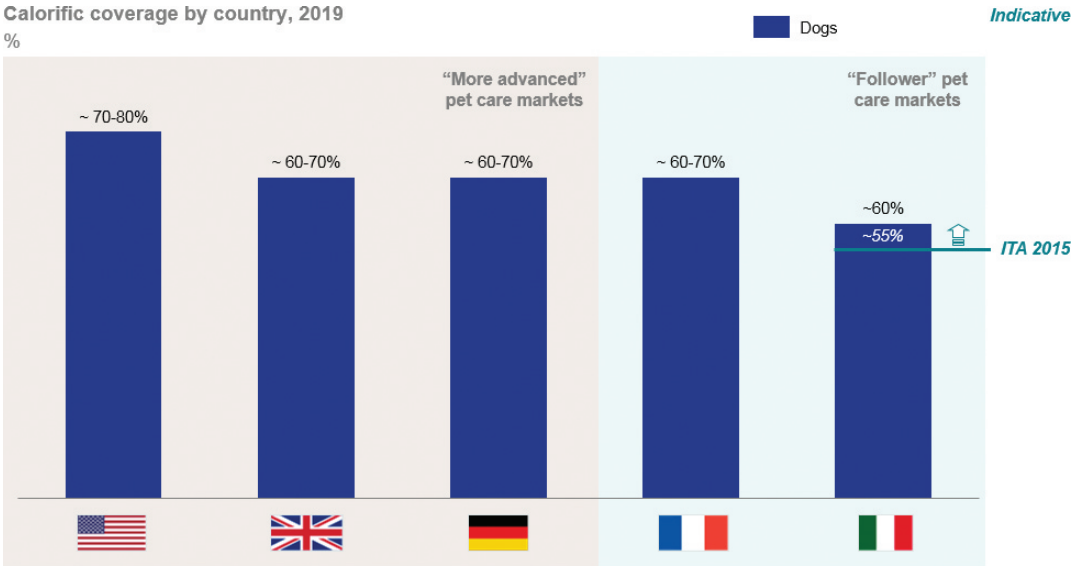
- Pet adoptions.** Pet adoptions in Italy increased by 5.3%, year-on-year, in 2020, due to a large increase in the number of people working from home during the COVID-19 pandemic and the expectation that flexible working trends will continue post pandemic. The population of cats and dogs in Italy reached 17 million in 2020, according to a leading international consulting firm. Increased pet ownership resulting from the COVID-19 pandemic is a structural driver of volume in the pet care market.

The table below sets out the growth of the dogs and cat population in Italy compared to other countries for the periods indicated:



- Increased calorific coverage.** Calorific coverage is the percentage of calorific needs satisfied by industrial pet food versus table scraps and cooked food. The Italian market is behind other European markets, such as the UK and Germany, where calorific coverage is estimated to be approximately 60-70% versus approximately 60% in Italy, according to analysis performed by a leading international consulting firm. In the South of Italy, there is a higher incidence of calories covered by table scrap, though this is expected to reduce with increased awareness of the benefits of specialist products that offer a balanced diet.

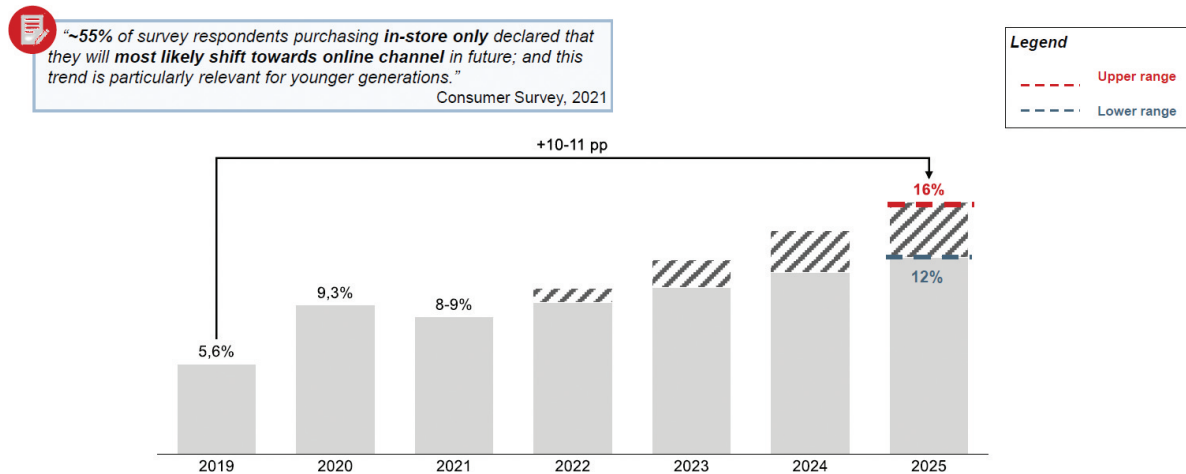
The table below sets out the calorific coverage in certain countries in 2019:



Calorific Coverage: Percentage of calorific need satisfied by industrial food vs. table scraps/ cooked food

- Digital integration.** Pet care 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 shipping into traditionally physical retail models. Omni-channel pet care models are becoming much more prevalent, as the COVID-19 pandemic has helped drive penetration of online channels, though customers still show a preference for physical touch points and assistance in-store. Companies using a multi-channel approach are best positioned to take advantage of market trends towards digital integration.

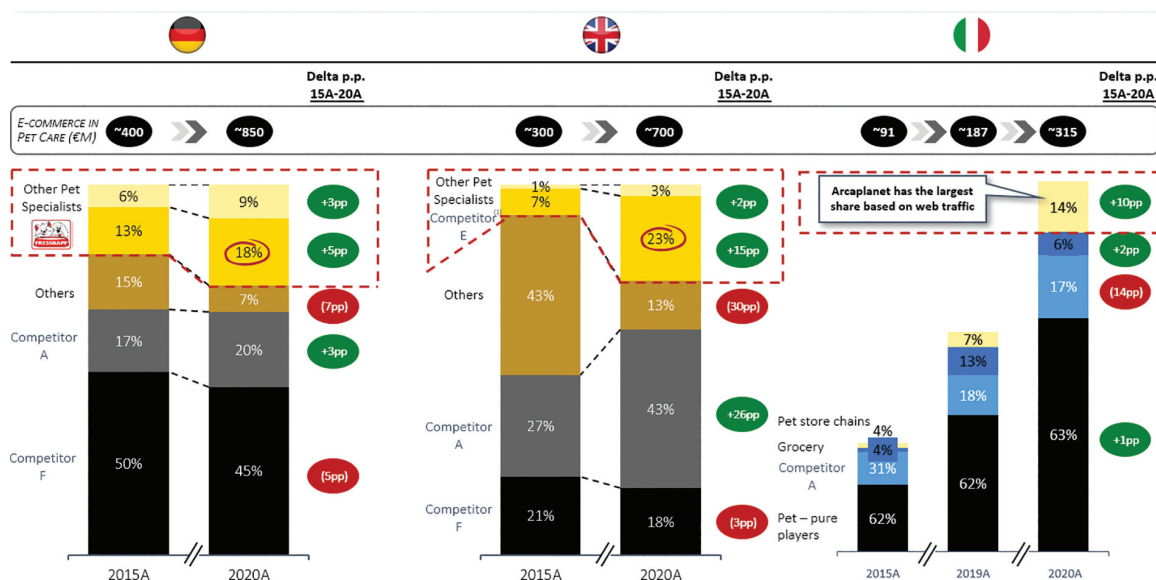
The graphics below demonstrate the shifting consumer preferences in the periods indicated:



Key Players and Competitive Positioning

The European pet care market is highly competitive and fragmented with only a few businesses of significant size. The major European players are Fressnapf, Pets at Home and Musti. The Italian market is characterized by a small number of larger players and higher than average presence of independent (“mom & pop”) stores that typically operate only a single shop. The main competitors in the Italian market are specialist players Arcaplanet, L’isola Dei Tesori, Maxi Zoo and Zooplus (in the online channel) and large-scale multiproduct distribution chains (such as COOP, CONAD and Esselunga) that offer pet products. In the recent years, the former have been constantly increasing the assortment of pet products offered, and continue to widen their ranges across price segments in pet food and pet products. Aggregate 2020 sales of pet products by CONAD, COOP and Esselunga are estimated to have amounted to €1 billion. In this vein, COOP and CONAD have recently started developing their own pet specialty store chains.

The graphics sets out the evolution of the online portion of the per care market, by select country, for the periods indicated:



Overview of major specialist European players

Fressnapf. Fressnapf is among the largest pet care omni-channel retailers in Europe with revenues for the year ended December 31, 2020 in excess of €2.6 billion and more than 1,700 stores in eleven countries. The business primarily operates under the “Fressnapf” brand in Germany, Austria, Switzerland (“DACH”), as well as in Hungary and Luxembourg and under the “Maxi Zoo” brand elsewhere. DACH is the largest region for Fressnapf, generating 72% and Luxembourg of its revenues for the year ended December 31, 2020. Fressnapf operates both directly-managed and franchised store models with stores in Germany primarily

under the franchise model and international stores mostly directly managed. Fressnapf offers both third party brands and exclusive brands with revenues split approximately 50% between those categories.

Pets at Home. Pets at Home is the largest pet care omni-channel retailer in the UK. As at December 31, 2020, it had over 450 stores in the UK and 6.2 million active loyalty club member. For the year ended December 31, 2020, it generated more than £1.1 billion revenues. The business is split into “Retail” and “Vet Group” segments, with the revenue mix being approximately 89% and approximately 11%, respectively. Stores provide a wide range of pet products, as well as pet care services, such as dog grooming, veterinary services, subscription packages and educational workshops and events. The “Vet Group” segment operates the largest branded network of 441 “First Opinion” veterinary practices in the UK, mainly operating under the “Vets4Pets” brand name, of which approximately two thirds are situated in retail stores (the remainder are in standalone locations). The Pets at Home’s model has some similarities to that of Arcaplanet’s, such as geographical presence concentrated in a single market and growing focus on services vs products. However, Arcaplanet does not have direct exposure to the vet channel.

Musti. Musti is the leading Nordic pet care specialist, and operates in Finland (129 stores generating approximately 48% of total revenue), Sweden (125 stores generating approximately 43% of total revenue) and Norway (39 stores generating approximately 9% of total revenue) as at and for the year ended December 31, 2020. Musti had total revenue of over €280 million and 1.2 million customers as at and for the year ended December 31, 2020. It provides pet food, treats, products, services (such as grooming) and veterinary care, and runs an omni-channel business model with approximately 23% of revenues for the year ended December 31, 2020 coming from the online channel. Approximately 50% of Musti’s products are sold under own or exclusive brands. Both Arcaplanet and Musti sell a similar share of own brand products, but Musti’s business has higher levels of online penetration. Both Musti and Arcaplanet place an emphasis on premium market segments.

Overview of major specialist players on the Italian pet care market

Arcaplanet is a leading player with a 11% market share, by value, in 2020 in the Italian pet care market. Among other specialist players, L’isola Dei Tesori is the closest competitor, with less than half of Arcaplanet’s sales at an approximately 4% market share in 2020. Agrifarma’s revenue from sales and services and Agrifarma EBITDA also outperform its competitors, with revenue from sales and services growing at a CAGR of 21% (compared to L’isola Dei Tesori’s 9%), and an Agrifarma EBITDA growing at a CAGR of 24% (compared to L’isola Dei Tesori’s 17%), in each case, between 2016 and 2020. Arcaplanet differentiates itself through its greater exposure to exclusive brands, as well as a stronger focus on the premium / super-premium segment of the market and offering a fully omni-channel proposition.

L’isola Dei Tesori. L’isola Dei Tesori is the second largest operator of pet stores in Italy with approximately 180 stores generating approximately €140 million of revenues as at and for the year ended December 31, 2020. The business operates primarily in the mainstream segment of the market with a lower focus on own / exclusive brands, compared to Arcaplanet. L’isola Dei Tesori operates a mix of directly-operated and franchised stores.

Maxi Zoo. Maxi Zoo is the Italian subsidiary of Fressnapf and is the third largest stationary operator in Italy behind Arcaplanet and L’isola Dei Tesori. Maxi Zoo generated revenue from sales and services of €124.6 million, operating from approximately 120 stores as at and for the year ended December 31, 2020. Maxi Zoo is primarily a brick and mortar retailer which also provides an online offering. Its offering consists of a large share of own brands, where it focusses more on the mid-priced end of the market. As part of the Transactions, Maxi Zoo Stores will be re-branded into Arcaplanet Stores in accordance with the Arcaplanet Store Format.

Zooplus. Zooplus is the largest online pet platform in Europe with revenues of €1.8 billion for the year ended December 31, 2020. It has a strong international presence with operations in around 30 European countries. With a large and relevant product offering in the pet food, pet care & accessories space, Zooplus catered to more than 8 million customers across Europe as at December 31, 2020. The product range includes international brands, as well as exclusive own brand lines. Zooplus is the current online market leader in Italy with approximately 75% market share of e-commerce sales. Arcaplanet differentiates itself in its omni-channel offering, which allows customers the flexibility to shop how and when they want.

BUSINESS

Unless otherwise indicated, references in this “Business” section to “Combined Group,” “we,” “us” or “our” are to the Issuer and its consolidated subsidiaries from time to time, including, after the Arcaplanet Acquisition Closing Date, both the Target Group and Maxi Zoo.

Overview

Agrifarma is a leading omni-channel pet products and services specialist in Italy. As at June 30, 2021, Agrifarma had 372 stores. Agrifarma’s in-store services include “Self Wash” (self-service washing machines and dryers for pet clothing and accessories), “Pet Wash” (dedicated self-service facilities for pet grooming with adjacent hair dryer areas), “Agility” (dedicated areas for dog training and entertainment) and “Para-pharmacy” (through which it offers non-prescription veterinary drugs). In addition to its extensive store network, Agrifarma offers its products through a leading proprietary e-commerce platform with 7.3 million active users as at June 30, 2021. Through its stores and e-commerce platform, Agrifarma offers a diverse range of pet food, accessories, and health products under its 18 own Exclusive Brands and under more than 100 third-party brands. It categorizes its Exclusive Brands in the following segments: “Specialist,” “Super Premium,” “Premium” and “Mainstream.” Agrifarma primarily focuses on the first three segments, which have higher margins.

The graphics below present Arcaplanet’s assortment of its Exclusive Brands:



In addition, Maxi Zoo has a largely complementary exclusive brand offering with a significant margin upside (as it currently offers exclusive brands products in all of the above higher margin segments). Following completion of the Transactions, we expect to capture this margin upside through the combination of store networks and the harmonization of product assortment within the Combined Group.

Since our founding in 1995, we have grown both organically and through acquisitions (see “Business—Arcaplanet—Distribution—Stores—Recent acquisitions”). The Combined Group is expected to have one of the largest shares (approximately *pro forma* 13% for the year ended December 31, 2020) of the €3.5 billion Italian pet care market. We have a large and loyal customer base with approximately 1.5 million Arcacub® loyalty program members as at June 30, 2021, who generate up to 80% of Arcaplanet’s in-store revenue from retail sales. The “ARCAPLANET” brand enjoys high awareness levels in Italy (91% as of 2021) and we have the highest off-line and online Net Promoter Scores compared to all other competitors in the country. Arcaplanet is currently building a state-of-the-art facility for the manufacturing of dry pet food in San Vito al Tagliamento, Friuli-Venezia Giulia (the “**Tagliamento Facility**”), which will make us the first vertically integrated only-Italian pet products and services specialist with its own dry pet food production capabilities. Upon commencement of operations, which is currently expected by August 2022, the Tagliamento Facility will ensure full control over the production cycle of dry pet food for our key Exclusive Brands and is expected to significantly enhance product quality, R&D focus and reduce costs.

For the years ended December 31, 2019 and 2020 and the twelve months ended June 30, 2021: Agrifarma had €305.9 million, €339.2 million and €369.1 million of revenue from sales and services, respectively and (ii) Maxi Zoo had €108.9 million, €124.6 million and €142.3 million of revenue from sales and services, respectively. For the twelve months ended June 30, 2021, our *pro forma* revenue from sales and services was €511.4 million.

For the years ended December 31, 2019 and 2020 and the twelve months ended June 30, 2021, Arcaplanet Adjusted EBITDA was €40.4 million, €52.8 million and €65.3 million, respectively. For the same periods:

(i) Maxi Zoo's profit for the period was €0.6 million, €3.2 million and €3.3 million, respectively, and (ii) Maxi Zoo Adjusted EBITDA was €7.9 million, €9.8 million and €10.0 million, respectively. For the twelve months ended June 30, 2021, our *Pro forma* Adjusted EBITDA was €109.0 million.

Our Competitive Strengths

We believe that the following are among our key competitive strengths:

We are a leading player in one of the most attractive pet care markets in Europe

We operate in the Italian pet care market, which is one of the most attractive markets in Europe with significant size, consistent growth and resilience and high level of fragmentation. Following the completion of the Transactions, we expected to continue benefiting from these structural factors due to our leading market position (see “—*We have an extensive physical network and a solid position in the nascent online segment, supported by a superior brand recognition, high customer satisfaction and a premium price positioning*”). According to a leading international consulting firm, the Italian pet care market has been experiencing consistent year-on-year growth at a CAGR of approximately 2-3% for more than a decade, reaching approximately €3.5 billion by the end of 2020. This growth has been driven by what is referred to as pet “humanization,” which is the tendency of owners to consider their pets as family members. Due to such “humanization” and the increasing concerns relating to pets’ health and well-being, owners are willing to pay a premium for high quality products for their pets (the so called “premiumization”). In addition, the Italian pet care market’s growth experienced a strong acceleration in 2020 largely due to increasing pet adoption rates during the COVID-19 pandemic, which is expected to continue well beyond 2021 leading to a run-rate growth rate of approximately 5% by 2025.

The Italian pet care market’s highly resilient, non-discretionary nature has been evident throughout numerous economic downturns, such as the global financial crisis between mid 2007 and early 2009, the Eurozone sovereign financial crisis and the COVID-19 pandemic, during which it continued to grow consistently despite overall GDP contractions. For example, during the global financial crisis, Italian GDP decreased by 3.7% from 2008 to 2009, whereas, according to a leading international consulting firm, the country’s pet care market grew by 4.9%, by value, during the same period. Outside Italy, such resilience of the pet care industry has been demonstrated across all major markets, including the UK, Germany, France, Spain and the US.

From a structural perspective, the Italian pet care market still has a very large share of independent (“mom & pop”) stores (particularly when compared to other mature European markets). According to a leading international consulting firm, in 2020, independent (“mom & pop”) stores had an approximately 37% share, by revenue, of the Italian pet care market, compared to approximately 6% in Germany and approximately 8% in the UK. At the same time, specialist retail chains had an approximately 17% share, by revenue, of the Italian pet care market, compared to approximately 44% in Germany and approximately 28% in the UK. Therefore, there is significant room in Italy for specialist retail chains to continue growing in competition with smaller independent players and grocery stores. According to a leading international consulting firm, over the last 5 years, independent (“mom & pop”) stores in Italy lost an approximately 8% market share to specialist retail chains. We expect this trend to continue.

In addition, pet care markets have unique and protected distribution dynamics, which are very attractive for large omni-channel specialist players. A critical success factor in distributing pet food is the ability to handle a significant amount of bulky, heavy and relatively low priced (per Kg) SKUs, which can only be achieved via a developed network of physical stores and makes it less appealing for pure online players, given significant related logistical costs. For these reasons, online penetration in the pet care market (even in major countries, such as the UK and Germany where internet penetration for online shopping is particularly high) has been increasing relatively slowly to date at approximately 1 percentage point of market share gain per year. As a result, omni-channel players, which combine physical and online distribution and have large and loyal customer bases, have captured solid positions across all sales channels (including online) in their respective markets. Over the recent years, such specialized omni-channel pet care chains (including Arcaplanet) have built strong e-commerce capabilities and currently offer a multi-channel experience to their customer.

We have an extensive physical network and a solid position in the nascent online segment, supported by a superior brand recognition, high customer satisfaction and a premium price positioning

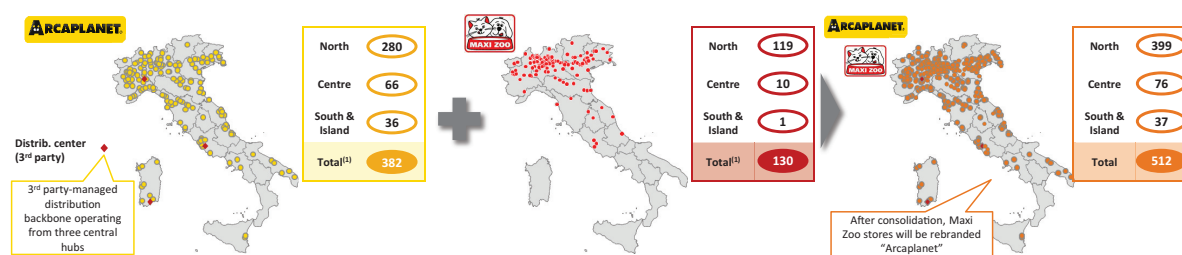
Following completion of the Transactions, we will be a leading player on the Italian pet care market with a *pro forma* market share of approximately 13% for the year ended December 31, 2020. For the same period, the second largest specialist pet care chain had a market share of approximately 4%.

With 382 stores as at June 30, 2021, Arcaplanet has the largest physical store network in Italy. The extensive footprint of Arcaplanet's network allows it to:

1. be in close proximity to customers, showcase its broad product offering and provide best-in-class complementary advice and services. Pet care industry continues to be primarily driven by the physical channel, due to the importance of in-store shopping experience, including complementary advice and services. In addition, certain products (such as lower cost pet foods) come in big and bulky packages, which are more difficult to sell online;
2. benefit from greater relative bargaining power when negotiating with pet food manufacturers;
3. significantly improve its "ARCAPLANET" Brand Awareness;
4. increase the quality and assortment of products and complementary services, providing what we believe to be best-in-class "one-stop-shop" experience to customers with longer opening hours, less queuing and wider assortment.

We believe that the Maxi Zoo Acquisition will put the Combined Group in a favorable position to seize the full potential of the addressable market. As at June 30, 2021, *pro forma* for the Transactions, our network consisted of 512 stores with an established presence in northern Italian regions for both Arcaplanet and Maxi Zoo. At the same time, there is significant room to expand the combined network in the underpenetrated areas in the north western, central and southern parts of the country.

The graphic below illustrates the Italian store network of the Combined Group:



Source: Leading consulting firm
(1) As of June 2021

In addition, we are well positioned in the nascent Italian online market and are growing rapidly in this space. From 2018 to 2020, Agrifarma's revenue from retail sales through the E-commerce Platform grew at a CAGR of 45.0% (compared to 19.0% CAGR of a leading pure player in the market), driven by significant improvements in the number of online sessions (from 7.2 million to 14.4 million) and conversion rate (from 1.8% to 2.2%). Arcaplanet is the only specialist pet food retailer in the market with a meaningful online presence and was the most searched online Italian pet care market player in 2020. Given the cash flows that are generated by Arcaplanet's extensive physical store network, we are able to invest in both channels and provide an attractive shop-like online experience and an extensive product offering, compared to pure online players that have historically tended to reduce the number of SKUs. For each of the year ended December 31, 2020 and the twelve months ended June 30, 2021, the E-commerce Platform generated €23.6 million of revenue from retail sales. We expect that the strength of our online offering will allow us to capitalize on the further growth of the Italian online pet care market, which is expected to reach a penetration of 12-16% by 2025 in line with trajectories seen in similar European countries, accelerated by the ongoing COVID-19 pandemic.

Arcaplanet's performance in both the physical and the online channels has been driven by its superior brand recognition, high customer satisfaction and premium price positioning. According to a leading international consulting firm, "ARCAPLANET" is among the most recognized specialist pet care brands in Italy with 91% Brand Awareness as of 2021. Arcaplanet has been continuously investing in its overall Brand Awareness, the awareness of its Exclusive Products and other marketing initiatives. Over the last years, Agrifarma's advertising costs have increased significantly from €6.5 million for the year ended December 31, 2018 to €11.0 million for the year ended December 31, 2020, which we believe is significantly higher than that of any other pet care chain in Italy. In addition, according to a leading international consulting firm, Arcaplanet has demonstrated high levels of customer satisfaction in both the physical and the online channels with a Net Promoter Score of 43 in the offline market (with the next closest competitor having a Net Promoter Score of 37) and Net Promoter Score of 57 in the online market (with the next closest competitor having a Net Promoter Score of 44), all as of 2021. These consistent investments in marketing and customer satisfaction over many years have allowed Arcaplanet to ensure a very attractive premium price positioning within the

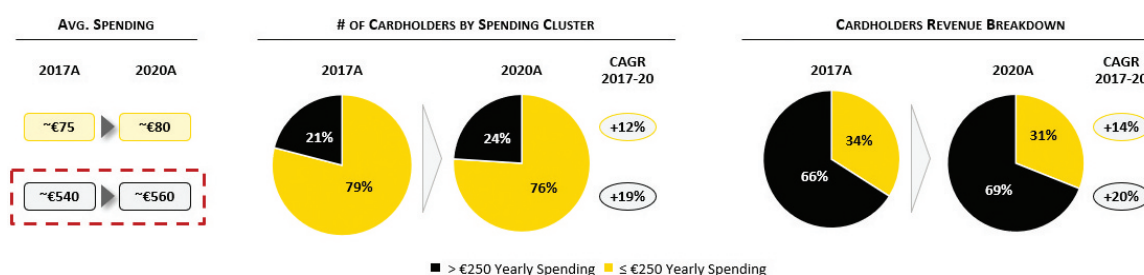
market. For the twelve months ended June 30, 2021, more than 75% of Arcaplanet's combined revenue from sales of pet food under Exclusive Brands came from sales of "Specialist" (price above €5 per Kg) and "Super Premium" (price between €4 and €5 per Kg) segments. We followed a similar strategy with regards to the assortment of third party brands offering, which are mainly focused on the premium, super premium and specialist segments, allowing Arcaplanet to take advantage of the "humanization" and premiumization trends of the Italian pet care market.

Our highly loyal customer base delivers growth in yearly spend per customer, high Recurring Revenue Shares, and unmatched LTV/CAC ratios

Arcaplanet has a highly loyal customer base. According to a leading international consulting firm, more than 60% of Arcaplanet clients purchase pet products only at Arcaplanet Stores (compared to 24% for the closest competitor), while more than 85% of them consider "ARCAPLANET" as their brand of reference when purchasing for their pets.

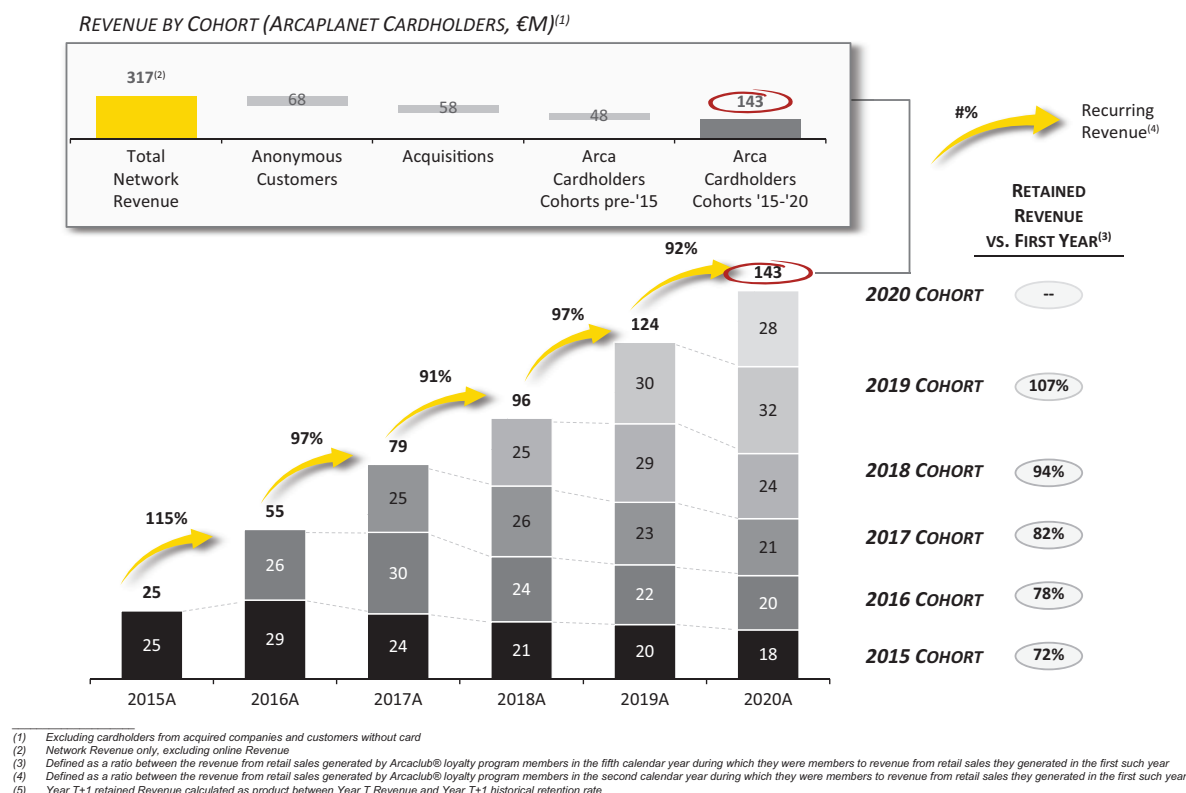
The loyal and constantly growing base of 1.5 million Arcacard[®] cardholders (as at June 30, 2021) generates over 75% of Agrifarma's revenue from sales and services. The Arcacard[®] loyalty program provides Arcaplanet with intimate knowledge of its customers' spending habits and needs, allowing it to continuously evaluate its offering of products and services. In 2017 – 2020, the Arcacard[®] cardholders base increased from 0.9 million to 1.3 million, at a CAGR of 13.5%. During the same period: (i) the number of high-spender (over €250 yearly spend) Arcacard[®] cardholders increased from approximately 184,000 to approximately 308,000, at a CAGR of 19.0%; and (ii) average spending in this customer group increased from approximately €540 per year to approximately €560 per year. As a result, Arcaplanet's combined revenue from retail sales to high-spender Arcacard[®] cardholders increased from €99.0 million, or 66% of total revenue from retail sales to Arcacard[®] cardholders, for the year ended December 31, 2018 to €172.0 million, or 69% of total revenue from retail sales to Arcacard[®] cardholders, for the year ended December 31, 2020. Also in 2017 – 2020, Arcaplanet increased the number of its other cardholders from approximately 680,00 to approximately 956,000, at a CAGR of 12.0%, while their average spending grew from approximately €75 per year to approximately €80 per year.

The graphics below present the distribution of Arcacard[®] loyalty program members by spending group, breakdown of Agrifarma's revenue from retail sales by such spending group and evolution of average spending for each group, in each case, for the periods indicated:



Arcaplanet's exceptional customer loyalty translates into high Recurring Revenue Shares (approximately 80% on a five year basis and over 90% on a one year basis) and little attrition over the years.

The graphics below present Arcaplanet's Recurring Revenue Shares for the periods indicated:



As a result of increasing spend per customer and high Recurring Revenue Shares, we estimate that Arcaplanet has one of the highest Lifetime Value to Cost of Acquisition (“LTV/CAC”) ratios in the Italian pet care market. Assuming a lifespan of three years, Arcaplanet’s LTV/CAC ratio is estimated to be approximately 6x, which is very high even compared to other industries (such as sport apparel) that generally have higher LTV/CAC ratios.

Our omni-channel approach increases value for customers, drives customer loyalty and lays the foundation for further growth

We believe that our omni-channel offering is the best distribution model in the pet care market. It provides a well-developed ecosystem that maximizes customer expenditure at every point of interaction and enables us to seamlessly serve our customers across physical and online platforms, allowing for a more efficient marketing spend.

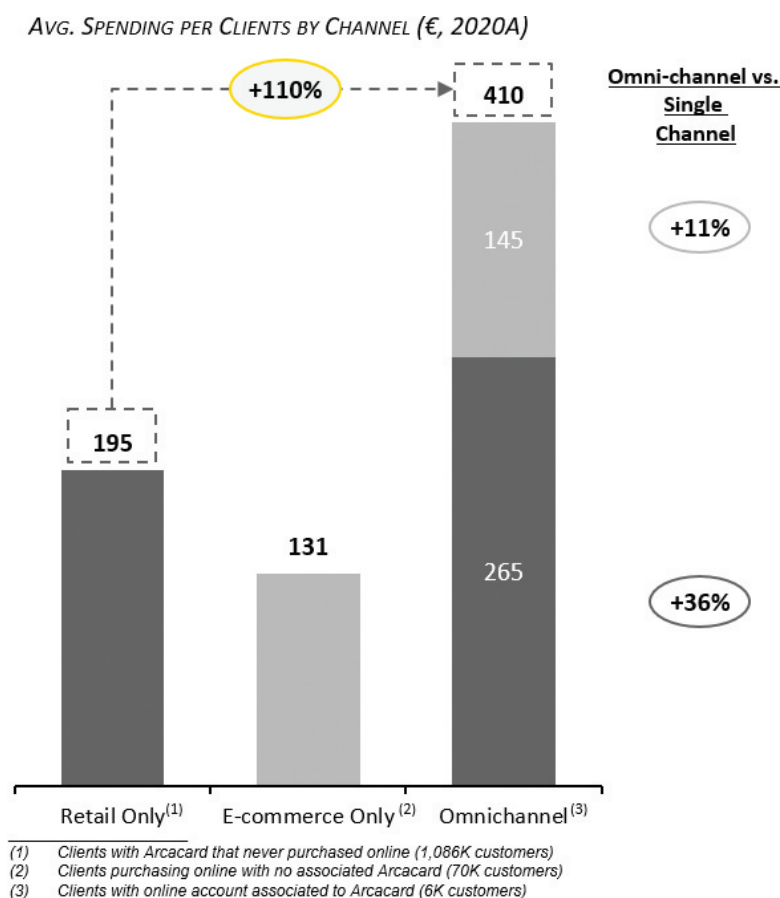
With 382 physical stores as at June 30, 2021, Arcaplanet benefits from the largest specialized store network in Italy. The extent of this network is particularly important as this is a critical success factor in distributing pet food, differentiating omni-channel players from pure online competitors (see “—We are a leading player in one of the most attractive pet care markets in Europe”) and because we believe that proximity remains one of the key reasons why customers choose to shop in-store. Arcaplanet has invested heavily in its physical stores that offer a modern boutique in-store experience to customers in a variety of formats (such as standalone, retail park, shopping center or in-town stores). In addition to a wide selection of Exclusive Brands products (which are only available on Arcaplanet platforms) and third-party products, Arcaplanet offers valuable practical advice and various complementary services to pet owners in Arcaplanet Stores. We believe that such complementary services are appreciated by the customers and further strengthen Arcaplanet’s customer relationships. Arcaplanet’s innovative services are the forefront of new market trends: (i) 106 Arcaplanet Stores currently have on-site “Para-pharmacies” (through which we offer non-prescription veterinary drugs); (ii) 102 Arcaplanet Stores offer “Self Wash” (self-service washing machines and dryers for pet clothing and accessories) and/or “Pet Wash” (dedicated self-service facilities for pet grooming with adjacent hair dryer areas) services; and (iii) dedicated “Agility” spaces for training and entertaining dogs in select Arcaplanet Stores. Clients express a high satisfaction rate (more than 4 out of 5 stars) in every service category, resulting in a higher average spend per transaction in 2020 when customers purchase pet food and accessories bundled with services. Following completion of the Transactions, we expect to add 130 Maxi Zoo Stores to this network, increasing the number of stores operated by the Combined Group to 512, of a *pro forma* basis, as at June 30, 2021.

For the year ended December 31, 2020, sales through physical stores accounted for approximately 93% of Agrifarma's revenue from retail sales.

Arcaplanet's physical store network is complemented by its fast-growing online business, which benefits from what we believe to be the widest product assortment on the market. We believe that high satisfaction with such product assortment is one of the key reasons why online clients are loyal to Arcaplanet's E-commerce Platform. According to a leading international consulting firm, online customers are very loyal and are generally unwilling to shift from their current online pet care store. Arcaplanet has been successful in driving online interest supported by superior "ARCAPLANET" Brand Awareness and the widest product range in the market, resulting in significant traffic and conversion rate improvements in 2018 – 2020. We believe that the online channel is critical for customer value maximization and promotion of our Exclusive Brands. Increased online sales of our Exclusive Brands products allowed Arcaplanet's E-commerce Platform to achieve profitability in 2020 and has positioned us for strong future growth through the online sales channel.

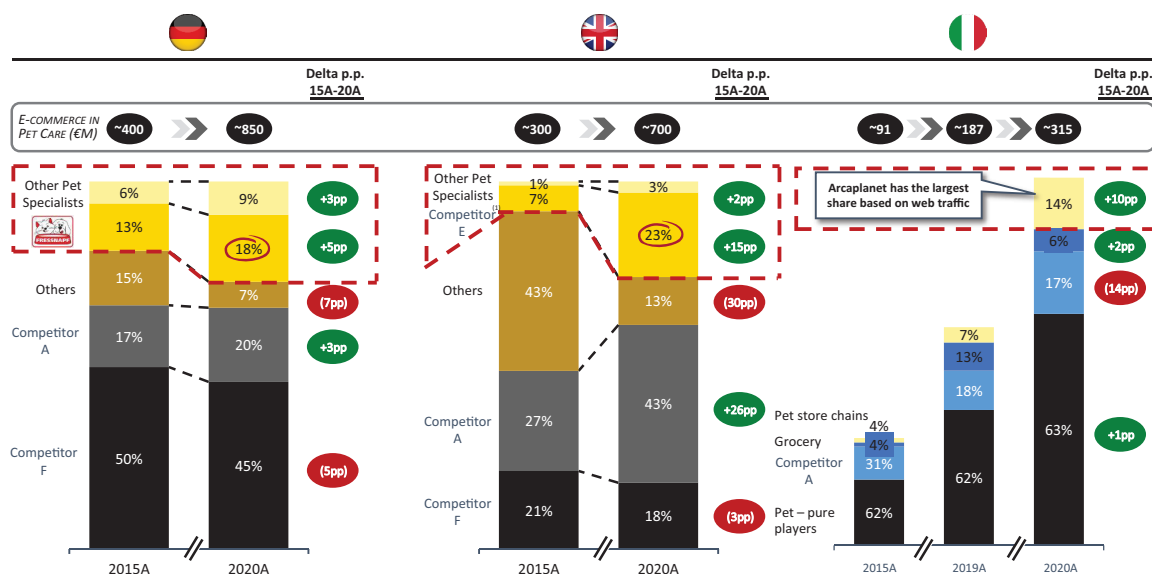
For the year ended December 31, 2020, sales through the E-commerce Platform accounted for approximately 7% of Agrifarma's revenue from retail sales.

We believe that our omni-channel approach is the optimal strategy to ensure continuous growth and loyalty of our customer base, as we offer our physical stores' customers the option of shopping online (and vice versa), all under the umbrella of our leading "ARCAPLANET" brand. The extent of our physical stores operations and traditional customer base allow us to be at the forefront of the ongoing digitalization of the Italian pet care market. Our omni-channel proposition enables us to serve as a one-stop-shop for the majority of pet care needs of our customers. It increases cross-selling across platforms, drives customer retention and helps capture customer spend, while promoting higher expenditures per customer. According to research performed by a leading international consulting firm, on average, Arcaplanet's omni-channel customers tend to spend approximately 2.1x more per year than either pure retail or pure online customers:



We believe that the trends in the Italian and wider European pet care markets are supportive of our omni-channel proposition. According to a leading international consulting firm, omni-channel specialists increased their share of the Italian online market from 4% in 2010 to 7% in 2015 and to 14% in 2020, while the share of online-only businesses decreased over the same period. This is in line with similar developments in more

mature online pet care markets. For example, in Germany, omni-channel specialists increased their market share from 19% in 2015 to 27% in 2020, while local online-only businesses lost their share over the same period.



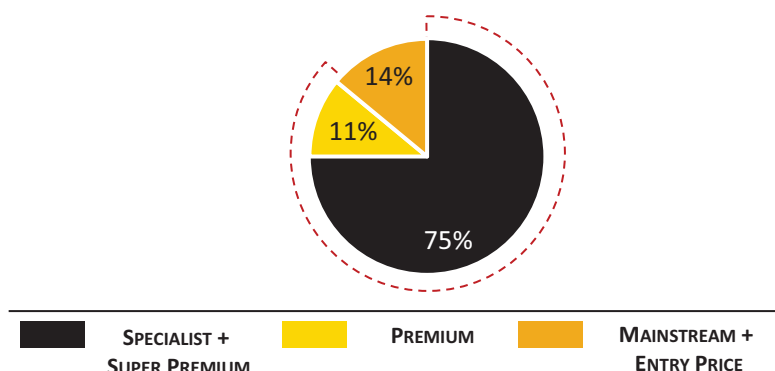
We have a best-in-class assortment of high-margin Exclusive Brands with premium price positioning, that will be supported by in-house dry pet food manufacturing

Exclusive Brands products are core to Arcaplanet's product offering. Sales of Exclusive Brands products generated 25.1%, 31.9%, 40.8% and 44.4% of Agrifarma's revenue from sales and services for the years ended December 31, 2018, 2019 and 2020 and the twelve months ended June 30, 2021, respectively.

Our Exclusive Brands offering comprises both food and non-food products positioned at the high-end of the market to capture increasing customer demand for quality products. Some of our bestselling Exclusive Brands for pet food are Hi[®], Next[®] and Virtus[®], while our bestselling non-food brands include Lovedi[®], Perfect[®] and Next[®]. Our Virtus[®] brand has the highest Net Promoter Score amongst all our Exclusive Brands, which is also twice as high as the Net Promoter Score on the Italian market of a leading international brand. Which is a leading global brand. Exclusive Brands increase overall "ARCAPLANET" Brand Awareness which, in turn, drives customer loyalty.

For the twelve months ended June 30, 2021, more than 75% of Arcaplanet's combined revenue from sales of pet food under Exclusive Brands came from the higher margin "Specialist" and "Super Premium" segments:

% OWN EXCLUSIVE BRAND REVENUES BY PRICE POSITIONING



Exclusive Brands products generate a gross margin of approximately 62-63%, which has grown over time as Arcaplanet's business has increasingly focused on premium products. Meanwhile, the gross margin of third-party brands has been approximately 36% (without supplier's bonus) over the last 3 years. Because Exclusive Brands products have higher margins, Arcaplanet Adjusted EBITDA Margin increased to 17.7% for the twelve months ended June 30, 2021 from 13.6% for the year ended December 31, 2018, as the share of its revenue generated by sales of Exclusive Brands products increased. Our Exclusive Brands products can be

purchased only at Arcaplanet's physical stores or via our E-commerce Platform, which drives foot traffic and repeated purchases. Increasing penetration of Exclusive Brands products is facilitated by the extensive Arcaplanet store network and the high awareness of Arcaplanet's Exclusive Brands and the overall "ARCAPLANET" brand. In the recent years, Arcaplanet has been investing significantly in increasing the awareness of its Exclusive Brands and its overall Brand Awareness. Exclusive Brands cater well to the pet "humanization" and premiumization trends, which are the key drivers of the Italian pet care market's growth.

In addition, Maxi Zoo has a largely complementary exclusive brand offering with a significant margin upside (as it currently offers exclusive brands products in all of the higher margin segments). Following completion of the Transactions, we expect to capture this margin upside through the combination and harmonization of product assortment within the Combined Group.

To further strengthen our Exclusive Brand offering, we invested in the construction of the Tagliamento Facility, a state of the art facility for manufacturing dry pet food with a capacity of 60 kilotons (which we will have the flexibility to double in the future with very limited capital investments). Upon the Tagliamento Facility's commencement of operations, which is currently expected by August 2022, we will become the first only-Italian vertically-integrated pet specialist business. Our margins on dry food products are expected to further improve as the result of the internalization of manufacturing costs and economies of scale. In addition, we expect to benefit from greater control over product quality and R&D, an accelerated innovation cycle and additional potential synergies in future acquisitions.

Our strong financial track record is expected to be further enhanced by tangible synergies resulting from the implementation of the Transformation Program

Since 2018, Arcaplanet consistently delivered year-on-year growth of Agrifarma's revenue from sales and services and Agrifarma EBITDA, both in the double digits, supported by increasing sales of Exclusive Brands and significant marketing expenditure. Arcaplanet Adjusted EBITDA margins have consistently expanded across various store sizes and formats, as well as across different locations. Arcaplanet's consistent performance is attributable to its ability to optimize product category mix and cost structure (resulting in a homogenous P&L structure across all Arcaplanet Stores network) and a successful M&A strategy. We believe that we have demonstrated the ability to identify attractive opportunities to grow our physical store network and deliver such growth in an efficient manner, while ensuring consistent and predictable profitability of new stores. The performance of Arcaplanet Stores opened in 2019 and 2020 is superior to older store clusters, both in terms of revenue from sales and services and Arcaplanet Adjusted EBITDA per store. Arcaplanet combined revenue from retail sales through 186 organic growth physical stores that were part of the network as at December 31, 2017 and remained part of the network as at December 31, 2020 grew from €180.2 million for the year ended December 31, 2018 to €188.6 million for the year ended December 31, 2019 to €191.1 million for the year ended December 31, 2020. For the same periods, Arcaplanet Adjusted EBITDA per store increased from €100,100 to €116,200 to €142,300. In addition, Arcaplanet combined Like-for-Like revenue increased by 5.2% in 2016, by 2.1% in 2017, by 5.0% in 2018, by 5.9% in 2019 and by 6.3% in 2020.

Arcaplanet's omni-channel model has proven resilient during the COVID-19 pandemic, with Agrifarma's revenue from sales and services growing by €33.3 million, or 10.9%, from €305.9 million for the year ended December 31, 2019 to €339.2 million for the year ended December 31, 2020 and Agrifarma EBITDA by €11.8 million, or 31.7%, from €37.1 million to €48.9 million for the same period. Arcaplanet Adjusted EBITDA grew by €12.4 million, or 30.6%, from €40.4 million to €52.8 million for the same periods. This momentum has continued into 2021, with Agrifarma's revenue from sales and services growing by €29.8 million, or 18.9%, from €157.5 million for the six months ended June 30, 2020 to €187.3 million for the six months ended June 30, 2021, Agrifarma EBITDA growing by €10.4 million, or 54.3%, from €19.2 million to €29.6 million and Arcaplanet Adjusted EBITDA growing by €12.5 million, or 59.0%, from €21.1 million to €33.6 million for the same periods.

Increasing penetration of Exclusive Brands is a key driver of Arcaplanet Adjusted EBITDA Margin profile, as products sold under such brands generally have higher margins than third party branded products. Our focus on Exclusive Brands products has enabled us to increase Arcaplanet Adjusted EBITDA Margin from 13.6% for the year ended December 31, 2018 to 15.6% for the year ended December 31, 2020 and to 17.7% for the twelve months ended June 30, 2021. Arcaplanet is highly cash generative due to limited capital expenditures and a structurally negative net working capital profile. Its overall capital intensity is minimal with start-up capital expenditure per store at approximately €0.3-0.4 million, depending on size. Low maintenance capital expenditure allows Arcaplanet to generate consistently high returns after each new store opening. Approximately 50% of newly opened stores generate positive Arcaplanet Adjusted EBITDA after one month from opening. On average, Arcaplanet's new stores reach maturity in their third year, when they reach average

retail sales of €1 million and average EBITDA margin of 24.9% per year. Arcaplanet's high profitability is demonstrated by Agrifarma's cash conversion, which improved from €14.3 million for the year ended December 31, 2018 to €36.1 million for the year ended December 31, 2020 and €52.6 million for the twelve months ended June 30, 2021.

Following completion of the Transactions, we intent to implement our Transformation Program, which is expected to result in significant synergies and will further strengthen the Combined Group's financial profile. Key synergies reflected in the *Pro forma* Adjusted EBITDA include store network consolidation, harmonization of product offerings, products' purchase price improvements, HQ optimization, marketing centralization and in-store personnel optimization. This synergetic potential is expected to be fully realized by 2023, resulting in an increase of *Pro forma* Adjusted EBITDA by €20.0 million.

Visionary founder-led management team with strong track record and a clear vision for the future

Our management team has a market leading expertise in the Italian pet care industry and is composed of eleven senior members, including Mr. Michele Foppiani (our Chief Executive Officer and founder) and Mrs. Tiziana Gargiulo (our Chief Financial Officer). For many years, this team has consistently delivered above-market growth. Some recent notable achievements include establishment of the Arcacub® loyalty program, successful penetration of high-margin Exclusive Brands, our ongoing Vertical Integration Project and the continued expansion into the online channel.

The experience of our management team is further enhanced by the combined expertise of our investors, Cinven and Fressnapf, who possess deep market knowledge and have a track record of successful execution of similar transactions and delivery of synergies in similar environments. In particular, Fressnapf is one of the largest omni-channel pet retailers in Europe and will make its infrastructure and expertise available to the Combined Group (including extensive experience with rebranding stores post acquisition, support with procurement of branded and private label products, offline retail and online execution).

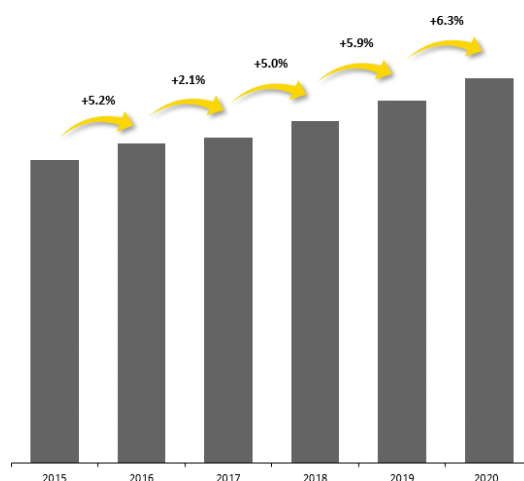
Going forward, the management team has a clear roadmap to continue capturing customer spend with new store openings and introduction of new services. Key current strategic initiatives include further roll-out of service offerings to other locations, e-vet services with online one-on-one video consultations, pet insurance offerings, an e-commerce marketplace on the Arcaplanet website and online educational services with the support of pet care experts.

Our Strategy

Continue like-for-like growth trajectory

We have a long track record of consistent like-for-like top-line growth underpinned by our omni-channel proposition, high customer loyalty, constant improvement of product assortment, introduction of new services, store refurbishments and marketing investments. Following the completion of the Transactions, 130 Maxi Zoo Stores will be rebranded in accordance with the Arcaplanet Store Format, which will allow the Combined Group to reach a broader consumer base and generate new demand.

The table below sets out the evolution of the Arcaplanet combined Like-for-Like revenue for the periods indicated:



Market trends are expected to remain supportive with 4.9% projected yearly growth of the Italian pet care market in 2020-2025. The primary market trends are pet “humanization”, premiumization, increased customer awareness of the benefits of specialist products, further penetration of the online channel and increasing pet adoptions due to COVID-19 tailwinds.

Continue increasing online penetration

According to a leading consulting firm, overall online penetration of the Italian pet care market is expected to reach 12-16% by 2025, and we are well positioned to benefit from that growth. We already have a profitable online E-commerce Platform, supported by superior “ARCAPLANET” Brand Awareness, but there is room for upside in our marketing mix and search engine optimization performance, among other areas. In early 2021, we launched the new VTEX E-commerce Platform, which boosts online activity by offering new complementary functionalities, resulting in a superior customer experience with a smart check-out process, card storage and an improved user interface. Since the launch of the VTEX E-commerce Platform, we have experienced an increase in conversion rates. We are planning to launch a variety of new initiatives in 2022, including online one-on-one vet visits, educational services, “buy now, pay later” services and a digital tool to provide customers with customized diet recommendations for their pets.

Continue expanding our physical stores network through organic growth and opportunistic acquisitions

We have identified numerous potential whitespace opportunities in Italy that could support between approximately 1,500 and approximately 1,800 total new physical pet care stores in the next several years. Therefore, we believe that our own physical stores network could be expanded to over 800 stores in that period. Our unit economics are consistent across store vintages, size and locations. Arcaplanet Stores generally mature in their third year, when they reach average revenue of retail sales of €1 million and average EBITDA margin of 24.9% per year.

In addition to organic growth, we expect to continue growing our physical store network through opportunistic acquisitions. The Italian pet care market remains fragmented with large consolidation potential. According to a leading international consulting firm, small independent (“mom & pop”) stores accounted for approximately 37% share, by revenue, in 2020. Arcaplanet has a clear track record of value-accretive acquisitions with six bolt-on and one transformational M&A transactions successfully executed in the last 5 years. In all instances, it has successfully integrated new and existing businesses and delivered significantly improved performance and margins. Following completion of the Transactions, we expect to continue a proactive opportunistic M&A strategy.

Implement the Vertical Integration Project securing in-house production of dry pet food for our Exclusive Brands

Our Tagliamento Facility for manufacturing dry pet food will make us the first only-Italian vertically-integrated pet specialist business in the country. It will be built in accordance with the highest technology standards, ensuring improved control over product quality and R&D. Once operational, the Tagliamento Facility is expected to enable us to internalize the margin currently paid out to third party manufacturers and further realize production and operational cost savings. With current volumes of dry pet food sold under our Exclusive Brands, the Tagliamento Facility is expected to contribute to further increases of our *Pro forma* Adjusted EBITDA. We currently expect the Tagliamento Facility to begin operations by August 2022 and estimate the overall cost of construction to be approximately €45 million. In accordance with Italian Ministerial Decree of December 9, 2014 (*Development contracts: adjustment of rules on state aid*), Invitalia, Italy’s National Agency for Inward Investment and Economic Development, provides state support to projects that are expected to significantly advance the country’s economic development. In August and December 2020, Arcaplanet filed two separate applications to Invitalia for state co-funding of, in aggregate, approximately €17 million, or 40%, of the Tagliamento Facility’s then expected total construction costs. As part of the application process, Arcaplanet submitted detailed documentation relating to the proposed construction and expected impact of the Tagliamento Facility on local and national economies. Both applications have been approved. Although there is no definitive schedule for Arcaplanet’s receipt of funds, we expect the first tranche of approximately €9 million to be made available during the course of 2022 and the second tranche of approximately €8 million in 2022 or 2023. In addition, instead of receiving lump sums up front, Arcaplanet is entitled to claim reimbursement of actual costs incurred up to the aggregate approximately €17 million limit. Arcaplanet will be under no obligation to repay any money it receives from Invitalia and no such funding will be subject to any additional conditions other than compliance with the terms of the underlying applications.

If required, we expect to be able to double the currently planned 60 kiloton dry pet food capacity of the Tagliamento Facility with limited investments. We will also have the option to buy adjacent land to build a 60 kiloton wet pet food facility. Internalization of the production process and the associated full control over the R&D activity is expected to accelerate innovation and reduce the time to market of our Exclusive Brands products. The Tagliamento Facility is expected to be cost efficient due to the minimization of human interaction and its industry 4.0 design that enables remote control and 100% product traceability. It is expected to be compliant with the highest safety and environmental standards, which will make it eligible for six ISO certifications. The Tagliamento Facility is currently expected to become operational in August 2022.

Execute the Transformation Program

We believe that the Transactions have strong potential for tangible synergies that will allow the Combined Group to benefit from enhanced scale, Brand Awareness and operational flexibility, among other things. In particular, we have identified certain initiatives and synergy levers that will strengthen our financial profile through cost rationalization.

Following a detailed review of operations of Arcaplanet and Maxi Zoo, several operational initiatives have been identified as part of the Transformation Program. For instance, harmonization of product offerings in conjunction with the rebranding of Maxi Zoo Stores in accordance with the Arcaplanet Store Format is expected to deliver a €5.8 million impact on our *Pro forma* Adjusted EBITDA. We are confident that such alignment can be achieved given our substantial track record of successful integration projects. In addition, currently both businesses operate their own headquarters with two management teams in place, which creates significant headroom for cost reductions. We expect synergies from HQ optimization to deliver a €4.6 million impact on *Pro forma* Adjusted EBITDA. Furthermore, we believe that current physical store networks of Arcaplanet and Maxi Zoo may overlap in certain locations. Consolidation of stores located in close proximity is expected to result in immediate cost savings while transferring revenue to nearby stores. We expect a €3.3 million impact of store network optimization on our *Pro forma* Adjusted EBITDA. Centralization of marketing activities and in-store personnel optimization are expected to deliver €1.9 million and €2.6 million of synergies, respectively. Finally, the Transactions are expected to result in the Combined Group's ability to secure improved procurement terms due to higher volumes and overall stronger business setup. We expect such improvements to have a €1.8 million impact on our *Pro forma* Adjusted EBITDA. In total, we expect our Transformation Program to render €20.0 million of synergies by 2023. In addition, the rebranding of Maxi Zoo Stores may lead to an increase in online penetration of former Maxi Zoo clients, which represents potential further upside.

Maintain financial discipline to support deleveraging

We intend to maintain a high focus on integration, profitability, cash flow generation and deleveraging. Our strategy is expected to be supported by rapid EBITDA growth resulting from execution of the business plan, synergies from the Transactions and underlying growth trends in the Italian pet care market, among other factors. Our commitment to deleveraging is reinforced by the investment of a conservative strategic shareholder, Fressnapf, that will hold a meaningful 32.5% of the Combined Group. The Combined Group is therefore expected to have a conservative capital management strategy. In addition, we expect to pay no dividends for at least 24 months from the Arcaplanet Acquisitions Closing Date, as we will be focused on executing the Transformation Program. The Combined Group is expected to have strong profitability and financial discipline to provide a generous liquidity cushion for our ongoing business needs. Our liquidity position is expected to be supported by the €80 million Revolving Credit Facility, structurally negative working capital and limited capital requirements. Notwithstanding our intention to delever, we also intend to selectively evaluate acquisition opportunities to increase the scale of the business as and when they arise.

History

Arcaplanet was founded in 1995 by Mr. Michele Foppiani in Chiavari, Liguria. Originally a traditional pet food wholesale distributor, we opened the first “ARCAPLANET” branded store in 1998. Taking advantage of the growing fondness of Italian households for pets, we launched several additional stores in the early 2000s, growing our network to 11 stores by the end of 2005. In 2005, the newly founded Italian private equity firm, Credem, chose us as its first investment and acquired 60% of our share capital.

In 2010, we were acquired by funds advised by Motion Equity Partners. Our first ever advertisement was aired on Italian television in 2013. In 2014, we launched our first e-commerce “Magento” platform.

In 2015, we launched our first Exclusive Brand, Next[®] (see “—Arcaplanet—Products and Services—Products—Pet food—Exclusive Brands”). In the same year, we launched the Arcacub[®] loyalty program (see “—Arcaplanet—Marketing and Promotion—Arcacub[®] loyalty program”).

In 2016, we were acquired by Permira.

In 2017, we launched our flagship store in Genoa with a new store layout and format (the “**Arcaplanet Store Format**”), which we have been expanding to all our stores since, and introduced a range of in-store services (see “—*Arcaplanet—Products and Services—Services*”).

In 2018, we significantly increased investments into our own high-quality Exclusive Brands and aired the first TV advertisement for our leading brand, Virtus[®]. By the end of that year, we increased our network to more than 290 stores.

In 2020, we inaugurated our new corporate headquarters in Carasco, Liguria.

In February 2021, we replaced the “Magento” e-commerce platform with the new VTEX e-commerce platform (see “—*Arcaplanet—Distribution—E-commerce Platform*”). In July 2021, we commenced the construction of the Tagliamento Facility as part of the Vertical Integration Project (see “—*Arcaplanet—Manufacturing*”).

Arcaplanet

Products and Services

Products

Arcaplanet offers three main categories of pet products:

- ***Pet food***, which include dog, cat and fish food and treats;
- ***Pet accessories***, which include dog and cat supplies and accessories ranging from “fun & fashion” items (e.g., toys, apparel, beds, cages, collars and leashes) to “problem & solution” items (e.g., grooming and beauty, travel, transporters and containment); and
- ***Pet health products***, such as non-prescription healthcare products and supplements, waste management, pesticides and water treatments.

All products are available in Arcaplanet’s stores and via its E-commerce Platform. See “—*Distribution*.” For the year ended December 31, 2020, pet food, pet accessories and pet health products accounted for 83%, 11% and 6% of Arcaplanet’s combined revenue from sales and services, respectively. For the same period, pet food, pet accessories and pet health products accounted for 83%, 11% and 6% of Agrifarma’s revenue from sales and services, respectively.

Arcaplanet carries a large assortment of approximately 130 unique product brands, which we believe is more diverse than that of any competitor in Italy. In addition to selling pet products under well-established national and international brands, Arcaplanet has a variety of own exclusive proprietary brands (collectively, “**Exclusive Brands**”). Arcaplanet launched its first Exclusive Brand, Next[®], in 2015 and since then has invested heavily in Exclusive Brands’ development to meet the growing customer demand for quality pet products. As a result, Agrifarma’s revenue from sales and services generated by sales of products under such Exclusive Brands grew from 12% for the year ended December 31, 2015 to 41% for the year ended December 31, 2020. All Arcaplanet’s Exclusive Brands introduced since 2016 focus either on pet food or pet non-food products. However, older Exclusive Brands Next[®] and Expecial[®], which are primarily pet food brands, also cover certain non-food products.

Pet food



Exclusive Brands

Arcaplanet’s Exclusive Brands for pet food products come in four different segments:

- ***Specialist***. Arcaplanet offers high-quality single source (e.g., beef, fish, or duck) or single purposes (e.g., snacks) products under these brands, which are usually sold at a price of more than €5,0 per kg. Comparable national and international brands include “Orijen” and “Acana”.
- ***Super premium***. Products offered under these brands are characterized by high quality of raw materials, but do not focus on a single source of protein or any specific type of foods. These products are usually sold at a price between €4,0 per kg and €5,0 per kg. Comparable national and international brands include “Royal Canin”, “Monge” and “Purina Pro Plan”.
- ***Premium***. Products under these brands are more accessible to mass consumers and are usually sold at a price between €3,0 per kg and €4,0 per kg. Comparable national and international brands include “Natural Trainer” and “Purina Gourmet”.

- **Mainstream.** Arcaplanet currently has only one mainstream brand for pet food, Expecial Dog[®], which is focused on offering quality products for budget-conscious customers. Expecial Dog[®] products are sold at a price between €1,5 per kg and €3,0 per kg. Comparable national and international brands include “Purina Felix”.

The table below sets out Arcaplanet’s Exclusive Brands for pet food:

Exclusive brand	Category	Description
	Specialist	Virtus [®] is a line of pet food products specially formulated with the carnivorous nature of dogs and cats in mind. Both dry and wet Virtus [®] products contain a high percentage of animal protein from carefully selected sources and either do not contain, or contain only a small amount of, cereals. Virtus [®] is Arcaplanet’s best-performing Exclusive Brand for pet food and ranks highly nationwide in both customer satisfaction and loyalty.
	Specialist	Hi Fish [®] is a line of high quality fish-based pet food, which is particularly relevant in the case of hypersensitive pets. Hi Fish [®] is an ideal solution for consumers looking for pet food with alternative protein sources.
	Specialist	Hi Beef [®] offers a wide range of high quality beef-based recipes for dogs and cats. Most recipes are based on beef as the sole source of protein.
	Specialist	Hi Duck [®] offers a wide range of high quality duck-based recipes for dogs and cats. Most recipes are based on duck meat as the sole source of protein.
	Specialist	Hi Pork [®] offers a wide range of high quality pork-based recipes for dogs and cats. Most recipes are based on pork as the sole source of protein.
	Specialist	Hi Lamb [®] offers a wide range of high quality lamb-based recipes for dogs and cats. Most recipes are based on lamb as the sole source of protein.
	Specialist	Hi Chicken [®] offers a wide range of high quality chicken-based recipes for dogs and cats. Most recipes are based on chicken meat as the sole source of protein.
	Specialist	Wolly’s Ranch [®] is a specialist brand focused on high quality natural snacks. Inspired by the BARF (Biologically Appropriate Raw Food) philosophy of nutrition, it offers dog treats which are free from preservatives.
	Super premium	In The Nature [®] pet food products are based on the concept of natural nutrition, featuring balanced formulas with natural ingredients such as superfoods, seeds, fruits and vegetables. In The Nature [®] pet food products are minimally processed.
	Super premium	Next [®] products focus on wet cat food and offer a wide range of natural complementary products (including the “Thai” range).
	Premium	Expecial Pro [®] offers recipes tailored for active pets in need of extra calories to support their daily activities (e.g., athletic / working dogs and outdoor cats). Expecial Pro [®] Kibbles are made with an extra layer of oils and fats, which provides extra energy while also boosting the flavor of the recipes.
	Premium	Expecial You [®] offers traditional recipes mixed with natural ingredients, such as fruits and vegetables.
	Mainstream	Expecial Dog [®] is the range of pet food that focuses on providing value for money to customers, and offers a wide range of pet food products across all major categories (such as kibble and treats). Arcaplanet primarily promoted Expecial Dog [®] through the use of saver packs and multibuy deals in its stores.

Arcaplanet primarily focuses on the higher margin “Specialist”, “Super Premium” and “Premium” segments. For the twelve months ended June 30, 2021, sales of pet food under Exclusive Brands of those segments accounted for 48%, 27% and 11%, respectively, of total revenue that Arcaplanet generated from sales of pet food under the Exclusive Brands.




Other brands

In addition to Exclusive Brands, Arcaplanet offers pet food products under most established national and international brands, which include “Royal Canin”, “Nestlé”, “Mars”, “Affinity”, “Monge”, “Hills”, “Agras”, “Almo”, “Wonderfood” and “Vitakraft”.

Pet accessories

Exclusive Brands

The table below sets out Arcaplanet’s Exclusive Brands for pet accessories:

Exclusive brand	Description
	Luna&Teo® features premium pet and household products, such as bedding and cat toys. Luna&Teo® products are designed in Italy and are constructed from high quality materials, such as velvet and leather.
	Pet Around You® focuses on pet products for use in outdoor activities, such as collars, leashes, pet carriers, travel bowls and toys.
	Yes! Accessories and Toys® features a wide variety of non-food products. Some of the popular product categories include pet toys, cat scratchers, food and water dispensers, litter trays, and pet clothing.



Other brands

In addition to Exclusive Brands, Arcaplanet offers pet accessories under most established national and international brands, which include “Croci”, “Ferplast”, “Pet Village”, “Camon”, “United Pets”, “Tre Ponti”, “Zoolux” and “Gimborn”.

Pet health products

Exclusive Brands

The table below sets out Arcaplanet’s Exclusive Brands for pet health products:

Exclusive brand	Description
	Perfect® offers pet hygiene, grooming and beauty and post-surgery products. These include innovative products, such as probiotic spray solutions for deep and long-lasting hygiene and ecological care solutions.
	Lovedi. Amali ogni giorno® brand aims to be a partner to customers throughout their daily tasks as pet parents. The brand initially offered products mostly in the cat litter and hygiene areas, however, due to its popularity, its product offering has since expanded and covers other areas, such as bedding, grooming and toys.

Other brands

In addition to Exclusive Brands, Arcaplanet offers pet health products under most established national and international brands, which include “Boehringer”, “Elanco”, “Ciam” and “Gimborn”.

Services

Arcaplanet first introduced in-store services in 2017 and is currently offering at least one of these services in almost 222 stores across Italy. See “—Distribution—Stores.” These service offerings (together with a variety of pet products offered) allow Arcaplanet to be a “one-stop-shop” to address all major needs of pet owners.

The table below sets out Arcaplanet’s current in-store services offerings, as well as the number of stores in which these services were offered as at June 30, 2021:

Service	Description	Stores covered
“Para-pharmacy”	Direct sale of non-prescription veterinary drugs	106
“Self Wash”	Self-service washing machines and dryers for pet clothing and accessories	51
“Pet Wash”	Dedicated self-service facilities for pet grooming with adjacent hair dryer areas; Arcaplanet is the only market participant of scale to offer this service	51
“Agility”	Dedicated area for dog training and entertainment	14

The introduction of these services has proved to be a growth driver for Arcaplanet. In 2017-2020, revenue from sales and services generated by stores offering at least one in-store service has grown faster compared with growth in revenue from sales and services generated by stores that do not offer any such services. We believe that Arcaplanet's services offering allows it to build trust and loyalty with customers, drives increased traffic to its stores, increases average spend per customer and differentiates it from competitors.

Distribution

Stores

Overview

With 382 stores, Arcaplanet has the largest network of specialized stores in Italy. Its stores are located in 17 out of 20 Italian regions.

The following table sets out the geographical distribution of Arcaplanet Stores as at June 30, 2021:

Region	Number of stores
Abruzzo	7
Campania	4
Emilia Romagna	21
Friuli Venezia Giulia	9
Lazio	30
Liguria	38
Lombardia	107
Marche	10
Piemonte	73
Puglia	8
Sardegna	14
Sicilia	3
Toscana	25
Trentino Alto Adige	1
Umbria	1
Valle d'Aosta	2
Veneto	29
Total Italy	<u>382</u>

As at June 30, 2021, all Arcaplanet Stores fell under one of the following categories:

- **Standalone**—69 stores located near urban and high-traffic areas with independent entrances;
- **Retail Park**—200 stores sharing parking facilities with other retailers;
- **Shopping Center**—40 stores sharing the entry area with other commercial activities, as in a shopping mall; and
- **In Town**—73 stores located in the center of a town with low surface area.

Each store is headed by a store manager that reports to their respective area manager. In turn, area managers report to one of the three regional managers (for the North-West, North-East and Central-South regions). The regional managers report directly to the Head of Operations in Arcaplanet's HQ.

Since the introduction of the Arcaplanet Store Format in 2017 (see "*History*"), Arcaplanet has been refurbishing the Arcaplanet Stores to better display its assortment of goods (including those sold under Exclusive Brands) and improve the in-store experience for customers. Refurbishments are performed by third-party suppliers, who are selected from at least three competitors via a tender process. The implementation of each refurbishment is monitored by the Maintenance and Facility Management Department, see "*Procurement and Maintenance—Maintenance of Stores*." Arcaplanet categorizes such refurbishments into "light", "medium" and "total" refurbishments as follows:

- **Light**: only external appearance modifications, such as signboard and window sticker.
- **Medium**: complete external and internal refurbishment, excluding systems and floor.
- **Total**: complete external and internal refurbishment, including systems and floor.

In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2021, Arcaplanet refurbished 66 stores (all of which were “light” refurbishments), 46 stores (nine “light”, 36 “medium” and one “total” refurbishment), 33 stores (eleven “light”, 15 “medium” and seven “total” refurbishments) and 6 stores (all of which were “total” refurbishments), respectively. The Arcaplanet Store Format has proven versatile, with strong performance across different locations and sizes, driven by Arcaplanet’s ability to optimize product category mix and cost structure, which resulted in a consistent profit and loss structure across the entire network.

Once established, it usually takes about three years for a new Arcaplanet Store to achieve maturity. Arcaplanet Stores have generally demonstrated consistent performance across the network, with average revenue from sales and services of €1 million and average EBITDA margin of 24.9% in the year ended December 31, 2020. Historically, the rate of Arcaplanet Stores closures has been low, and such closures have mostly been for the purpose of replacing current smaller stores with larger, more modern ones. Some acquired stores can also be shut down post-acquisition for strategic purposes (such as double coverage of catchment areas resulting in margin dilution). For example, following the acquisition of 71 “Fortesan” branded stores in 2018/2019 (see “—Recent acquisitions”), Arcaplanet either closed or sold nine of them. Arcaplanet also disposed of the “Fortesan” warehouse in Fossano, Piemonte in June 2020.

All Arcaplanet Stores are rented, and the rental costs across the network are broadly consistent period-on-period in respect of comparable store sizes, within each location category. Pursuant to Italian Law 392/78, lease agreements for the Arcaplanet Stores must have a minimum duration of six years. They automatically renew for additional six-year periods, unless terminated on twelve months’ notice. The majority of these lease agreements are standard across the network with a limited number of semi-variable contracts. In addition, Italian laws require retail stores to hold certain commercial permits and comply with various fire prevention, sanitation and other regulations, as well as have prescribed certificates of fitness for use. Arcaplanet has internal procedures in place to ensure compliance with all such applicable laws and regulations in all material respects.

Recent acquisitions

Arcaplanet has historically enhanced its retail network via a combination of organic growth and opportunistic acquisitions (see “—History”). Our strategy is to continue acquiring smaller pet products chains or parts thereof across Italy, as and when opportunities arise. We believe there is still significant room for consolidation in the country’s pet care industry. See “Summary—Our Strategy—Continue expanding our physical stores network through organic growth and opportunistic acquisitions.”

Arcaplanet’s most recent acquisitions include:

- Zoomarket Group in December 2016 (which contributed ten “Zoomarket” branded stores to the network) at the aggregate cash consideration of €4.4 million;
- eleven “Country Shop” branded stores from Country Shop in October 2017, of which six are still open as of the date of this offering memorandum, at the aggregate cash consideration of €3.4 million;
- 71 “Fortesan” branded stores from Mondial Pet Distribution in 2018/2019, of which 63 are still open as of the date of this offering memorandum, at the aggregate consideration of €39.0 million;
- Zoodom in May 2019 (which contributed 15 “Zoodom” branded stores to the network, of which 13 are still open as of the date of this offering memorandum) at the aggregate cash consideration of €1.3 million;
- eleven “Fauna Food” branded stores from Medivet in November 2019 (of which ten are still open as of the date of this offering memorandum) at the aggregate cash consideration of €0.6 million; and
- five “La Città degli Animali” branded stores from Croci D. in November 2020 at the aggregate cash consideration of €0.6 million.

Following each acquisition, Arcaplanet refurbished newly acquired stores as soon as possible to convert them into Arcaplanet Stores in accordance with the Arcaplanet Store Format. Arcaplanet has demonstrated the ability to quickly integrate and improve the performance of newly acquired stores.

E-commerce Platform

Arcaplanet launched its current e-commerce VTEX platform (the “**E-commerce Platform**”) in February 2021. We believe that Arcaplanet is the most online searched pet care company in Italy and is recognized as best-in-class for its assortment, product quality, service level and website configuration. We also believe that the

E-commerce Platform provides high customer loyalty and satisfaction rates. As at June 30, 2021, the E-commerce Platform had 7.3 million active users. As at June 30, 2021, Arcaplanet had a 14% share, by value, of the Italian online pet products sales market.

The E-commerce Platform is administered internally, with logistical support from AZSL provided under the Logistic Services Agreement (see “—*Procurement and Maintenance—Logistics and packaging*”).

The E-commerce Platform is available to desktop (via the www.arcaplanet.it site) and mobile (via an app compatible with all major operating systems) users and has the following principal features:

- a built-in marketplace function, allowing Arcaplanet to increase the range of products offered to customers;
- a smart check-out function, permitting customers to (i) finalize orders in the “guest” regime without the need to create a password and (ii) store their credit card credentials for faster future purchases; and
- a click & collect function, which increases visibility of available stocks and reduces incorrect orders.

In order to enhance customer experience, the E-commerce Platform has a 24/7 chatbot and an internally administered call service function available during usual business hours from Monday to Friday each week, except on bank holidays. Arcaplanet also ensures that detailed descriptions, ingredient lists and reviews are provided for all its products, and facilitates customer engagement by allowing customers to share their experience in the comments section of products on the E-commerce Platform.

The E-commerce Platform has contributed to Arcaplanet’s average “Trustpilot” rating of 4.5 out of 5. We plan to continue developing the E-commerce Platform and investing in our online capabilities more broadly, including a new mobile app to be launched in 2022, along with several other digital initiatives in 2021 and 2022.

Product Supplies and Manufacturing

Supplies of products

General

Arcaplanet currently does not manufacture any of its products. Exclusive Brands products are supplied by approximately 60 manufacturers. In addition, Arcaplanet has arrangements with approximately 70 third parties for the supply of other national and international branded products.

Arcaplanet has two centralized teams (both located at the HQ in Carasco) that oversee the supply of products:

- ***Private Label Team***—a team comprised of five full time employees that oversees supply, contracts negotiations, product development and other daily tasks relating to products offered under Exclusive Brands; and
- ***Purchasing and Logistics Team***—a team comprised of eight full time employees that is responsible for the supply of products under third-party brands, as well as distribution logistics for products under all brands.

The Private Label Team reports directly to the Chief Operating Officer. The Purchasing and Logistics Team reports to the Head of Purchasing.

In general, supply agreements for products Arcaplanet offers (i) have a duration of one year, without tacit renewal, (ii) provide for purchases based on orders Arcaplanet issues as needed; and (iii) usually include (x) certain fixed and unconditional discounts and (y) conditional discounts / bonuses depending on turnover targets, marketing coverage (both online and in-store) that Arcaplanet provides for the supplier’s products and the assortment of different product lines sold in-store.

Exclusive Brands

Pet food for the Exclusive Brands is mainly produced in the European Union, primarily in Italy, although Arcaplanet also procures wet food for its Exclusive Brands from Thailand. Dog and cat treats for the Exclusive Brands are mainly produced by Chinese manufacturers, and cat litters are supplied from all over the world according to the specific origin of the sands used (including Italy, Turkey, China, Canada, Germany and Spain). Arcaplanet’s Exclusive Brands pet accessories are mainly sourced from Italy and China. The supply mix of products offered under such Exclusive Brands is set up intentionally to avoid dependency on any particular supplier. In the year ended December 31, 2020, purchases from only one supplier across all our product categories exceeded 5% of Arcaplanet’s total supplies, reaching 5.8%.

Arcaplanet licenses certain IP rights relating to its Exclusive Brands to manufacturers so that they are able to produce, package and supply products under such brands to it (see “—*Intellectual Property—Trademarks*”). In March 2021, in preparation for the launch of the Tagliamento Facility as part of the Vertical Integration Project (see “—*Manufacturing*”), Arcaplanet renegotiated eight principal supply agreements for products offered under its Exclusive Brands to ensure the supply thereof for the next two years. Under these amended agreements (i) relevant IP rights are licensed on a non-exclusive basis, (ii) the suppliers are obligated to supply the relevant products to Arcaplanet until mid—to end 2023, although Arcaplanet is not obliged to purchase these products from them, and (iii) suppliers may be subject to significant penalties if they fail to deliver their products in a timely manner.

In order to maintain quality control of products offered under the Exclusive Brands, Arcaplanet audits the production facilities of each manufacturer of such Exclusive Brands products at least once a year. Such audits are carried out by a permanent team comprising two qualified veterinarians and an R&D manager. However, under Arcaplanet’s contractual arrangements with these manufacturers, they are ultimately responsible for the quality of the relevant products.

Manufacturing

In 2019, Arcaplanet’s management introduced its Vertical Integration Project, which is designed to give Arcaplanet full ownership of its dry food products cycle. The key benefits of the Vertical Integration Project include increased margins, reduced costs, lower time to bring products to market, an enhanced R&D focus and increased quality control.

As part of the Vertical Integration Project, Arcaplanet commenced the construction of the state-of-the-art 34,008 m² facility for the production of dry pet food in San Vito al Tagliamento, Friuli-Venezia Giulia (the “**Tagliamento Facility**”) in July 2021. We currently expect the Tagliamento Facility to begin operations by August 2022 and estimate the overall cost of construction to be approximately €45 million. In accordance with Italian Ministerial Decree of December 9, 2014 (*Development contracts: adjustment of rules on state aid*), Invitalia, Italy’s National Agency for Inward Investment and Economic Development, provides state support to projects that are expected to significantly advance the country’s economic development. In August and December 2020, Arcaplanet filed two separate applications to Invitalia for state co-funding of, in aggregate, approximately €17 million, or 40%, of the Tagliamento Facility’s then expected total construction costs. As part of the application process, Arcaplanet submitted detailed documentation relating to the proposed construction and expected impact of the Tagliamento Facility on local and national economies. Both applications have been approved. Although there is no definitive schedule for Arcaplanet’s receipt of funds, we expect the first tranche of approximately €9 million to be made available during the course of 2022 and the second tranche of approximately €8 million in 2022 or 2023. In addition, instead of receiving lump sums up front, Arcaplanet is entitled to claim reimbursement of actual costs incurred up to the aggregate approximately €17 million limit. Arcaplanet will be under no obligation to repay any money it receives from Invitalia and no such funding will be subject to any additional conditions other than compliance with the terms of the underlying applications.

The Tagliamento Facility will have the following principal features:

- ***Production of higher quality pet food.*** The facility will have two extruders, one of which will be a thermal twin (one of only two of the same quality available in Europe), which will allow for the production of higher quality products, in line with Arcaplanet’s mission to provide pet owners with the best products for their pets.
- ***Automation.*** An industry-leading 4.0 design will allow for remote control and 100% product traceability, reducing downtime and increasing cost efficiency while minimizing the degree of human interaction necessary, all of which is expected to result in increased safety and decreased contamination risk.
- ***Highest safety and environmental standards.*** Safety, security and ESG standards will be in line with best practices in the pet food industry and the Tagliamento Facility is expected to be eligible for six ISO certifications.
- ***Modularity.*** The facility will be designed to accommodate a set-up of two additional extruders, which can double the capacity for dry pet food production with limited further investment. Arcaplanet has also secured an option to buy adjacent land to set up an additional facility for the production of wet pet food.

As at the date of this offering memorandum, Arcaplanet has sought, or is in the process of seeking, all necessary permits and authorizations required to make the Tagliamento Facility operational in accordance with its plan for the Vertical Integration Project. The Tagliamento Facility is expected to employ approximately 70 individuals.

Procurement and Maintenance

Logistics and packaging

Arcaplanet is party to a logistic services agreement (the “**Logistic Services Agreement**”) with AZ SERVIZI E LOGISTICA SRL (“**AZSL**”), under which AZSL provides the following services:

- **Warehouse services**, which include: (i) checking and accepting deliveries of products to be offered under Exclusive Brands and under third-party brands; (ii) storing such products; (iii) inventory management; and (iv) delivering products to Arcaplanet Stores; and
- **E-commerce services**, which include preparation of orders placed via the E-commerce Platform to be delivered to end customers (which deliveries are made by specialized courier services, such as BRT). Due to the planned increase in our online services, we expect to contract with additional third-party logistic providers to organize, amongst others, initiatives such as the same day delivery of Exclusive Brands products or the utilization of third-party order pick-up points.

AZSL administers three dedicated warehousing and logistical hubs for Arcaplanet in Tortona (Piemonte), Castel Romano (Lazio) and Cagliari (Sardinia). These hubs are strategically positioned to cover the entirety of Arcaplanet’s nationwide store network.

The current term of the Logistic Services Agreement will expire in 2023, unless extended. We are currently negotiating with AZSL certain amendments that will need to be made to reflect the larger scale of the network following the completion of the Transactions.

Maintenance of stores

Arcaplanet has 26 maintenance and cleaning services agreements in place with respect to the maintenance of elevators, air-conditioning systems, fire-prevention equipment, as well as cleaning and pest control of its stores. In general, such agreements (i) have a duration of one or two years, with tacit renewal, (ii) entitle Arcaplanet to terminate the agreement at any time, and (iii) contain other standard provisions for such agreements.

Arcaplanet’s centralized Maintenance and Facility Management Department, which is comprised of six full time employees located at the HQ in Carasco, is responsible for managing ordinary and extraordinary maintenance on its network of stores. The department is headed by the Facility Manager and its principal tasks are as follows:

- **Ordinary Maintenance Activities**, including (i) maintenance services on electrical systems, air conditioning, and store entrances, (ii) general assistance and emergency management, (iii) periodic checks on fire protection systems, (iv) cleaning, gardening and pest control, (v) extraordinary maintenance activities and refurbishment and (vi) administrative management and license / authorization renewal.
- **Extraordinary Maintenance Activities**, including (i) identification of stores that need extraordinary renovation, (ii) inspection and preparation of the budget and timing for such renovations, (iii) overseeing tenders for construction and engineering works (each tender must involve at least three suppliers), (iv) evaluating bids submitted, (v) purchase of materials and planning of the project, (vi) verification of the progress of activities and compliance with the standards and parameters identified in technical specifications and (vii) finalization of works and organization of inspections for final acceptance.

Marketing and Promotion

General

Arcaplanet’s marketing and advertising strategies play an important part in its efforts to acquire new customers and retain and grow its relationships with current customers. Arcaplanet employs a wide range of channels in its marketing programs, including traditional mass media, such as TV advertising, radio advertising and digital circulars, as well as more targeted techniques, such as personalized emails and customer relationship management, organic and paid surveys, digital displays and digital retargeting. Arcaplanet’s marketing and advertising efforts cover all its distribution channels, including its stores, website (www.arcaplanet.it), mobile application and social media platforms, such as “Facebook” and “Instagram.”

According to a leading international consulting firm, the “ARCAPLANET” brand enjoyed 91% awareness as of 2021 and had a Net Promoter Score higher than any competitor in Italy.

Arcaplanet’s centralized Marketing Department has nine full-time employees located in Carasco. Reporting to the Marketing Director, the Department is organized by area of expertise, including (i) media and events

(one specialist and one assistant), (ii) digital and social communication (one specialist), (iii) retail marketing (one retail manager, one specialist and one graphic designer), and (iv) customer relationship management (one specialist and one analyst). In addition, Arcaplanet employs marketing agencies to help build and consolidate its business reputation, support its business initiatives, conduct advertising campaigns and carry out market surveys.

Agrifarma's advertising costs for the years ended December 31, 2018, 2019 and 2020 amounted to €6.5 million, €7.2 million and €11.0 million, respectively. This increase was primarily due to promotional activities related to the opening of new stores and an increase in media advertising to support Exclusive Brands.

Arcacard[®] loyalty program

Arcaplanet launched its Arcacard[®] loyalty program in 2015. As at June 30, 2021, it had approximately 1.5 million members, compared with approximately 0.9 million, 1.1 million and 1.3 million members as at December 31, 2018, 2019 and 2020, respectively.

Each member is issued a physical Arcacard[®] with a unique membership number. Arcacard[®] members collect points for every purchase they make with Arcaplanet. One point is awarded for each euro spent (subject to the minimum transaction value of €10 euros). Double points are awarded for transactions over €50. In addition, Arcacard[®] cardholders who make their first purchase online receive an additional 500 points as a welcome bonus. Arcacard[®] cardholders are able to convert their points into discounts in Arcaplanet Stores or on the E-commerce Platform. In addition, Arcacard[®] cardholders benefit from exclusive coupons (in store and online), promotions distributed via e-mail and text messages, as well as invitations to exclusive events.

In the recent years, the average monthly inflow of new Arcacard[®] members has been consistently increasing. For the year ended December 31, 2020, Arcaplanet acquired approximately 29,000 new Arcacard[®] members per month. This has resulted in the constant growth of revenue that Arcaplanet derives from Arcacard[®] members. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2021, such revenues amounted to €165.8 million (or 65.6% of Arcaplanet's combined revenue from sales and services), €191.2 million (or 67.3% of Arcaplanet's combined revenue from sales and services), €248.6 million (or 78.6% of Arcaplanet's combined revenue from sales and services), and €141.5 million (or 80.8% of Arcaplanet's combined revenue from sales and services), respectively.

Intellectual Property

Arcaplanet has 24 trademarks registered in Italy; 15 trademarks registered in the EU; three trademarks registered in Switzerland; 11 trademarks registered in China and 15 trademarks registered in the UK. In addition, Arcaplanet has applications outstanding for the registration of 18 international trademarks and has 15 trademarks still registered in the name of Mondial Pet Distribution (from which Arcaplanet acquired "Fortesan" branded stores in 2018/2019), which Arcaplanet plans to re-register.

The word trademark "ARCAPLANET" is registered in Italy, China, and internationally (with extensions in Switzerland, China, the EU and the USA). The figurative trademark "ARCAPLANET Pet store. Pet stories" is registered in Italy, China, the UK, the EU and internationally (with extensions in Albania, Bosnia and Herzegovina, Switzerland, China, Ireland, Liechtenstein and Monaco). Arcaplanet also has three figurative trademarks related to "ARCAPLANET Supermercati per animali" registered in Italy.

We believe that Virtus[®] is the most valuable trademark within Arcaplanet's Exclusive Brands portfolio, due to its exclusive marketing and communication budget, sponsorship on national TV and radio with a dedicated film, and exclusive promotional campaign called "Virtus Programma Benessere." Arcaplanet's aim is to present Virtus[®] as the trusted specialist pet food brand in Italy. Arcaplanet's supply contracts commonly contain non-exclusive rights for manufacturers to use its trademarks to the extent required to manufacture and sell branded products to Arcaplanet. It also maintains other registered trademarks relating to non-medicated cosmetics and toiletry preparation; veterinary preparation; collars, leashes and clothing for animals; non-metal containers for storage or transport; household or kitchen utensils and containers; cookware and tableware; combs and sponges; brushes; carpets; games, toys and playthings; and advertising.

Arcaplanet has a portfolio of approximately 100 domain names, including domains relating to the "ARCAPLANET" brand, as well as its Exclusive Brands, such as Viruts[®], Hi[®], Wolly's Ranch[®], In The Nature[®] and Luna&Teo[®].

Arcaplanet is not aware of any material pending litigation or other disputes or claims affecting its intellectual property rights or other intangible assets.

Information Technology and Protection of Customer Data

Information Technology

Arcaplanet uses various information technology (“IT”) systems in all phases of its operations based on licenses from third-party manufacturers. In particular, it uses a customer relationship management (“CRM”) platform designed by Salesforce that helps it improve customer service by providing a 360-degree view on every customer. Arcaplanet also has deployed programs (such as “Tableau” by Salesforce) to assist it in tracking and collecting data on its trade receivables.

Arcaplanet’s IT function covers the following key areas:

- **IT Service Desk**, which acts as a single point of contact for requests and incident management related to IT applications and services;
- **IT Operations and Delivery**, which guarantees the availability of IT systems, the design and implementation of cybersecurity policies and the deployment of IT solutions for Arcaplanet’s store network, datacenters and cloud storage; and
- **IT Service Evolution**, which leads the evolution and innovation of IT applications and services.

We believe that Arcaplanet’s IT systems are robust, adequate to support its activities and insured to standards that are comparable to other operators in the industry. Arcaplanet is not aware of any material security breaches of its IT systems in the past five years.

Protection of customer data

Arcaplanet is fully committed to compliance with the EU-wide General Data Protection Regulation (the “GDPR”). All customer data is securely stored on its systems and clouds through masking processes and are generally analyzable only as aggregated data. If a customer exercises the right to be forgotten, or denies privacy consents, their data is permanently masked in non-reversible fashion. Customer contact information that the customer has authorized Arcaplanet to use for marketing and profiling purposes is not retained for longer than 12 months or two years, depending on the type of data treatment.

Arcaplanet believes that its customer data protection systems are robust, adequate to support its activities and insured to standards that are comparable to other operators in the industry. Arcaplanet is not aware of any material data breaches in the past five years.

Employees; Health and Safety

General

As at June 30, 2021, Arcaplanet had 1,818 employees. The table below sets out the composition of its workforce as at that date:

Employee level	Number of employees
Executives	12
Middle executives	10
Other management	37
Other full-time employees (including trainees and apprentices)	1,710
Temporary	49
Total	<u>1,818</u>

As at June 30, 2021, all Arcaplanet employees (apart from eight Arcaplanet S.A. employees in Switzerland) were employed in Italy. Approximately 90 Italian employees were members of various trade unions. Arcaplanet’s employees are also subject to various collective bargaining agreements, which regulate minimum salary, extra time, other benefits and partial disability. These agreements include the National Collective Bargaining Agreement for Executives of companies of Tertiary, Distribution and Services sectors and the National Collective Bargaining Agreement for Employees of companies of Tertiary, Distribution and Services sectors. In addition to these collective bargaining agreements, Arcaplanet has instituted a corporate welfare regulation through which it grants, upon reaching certain six-monthly sales targets and working hours KPIs, certain categories of employees a “welfare credit” to be used to purchase its products and services.

Arcaplanet grants its top managers, and some employees with managerial functions, an annual variable remuneration calculated on the basis of the parameters set forth by separate Management By Objectives

agreements (“**MBO plans**”). In most cases, the target is the achievement of a certain Arcaplanet Adjusted EBITDA with the possibility to earn a bonus. In addition to the MBO plans, Arcaplanet grants variable remuneration subject to the achievement of the business targets to some employees having managerial functions.

Arcaplanet’s focus is on the identity and personalities of its colleagues and it firmly believes in the capacity of all its employees to contribute to the growth of the business. Arcaplanet encourages its employees to come up with new ideas and undertake individual projects, and believes that its growth and success come from the enthusiasm shown by its colleagues every day. In this context, in the last few years Arcaplanet made significant investments to grow the team located at its HQ. As at December 31, 2020, it had 150 full-time employees at its HQ, compared to 108 as at December 31, 2018.

Arca Academy

Arcaplanet founded the Arca Academy in 2013 with the intention to develop talent through targeted and personal training plans for employees. Through personalized training plans and courses, the Arca Academy develops Arcaplanet’s culture, identity, and professionalism and provides all employees the opportunity to progress in their respective career paths. In the year ended December 31, 2020, Arcaplanet provided over 40,000 hours of training for employees.

Arca Academy’s training plan and courses are almost exclusively digital. Arcaplanet provides training and induction sessions to its employees immediately upon commencement of their employment, as well as regular training sessions to develop the knowledge and skills of all its employees.

HR Department

Arcaplanet’s Human Resources (HR) department focuses on developing the professionalism and careers of its employees, while ensuring that the growth of Arcaplanet’s workforce is commensurate with the expansion of its operations. Arcaplanet’s HR function covers three main areas:

- training, development and talent acquisition;
- payroll, labor regulations, budget and cost controlling; and
- labor safety.

Health and Safety

Health and safety is managed by the HR Department and the Maintenance and Facility Department. Externally, health and safety inspections are regularly carried out by the relevant competent Italian authorities.

In recent years, Arcaplanet has been in compliance with all labor, health and safety and fire-fighting regulations except for five minor violations concerning the failure to temporarily close two stores during COVID-19 pandemic, failure to inspect the fire extinguishers and obstruction of emergency exits in one store, failure to display the no-smoking sign in one store and the violation of accident prevention regulations in one store. Each of these violations resulted in fines ranging from approximately €280 to €13,000 and the violations have since been remedied.

In the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, 32, 40, 44 and 17, respectively, Arcaplanet workplace injuries were recorded, of which 4, 5, 12 and 5, respectively, exceeded a 30-day recovery prognosis. None of those injuries resulted in any additional claims against Arcaplanet. All of Arcaplanet’s employees are insured by the National Institute for Insurance against Accidents at Work both for accidents at work and occupational diseases.

Government Regulation

Arcaplanet is subject to various nationwide, provincial, local and international laws and regulations, including those governing: consumer products and consumer protection, food and product safety, advertising and marketing, labor and employment; data protection and privacy; the distribution, import/export and sale of products (including live pets); the provision of grooming and other services; pharmacy operations; environmental regulation and tax. Arcaplanet seeks to structure its operations to comply with all applicable laws and regulations.

Environmental Matters

Arcaplanet is subject to laws and regulations relating to environmental protection derived from the European Waste Code, which requires that any waste produced by its business is categorized and sent for recycling or disposal.

We believe that Arcaplanet is in compliance with applicable requirements of such laws and regulations or operates under an applicable regulatory position statement.

Insurance

Arcaplanet maintains insurance policies in relation to risks associated with its business activities, such as policies covering its stores, head office, product liability and electronic equipment. Under these policies, insured losses include those resulting from natural and human risks, such as fire and property damage, theft and robbery, failure or damage to Arcaplanet's electronic systems and damage to its signage or glass fixtures. The cost of insurance coverage varies, and the availability of certain coverage has fluctuated in recent years. Arcaplanet's insurance coverage is subject to the usual exclusions, limits and deductibles.

While we believe that Arcaplanet's present insurance coverage is adequate for our current operations, we cannot assure you that the coverage is sufficient for all future claims or will continue to be available in adequate amounts or at reasonable rates.

Legal Proceedings

In the normal course of Arcaplanet's business, it is subject to actual and threatened legal actions and proceedings, including those related to alleged violations of labor and employment laws, intellectual property rights, consumer protection laws, premises liability, contract disputes, and other laws and regulations.

While we currently do not expect that the ultimate outcome of any proceedings or claims pending or threatened against Arcaplanet will have a material adverse effect on our business, results of operations, financial position or prospects, the outcome of any litigation is inherently uncertain, and if decided adversely to Arcaplanet, or if we determine that settlement of particular litigation is appropriate, Arcaplanet may be subject to liability that could have a material adverse effect on our business, results of operations, financial position, prospects, or cash flows for a particular period.

Maxi Zoo

Stores

The following table sets out the geographical distribution of Maxi Zoo Stores as at June 30, 2021:

Region	Number of stores
Abruzzo	1
Emilia Romagna	13
Friuli Venezia Giulia	5
Lazio	4
Liguria	1
Lombardia	59
Marche	2
Piemonte	14
Toscana	2
Trentino Alto Adige	2
Umbria	2
Veneto	25
Total Italy	130

Following completion of the Transactions, we plan to convert all Maxi Zoo Stores into Arcaplanet Stores within 24 months, with their branding and store format revised in accordance with the Arcaplanet Store Format. We will also be aligning the assortment of products and services offered at Maxi Zoo Stores and Arcaplanet Stores.

Loyalty program

Through its multi-partner loyalty program, Maxi Zoo has access to more than 500,000 active users as at June 30, 2021.

Employees

As at June 30, 2021, Maxi Zoo had 939 employees, all of whom were based in Italy. As the same date, 404 of Maxi Zoo employees were employed full-time (excluding 142 internships).

Maxi Zoo is party to various collective bargaining agreements, and as at June 30, 2021, 29 of its employees belong to a labor union.

Legal Proceedings

In the normal course of Maxi Zoo's business, it is subject to actual and threatened legal actions and proceedings, including those related to alleged violations of labor and employment laws, intellectual property rights, consumer protection laws, premises liability, contract disputes, and other laws and regulations.

In 2018 and 2019, the Italian tax authorities carried out a tax audit on Maxi Zoo in relation to tax years ended December 31, 2014, 2015 and 2016. Following such tax audit, certain tax assessment notices were issued, as the tax authorities were of the opinion that the transfer pricing methodology adopted by Maxi Zoo did not meet the arm's length requirement. The additional tax payments (in respect of IRES and IRAP taxes) claimed by the Italian tax authorities from Maxi Zoo amount to approximately €2.7 million in aggregate, *plus* late payment interest. In 2019, Maxi Zoo filed a request for a Mutual Agreement Procedure (MAP) in accordance with the Directive 90/436/EEC in order to settle these claims and is currently awaiting response from the tax authorities. Furthermore, Maxi Zoo has modified its transfer pricing methodology with effect from January 1, 2017. Maxi Zoo believes that this should eliminate any concerns of the Italian tax authorities noted above.

While we currently do not expect that the ultimate outcome of any proceedings or claims pending or threatened against Maxi Zoo will have a material adverse effect on our business, results of operations, financial position or prospects, the outcome of any litigation is inherently uncertain, and if decided adversely to Maxi Zoo, or if we determine that settlement of particular litigation is appropriate, Maxi Zoo may be subject to liability that could have a material adverse effect on our business, results of operations, financial position, prospects, or cash flows for a particular period.

MANAGEMENT

The following is a summary of certain information concerning the management of the Issuer and Agrifarma. This summary is qualified in its entirety by reference to such bylaws and Italian law. See “*Listing and General Information*” for information on how to obtain a copy of the Issuer’s and Agrifarma’s bylaws.

The Issuer

The Issuer is a joint stock company (*società per azioni*), incorporated and existing under the laws of Italy, registered with the Companies Register of Milan-Monza-Brianza-Lodi under registration number and fiscal code No. 11462410967. The registered office of the Issuer is Via Alessandro Manzoni No. 38, Milan, Italy. The Issuer’s immediate shareholder is MidCo. See “*Summary — Summary Corporate and Financing Structure*.”

Board of Directors

The Issuer is managed by a board of directors (*Consiglio di Amministrazione*). The table below sets forth the names, ages and titles of the members of the board of directors of the Issuer as at the date of this offering memorandum:

Name	Age	Title
Eugenio Preve	39	Chairman
Alvise Gonzato	30	Director

The following is biographical information for the current members of the board of directors of the Issuer:

Eugenio Preve.

Mr. Preve is a Partner at Cinven and leads the regional team for Italy. Prior to joining Cinven in 2009, Mr. Preve worked in the investment banking division of J.P. Morgan, a multinational investment bank and financial services corporation, where he advised on a number of corporate finance transactions within the Italian market and European Technology, Media and Telecoms space. Mr. Preve holds an MSc in Business Administration from Bocconi University.

Alvise Gonzato.

Mr. Gonzato is an Associate at Cinven and a member of the regional team for Italy. Prior to joining Cinven in 2019, Mr. Gonzato worked in the investment banking division of Morgan Stanley, a multinational investment bank and financial services corporation, where he advised on a number of corporate finance transactions within the European Media and Telecoms space. Mr. Gonzato holds an MSc in Finance from Bocconi University.

It is intended that the Shareholders’ Agreement will provide that following completion of the Arcaplanet Acquisition, the board of directors of the Issuer will comprise four directors appointed by Feederco, two directors appointed by Fressnapf, two directors from the management team and an independent director. Feederco shall have the right, at its discretion, to appoint and remove a majority of the board of directors of the Issuer. See “*Related Party Transactions — Shareholders’ Agreement*.”

Agrifarma

Agrifarma is a joint stock company (*società per azioni*), incorporated and existing under the laws of Italy, registered with the Companies Register of Milan-Monza-Brianza-Lodi under registration number and fiscal code No. 01421010487. The registered office of Agrifarma is Chiavari (Genova), Via Parma 394, 16043, Italy.

Board of Directors

The table below sets forth the names, ages and titles of the current members of the board of directors of Agrifarma:

Name	Age	Title
Michele Foppiani	58	Chairman
Tiziana Gargiulo	57	Director
Maurizio Esposito	54	Director
Massimo Massari	53	Director
Francesco Pascalizi	43	Director
Elisabetta Frontini	46	Director
Giorgio Dinaro	33	Director
Lorenzo Viani	28	Director

The following is biographical information for the current members of the board of directors of Agrifarma:

Michele Foppiani.

Mr. Foppiani is the Chief Executive Officer of Agrifarma, having founded and led the company since 1995.

Tiziana Gargiulo.

Mrs. Gargiulo has been the Chief Financial Officer of Agrifarma since 2011 and joined the company as an Administrative Manager in 2008. Prior to joining Arcaplanet, she worked as an Administrative and Finance Manager in C.E.M.A SRL, a construction company. Mrs. Gargiulo holds a degree in Economics and Banking from Siena University and holds an MBA, accredited by ASFOR, the Italian Association for Management Development, from SOGEA — Business Management School in Genoa.

Maurizio Esposito.

Mr. Esposito has served as the CEO of Credem Private Equity SGR, a management company controlled by Credem Bank, since 2004. He has been a member of the board of directors of Agrifarma since 2005. Prior to joining Credem Group, Mr. Esposito worked as a director in the private equity firm Quadrivio SGR. He started his career in Euromobiliare Montagu in 1993, an Italian M&A boutique which was subsequently acquired by Credem Group. Mr Esposito has successfully managed more than 70 M&A, private equity and turnaround deals. Mr. Esposito holds an MBA from LUISS University.

Massimo Massari.

Mr. Massari serves as Managing Director at Green Arrow Capital and exclusive advisor in Italy of the Private Equity Winch Capital family of funds, promoted and managed by Andera Partners (formerly Edmond de Rothschild Investment Partners).

Francesco Pascalizi.

Mr. Pascalizi is a Partner and the Head of Italy at Permira.

Elisabetta Frontini.

Mrs. Frontini is the Global Head of the Portfolio Group at Permira.

Giorgio Dinaro.

Mr. Dinaro is a Principal at Permira and a member of the Italian and Consumer Sector teams.

Lorenzo Viani.

Mr. Viani is an Investment Professional and a member of the Italian team at Permira.

Following completion of the Arcaplanet Acquisition, Messrs. Massari, Pascalizi, Frontini, Dinaro and Viani are expected to be replaced with nominees of the Investors.

Supervisory Board (*Organismo di Vigilanza*)

Pursuant to the Italian Legislative Decree no. 231 of June 8, 2001, on May 15, 2019, the board of directors of Agrifarma appointed a Supervisory Board (*Organismo di Vigilanza*) composed of the following three members, who will remain in office until the date of approval of the financial statements for the year ended December 31, 2021.

The Supervisory Board has the task, with regard to the Organizational Model issued by the Body, to:

- ensure that Italian Legislative Decree no. 231 is observed and that its provisions are complied with;
- review the procedures and controls in place to prevent crime; and
- update the implementation of the model provided for in Italian Legislative Decree no. 231 in the event that there is a need to adapt the model due to changes that have occurred to the corporate structure and organization or to the regulatory framework.

The table below sets forth the names, ages and titles of the current members of the Supervisory Board of Agrifarma:

Name	Age	Title
Alessandro Galli	54	Chairman
Paolo Bernardini	53	Member
Roberta Guaineri	54	Member

Management Compensation

The Investors intend to establish, on or after the Arcaplanet Acquisition Closing Date, a management incentive program through which certain of our directors, officers or employees will be entitled to subscribe (whether directly or via a pooling vehicle) for shares to be issued by Topco. The relevant managers will be expected to enter into certain customary documentation in respect of such management incentive program.

PRINCIPAL SHAREHOLDERS

Following the completion of the Arcaplanet Acquisition, the Issuer's share capital is expected to be directly or indirectly owned 63.8% by the Cinven Funds and 32.5% by Fressnapf. The remaining 3.7% is expected to be owned by management. These shareholding percentages represent the expected shareholding percentages and may be subject to variations.

Cinven

Cinven is a leading international private equity firm focused on building world-class global companies leveraging its European focus and expertise. Cinven uses a matrix of sector and local country expertise to target companies where it can strategically drive revenue growth and operational improvement, both in Europe and globally, and which typically require an equity investment of €200 million or more. Since 1988, the Cinven Funds have invested in more than 140 companies and led transactions with an aggregate Enterprise Value of more than €140 billion across six key sectors: Business Services, Consumer, Financial Services, Healthcare, Industrials and Technology, Media and Telecommunications (TMT). Cinven has offices in London, New York, Frankfurt, Madrid, Paris, Milan, Guernsey and Luxembourg.

Fressnapf

Fressnapf is one of the largest pet care omni-channel retailers in Europe. Founded in 1990 by Torsten Toeller as a pet specialty retail chain, Fressnapf quickly achieved rapid growth via its German franchise system, began internationalization in 1997 (with the international brand Maxi Zoo) and the business was successfully transformed into a profitable, fast-growing international group.

Today, Fressnapf, headquartered in Krefeld, is one of Europe's leading omni-channel specialty retail chains for pets, operating more than 1,700 stores in 11 countries and 9 web-shops. Fressnapf generated customer sales of over €2.6 billion for the year ended December 31, 2020 from its Franchise, Retail and Online segments and is aiming to generate customer sales of over €3 billion for the year ending December 31, 2021. While Fressnapf operates franchise partner stores, its own stores and an online shop in Germany, its international operations are not run via franchise, and it operates its own stores and online shops. Over 50% of the products sold by Fressnapf are exclusive labels and the expansion of exclusive label partnerships beyond its own store and franchise network prove that customers appreciate Fressnapf's retail skills and its exclusive products and brands. Fressnapf operates a supply chain and logistics network in Europe, as well as an international purchase and import platform. Its group-wide IT platform allows for a customer-centric and fast-growing digital offer and lean backbone processes.

RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we may from time to time enter into agreements with or render services to related parties. In turn, such related parties may render services or deliver goods to us as part of their business. In addition, it is contemplated that new related party transactions will be entered into in connection with the Transactions. We believe that all transactions with affiliated companies are negotiated and conducted on an arm's-length basis and that the terms of these transactions are comparable to those currently contracted with unrelated third-party suppliers and service providers.

Transitional agreement

In the context of the Transactions, each of the Issuer and Fressnapf intend to enter into a transitional services agreement related to the provision of certain services by Fressnapf and its affiliates to the Issuer and any or all of the Issuer's current and future direct and indirect subsidiaries (the "**Transitional Agreement**"), based on a Transitional Services Term Sheet entered into between the Issuer and Fressnapf on September 17, 2021 (the "**TSA TS**"). In particular, under the TSA TS, the Issuer and Fressnapf agreed to enter into a long form Transitional Agreement pursuant to which Fressnapf may provide support services including, among others, in respect of IT, IP, CRM, finance, master data management and HR. The Transitional Agreement will also include the terms and conditions for the provisions of certain products (including private label products) that Fressnapf may supply to the Issuer and any and/or all of Issuer's current and future direct and indirect subsidiaries.

As customary, the services that will be supplied by Fressnapf will be described in detail in the Transitional Agreement's relevant annexes.

Shareholders' Agreement

In connection with their investment in Topco, each of Feederco (a company wholly owned by the Cinven Funds) and Fressnapf (amongst others) intend to enter into a shareholders' agreement on or prior to the Arcaplanet Acquisition Closing Date setting out the terms governing the relationship between them as investors in Topco (the "**Shareholders' Agreement**"). The Shareholders' Agreement together with the articles of association of Topco and certain other ancillary agreements entered into in connection with the Shareholders' Agreement shall together govern the relationship between the investors in Topco and their rights in respect to the Combined Group.

Board Composition

It is intended that the Shareholders' Agreement will provide that the board of directors of the Issuer (the "**Board**") will comprise directors appointed by Feederco and Fressnapf, together with certain members of the management team and/or independent directors. On or shortly after the Arcaplanet Acquisition Closing Date, it is expected that the Board will comprise four directors appointed by Feederco, two directors appointed by Fressnapf, two directors from the management team and an independent director. Feederco shall have the right, at its discretion, to appoint and remove a majority of the Board. It is currently envisaged that the Board will also appoint an internal executive committee which will comprise four directors appointed by Feederco, two directors appointed by Fressnapf and two directors from the management team (the "**Board Executive Committee**").

Board resolutions

The Board will be responsible for considering any resolutions which are not entrusted to the Board Executive Committee or to the members of the executive management team of the Combined Group. In particular, it is currently envisaged that: (i) the Board Executive Committee will be responsible for certain identified strategic matters; and (ii) those members of the Board who are part of the executive management team of the Combined Group will be responsible for considering resolutions concerning day-to-day management.

Board approval

The Board will convene at least quarterly. Decisions at a meeting of the Board shall require the approval of a majority of the directors in attendance or duly represented at the meeting of the Board and shall be subject to those reserved matters in favor of each of Feederco and Fressnapf as noted below.

Investor Reserved Matters

Each of Feederco and Fressnapf will benefit from customary investor reserved matters in respect of the Combined Group which will require the consent of Feederco or Fressnapf (as applicable) under the terms of

the Shareholders' Agreement. The investor reserved matters are expected to cover, amongst other things, the liquidation or winding up of any member of the Combined Group, certain acquisitions and disposals by members of the Combined Group, capital expenditure above specified limits, borrowings or changes to leverage above specified limits, related party transactions and changes to the accounting reference date of any member of the Combined Group.

Shareholder Approval

The resolutions of the ordinary and extraordinary shareholders' meetings of the Issuer will be adopted in accordance with the provisions of applicable law. Certain matters are reserved matters for either Feederco or Fressnapf, as noted above.

Other Provisions

It is intended that the Shareholders' Agreement (and the ancillary agreements entered into in connection therewith) will include a number of other customary provisions, including provisions relating to tag along and drag along rights, exit provisions (including around any IPO process) and arrangements governing the transfer and issue of shares in Topco.

The Shareholders' Agreement will be governed by English law.

Management Incentive Program

The Investors intend to establish, on or after the Arcaplanet Acquisition Closing Date, a management incentive program through which certain of our directors, officers or employees will be entitled to subscribe (whether directly or via a pooling vehicle) for shares to be issued by Topco. The relevant managers will be expected to enter into certain customary documentation in respect of such management incentive program. The management incentive program will include customary provisions dealing with transfer restrictions, tag along, drag along and the treatment of a participants shares if they cease to be employed or engaged by a member of the Combined Group.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

Existing UniCredit Facilities Agreement

The Existing UniCredit Facilities Agreement was originally entered into on April 26, 2016 by Noah 3 S.p.A. (“**Noah 3**”) with certain arrangers named therein, with UniCredit Bank AG, Milan Branch, as agent and security agent. The original purpose of the Existing UniCredit Facilities was to finance the acquisition by Noah 3 of Saluki S.p.A. (“**Saluki**”). Following completion of such acquisition, with effect from November 20, 2016, Noah 3 and Saluki, among others, merged by incorporation into Agrifarma.

The Existing UniCredit Facilities Agreement was subsequently amended and restated on May 13, 2016, April 7, 2017 and December 14, 2017. The aggregate commitments available under the Existing UniCredit Facilities Agreement are €148.9 million. The total aggregate principal amount outstanding under the Existing UniCredit Facilities is €147.6 million.

The Existing UniCredit Facilities are expected to be repaid in full on or about the Arcaplanet Acquisition Closing Date with a portion of the proceeds of the Offering, followed by termination of the Existing UniCredit Facilities Agreement and release of all related security interests. See “*Use of Proceeds*.”

Revolving Facility Agreement

Overview and Structure

In connection with the financing of the Acquisition, the Issuer is expected on or prior to the Issue Date to enter into a revolving facility agreement with, among others, Deutsche Bank Aktiengesellschaft, Bank of America Europe Designated Activity Company, Crédit Agricole Corporate and Investment Bank, Milan Branch, Intesa Sanpaolo S.p.A., Mizuho Bank, Ltd., Banque Nomura France, Société Générale, Milan Branch, and UniCredit S.p.A. as the mandated lead arrangers (the “**Arrangers**”) (the “**Revolving Facility Agreement**”). The Revolving Facility Agreement provides for a multicurrency revolving credit facility in a principal amount of €80 million (the “**Original Revolving Facility**”).

Incremental revolving facilities may also be established under the Revolving Facility Agreement from time to time (including by way of an increase to any existing facility or the establishment of new facilities) (“**Incremental Super Senior Facilities**” and, together with the Original Revolving Facility, the “**Super Senior Facilities**”).

Borrowers, Currencies and utilizations

The Original Revolving Facility may be utilized by the Issuer and certain of its restricted subsidiaries which accede to the Revolving Facility Agreement as additional borrowers (the “**RCF Borrowers**”), in EUR, GBP or USD and certain other currencies readily available in the relevant interbank market and freely convertible into EUR (subject to obtaining the consent of all the relevant lenders under the Original Revolving Facility) by the drawing of cash advances, the issue of letters of credit and ancillary facilities (on a bilateral and/or fronted basis).

Purpose

Amounts drawn under the Original Revolving Facility may be applied directly or indirectly, in or towards (including by way of on lending to, or investment in, any other member of the Group (as defined below)): (i) financing or refinancing the general corporate purposes and/or working capital requirements of the Group, the Target Group and Maxi Zoo including, without limitation, the financing or refinancing of capital expenditure, any permitted acquisitions, the payment of certain costs relating to the Acquisition, investments and joint ventures, operational restructurings and reorganization requirements of the Group, financing or refinancing indebtedness of the Group, the Target Group, Maxi Zoo or any acquisition target (including to backstop or provide cash cover in respect of any existing ancillary facilities, guarantees, indemnities, letters of credit, revolving, working capital or local facilities or other arrangements), any fees, costs, expenses and other amounts incurred or payable by any member of the Group, the Target Group or Maxi Zoo in connection with the Acquisition, the Maxi Zoo Acquisition, Maxi Zoo Contribution, the Super Senior Facilities financing documents, the Transactions and/or the repayment, refinancing, discharge and/or close out; and/or (ii) cash over funding on the closing date and financing any other payments identified in, or for any other purpose contemplated by, the tax structure memorandum or the funds flow statement or otherwise arising in connection with the Transaction, in each case, together with related fees, costs and expenses (and including, for the avoidance of doubt, as cash over funding).

Notwithstanding the foregoing, no borrower under the Original Revolving Facility may knowingly apply any amount drawn by it under the Original Revolving Facility in or towards (directly or indirectly) the purchase or subscription for shares (or other instruments that would entitle such borrower to acquire or subscribe for shares) issued by any Original Revolving Facility lender (or any holding company of such lender) to the extent that to do so would constitute unlawful financial assistance. Any loan under the Original Revolving Facility which is to be applied towards funding the consideration payable for a permitted acquisition in respect of the shares of a company incorporated in Italy and/or any costs, fees and expenses in connection with such permitted acquisition (or the Arcaplanet Acquisition) must be requested and provided as a separate loan under the Original Revolving Facility.

Availability

The Original Revolving Facility may be utilized from (and including) the date of the Revolving Facility Agreement to (and including) the maturity date of the Original Revolving Facility. Utilizations of the Original Revolving Facility are subject to customary conditions precedent.

Interest and Fees

Loans under the Original Revolving Facility will initially bear interest at rates per annum equal to the applicable floating rate (being the applicable EURIBOR for loans in Euro, LIBOR for loans in USD and certain other currencies (subject to mechanics to switch from LIBOR to risk free rates or other benchmark rates in connection with the future discontinuation of LIBOR), SONIA plus a credit adjustment spread for loans in Sterling, and other applicable rates for other currencies) plus an applicable margin, which be subject to a decreasing margin ratchet based on the ratio of consolidated senior secured net debt to Consolidated EBITDA (as defined in the section entitled “*Description of the Notes*”) (the “**Senior Secured Net Leverage Ratio**”).

If EURIBOR is less than zero, EURIBOR shall be deemed to be zero in respect of loans made under the Original Revolving Facility. If LIBOR, is less than zero, LIBOR shall be deemed to be zero in respect of loans made under the Original Revolving Facility. Zero floors will also apply (i) to SONIA (in respect of loans denominated in Sterling) and (ii) to the risk free rates or other benchmark rates following the switch under the Revolving Facility Agreement of the floating rate applicable to loans denominated in USD from USD LIBOR.

A commitment fee will be payable on the aggregate undrawn and uncanceled amount of the Original Revolving Facility from the closing date to the end of the availability period applicable to the Original Revolving Facility at a rate of 30% of the applicable margin for the Original Revolving Facility. Such commitment fees will be payable quarterly in arrears (provided that the Issuer may elect that accrued commitment fee shall instead be paid on each Quarter Date or the last date of each Interest Period applicable to the Original Revolving Facility), on the last day of the availability period applicable to the Original Revolving Facility and on the date the Original Revolving Facility is cancelled in full or on the date on which the relevant lender cancels its commitment.

Any letter of credit issued under the Original Revolving Facility shall be subject to such issuing bank and fronting fees as may be agreed between the Issuer and the applicable issuing bank and a letter of credit fee equal to the margin that would have been applicable to a cash drawing under the Original Revolving Facility in the applicable currency.

Default interest will be calculated as an additional one per cent. per annum on the defaulted amount.

Repayments

Each advance under the Original Revolving Facility will be repaid on the last day of the interest period relating thereto, subject to an ability to roll over cash drawings subject to the satisfaction of certain customary conditions. All outstanding amounts under the Original Revolving Facility will be repaid on the termination date of the Original Revolving Facility, being the date falling six years and nine months from the closing date. Amounts repaid by the borrowers on loans made under the Original Revolving Facility may be reborrowed, subject to certain customary conditions.

In respect of the letters of credit, each will be repaid on the termination date of the relevant Original Revolving Facility, being the date falling six years and nine months from the closing date (or such earlier date in accordance with the Revolving Facility Agreement), provided that if any letter of credit has an expiry date ending on or after the termination date applicable to the applicable facility, on such termination date each letter of credit shall be repaid unless the relevant issuing bank agrees that such letter of credit shall continue as

between that issuing bank and the relevant member of the Group on a bilateral basis and not as part of or under the documentation for the Super Senior Facilities.

Voluntary and Mandatory Prepayment

The Revolving Facility Agreement will permit voluntary prepayments to be made (subject to *de minimis* amounts).

The Original Revolving Facility shall not be entitled to any mandatory prepayment proceeds other than as a result of illegality (in respect of a lender) or upon the occurrence of a Change of Control (as defined in the Revolving Facility Agreement which follows terms substantially similar to the Notes as described in the section entitled “*Description of the Notes*”), in which case, at the Issuer’s option, unless otherwise agreed by the majority lenders, either (i) each lender and issuing bank shall be entitled to require prepayment of outstanding amounts and cancellation of its commitments within a prescribed time period or (ii) all outstanding undrawn commitments of each lender shall be immediately cancelled and outstanding drawn commitments shall become due and payable together with accrued interest and other amounts accrued or owing to each lender.

In the event that it becomes unlawful for any lender to perform its obligations under the Revolving Facility Agreement, the borrower shall repay that lender’s participation in the utilizations made to that borrower to the extent necessary to comply with applicable laws on the last day of the interest period for each utilization occurring after the agent under the Revolving Facility Agreement has notified the Issuer (or if earlier, the date specified by the lender in the illegality notice). Any available commitments of such lender will be immediately reduced and cancelled to the extent necessary to comply with applicable laws.

Guarantees and Security

Guarantor Coverage Test and Material Subsidiaries

The Super Senior Facilities will be guaranteed by each borrower of the Super Senior Facilities (the “**Borrowers**”) and the Guarantors (together, the “**Senior Secured Obligors**”).

Subject to agreed security principles in the Revolving Facility Agreement, Midco shall grant the following security as a condition precedent to the availability of the Original Revolving Facility: (i) an Italian law governed limited recourse share pledge in respect of its shares in the capital of the Issuer and (ii) an English law governed limited recourse pledge agreement in respect of any structural intercompany receivables owed to Midco (as lender) by the Issuer (as borrower).

Within 30 days from (and excluding) the closing date and subject to the agreed security principles in the Revolving Facility Agreement, the Issuer will grant (i) an Italian law governed pledge over its material bank accounts which are located in Italy and (ii) an Italian law governed pledge over the shares it holds in the Target and any structural intercompany receivables owed to the Issuer as lender by the Target.

Subject to certain adjustments, exceptions and agreed security principles in the Revolving Facility Agreement, the Issuer is required to ensure that members of the Group incorporated in a Guarantor Jurisdiction (i) that generate at least 80% of Consolidated EBITDA of the Group within certain agreed jurisdictions (“**Guarantor Jurisdictions**”), namely, Italy, the jurisdiction of incorporation of any borrower (but only in relation to that borrower) and any other jurisdiction agreed between the Issuer and the lenders (the “**Guarantor Coverage Test**”) and (ii) that are wholly owned and individually generate more than 5% of Consolidated EBITDA of the Group (a “**Material Subsidiary**”), in each case, are guarantors under the Revolving Facility Agreement within 150 days of the closing date and thereafter on an ongoing basis within 120 days of the date on which the annual financial statements of the Issuer (or other applicable financial reporting entity) are required to be delivered to the agent under the Revolving Facility Agreement.

As part of the guarantor accession process, within 150 days from (and excluding) the closing date and subject to the agreed security principles in the Revolving Facility Agreement, the obligations under the Revolving Facility Agreement will be secured by (i) a pledge over the shares of each acceding guarantor (provided that its shareholder is itself a guarantor and it is incorporated in a Guarantor Jurisdiction) and (ii) in the case of any acceding borrower, a pledge (subject to customary exclusions) over such additional borrower’s material current bank accounts located in its country of incorporation.

No “all asset” or floating security shall be required to be granted by any member of the Group.

Release of Guarantees and Security

In addition to the circumstances described below under “— Intercreditor Agreement — *Distressed Disposals*” and “— *Intercreditor Agreement — Non distressed Disposals*,” the Issuer may, subject to certain conditions,

request the release of a guarantor from its guarantee under the Revolving Facility Agreement if (i) such guarantor is the subject of a third party disposal or other permitted activity under the Revolving Facility Agreement pursuant to which such guarantor will cease to be a member of the Group, (ii) on a pro forma basis taking into account such release, the Guarantor Coverage Test will continue to be satisfied, (iii) such guarantor is not required to be a guarantor pursuant to the agreed security principles, (iv) the lenders whose commitments under the Revolving Facility Agreement aggregate greater than 50% of the total commitments under the Super Senior Facilities consent to such release; or (v) the resignation of that guarantor is contemplated by the tax structure memorandum or the Intercreditor Agreement (as defined below). Upon the effectiveness of a release pursuant to the foregoing sentence, the applicable guarantor would have no further obligations under the Revolving Facility Agreement, including any obligations to grant Security in any Collateral owned by such guarantor.

The provision and the terms of the security and guarantees set forth above will in all cases be subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set forth in the Intercreditor Agreement and the Revolving Facility Agreement.

Representations and Warranties

The Revolving Facility Agreement contains certain representations and warranties (subject to certain agreed qualifications and with certain representations being repeated), including: (i) status, (ii) binding obligations, (iii) non conflict with other obligations, (iv) power and authority, (v) validity and admissibility in evidence, (vi) governing law and enforcement, (vii) filing and stamp taxes, (viii) management case and reports, (ix) financial statements, (x) no litigation, (xi) taxation and (xii) *pari passu* ranking.

Certain representations and warranties shall be made on the closing date and will be repeated on the date of each utilization, on the first day of each interest period and at certain other times.

General Undertakings

The Revolving Facility Agreement contains certain incurrence covenants, information undertakings and related definitions (with, in each case, certain adjustments), including (i) limitations on indebtedness; (ii) limitations on restricted payments; (iii) limitations on liens (which includes the ability to designate certain credit facilities and/or hedging obligations secured on the Collateral as Super Senior Liabilities (as defined in the section entitled “*Description of Certain Financing Arrangements — Intercreditor Agreement*”)); (iv) limitations on sale of assets and subsidiary stock; (v) limitations on affiliate transactions; (vi) designation of restricted and unrestricted subsidiaries (vii) merger and consolidation undertakings with respect to (x) the Issuer and (y) the guarantors of the Super Senior Facilities; and (viii) additional intercreditor agreements.

In addition, the Revolving Facility Agreement also requires the Issuer and certain of its restricted subsidiaries to observe certain other customary positive and negative covenants, subject to certain exceptions and grace periods, including covenants relating to: (i) authorizations and consents; (ii) compliance with laws; (iii) *pari passu* ranking; (iv) taxes; (v) centre of main interests; (vi) guarantees and security; (vii) further assurance; (viii) anti corruption law and sanctions; (ix) release condition; (x) ratings; and (xi) certain post closing undertakings (including granting the post closing date security described above).

The Revolving Facility Agreement also requires the Issuer to comply with certain customary information undertakings, including delivery of financial statements and accompanying compliance certificates, provided that the obligation to deliver financial information may differ from similar requirements in the Indenture and as described in this Offering Memorandum.

It is intended that certain agreed covenants and other provisions of the Revolving Facility Agreement will fall away upon the satisfaction of certain release conditions, being (i) (with permanent effect) the occurrence of a listing of any member of the Group or a holding company which does not constitute a Change of Control and in respect of which the Group’s Senior Secured Net Leverage Ratio does not exceed 4.30:1; and (ii) (while the release condition remains satisfied) the Issuer or any holding company of the Issuer having a long term corporate credit rating equal to or higher than BBB, Baa3 or BBB- (as applicable) or higher according to any two of Fitch Ratings, Inc., Moody’s Investors Service, Inc. or Standard & Poor’s Investors Ratings Services or, in each case, any of its successors or assigns that is a nationally recognized statistical rating organization.

Events of Default

The Revolving Facility Agreement provides for substantially the same events of default as under the Notes. In addition, the Revolving Facility Agreement provides for additional events of default, subject to customary

materiality qualifications, thresholds, grace periods, and excluded matters including (i) misrepresentation, (ii) invalidity and unlawfulness of the Super Senior Facilities financing documents and (iii) material failure to comply with the Intercreditor Agreement.

Governing Law

The Revolving Facility Agreement and any non contractual obligations arising out of or in connection with it, are governed by, construed in accordance with and will be enforced in accordance with English law although the restrictive covenants, events of default and related definitions scheduled to the Revolving Facility Agreement will be interpreted in accordance with New York law (without prejudice to the fact that the Revolving Facility Agreement is governed by English law).

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer, certain Guarantors and the Trustee are party to and certain other Guarantors will accede to an Intercreditor Agreement with, among others, the agent, arrangers and lenders under the Revolving Facility Agreement and the Security Agent.

By accepting a Note, holders of the Notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement is governed by English law and sets out various matters governing the relationship of certain of the creditors to our group including the relative ranking of certain debt of the Issuer, the Guarantors and any other person that becomes party to the Intercreditor Agreement as a Debtor or Third Party Security Provider (as defined below), when payments can be made in respect of debt of the Debtors or Third Party Security Providers, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions and provisions related to the enforcement of shared security.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety, and we urge you to read that document because it, and not the description that follows, defines certain rights of the holders of the Notes and of the Trustees. Capitalized terms used but not defined herein have the meanings given to them in the Intercreditor Agreement.

For the purposes of this description:

“**Group**” shall mean the Issuer and each of its restricted subsidiaries from time to time including, on and from the Arcaplanet Acquisition Closing Date, the Target Group and, on and from completion of the Maxi Zoo Contribution, Maxi Zoo.

References to the “**Senior Secured Notes**” shall include the Notes and any other notes, securities or other debt instruments issued or to be issued by or in relation to which a New Debt Financing (as defined below) has been made available to or by a member of the Group which are designated by the Issuer under the Intercreditor Agreement as Senior Secured Notes and references to the “**Topco Notes**” shall include any notes, securities or other debt instruments issued or to be issued by or in relation to which a New Debt Financing (as defined below) has been made available to or by a Topco Borrower (as defined below) and which are designated by the Issuer under the Intercreditor Agreement as Topco Notes.

The Intercreditor Agreement uses the term “**the Company**” to refer to the Issuer and “**Senior Secured Notes Liabilities**” to refer to the Senior Secured Notes and certain other indebtedness of the Issuer. It uses the term “**Super Senior Liabilities**” to refer to the Super Senior Facilities and certain other super senior ranking indebtedness of the Issuer.

For the purposes of this description only:

“**Debt Documents**” means the Intercreditor Agreement and the documents creating or evidencing the Cash Management Facility Liabilities, the Hedging Liabilities, the Second Lien Liabilities, the Senior Secured Liabilities, any Senior Secured Notes Proceeds Loan Liabilities, the Topco Liabilities, the Topco Proceeds Loan Liabilities, the unsecured liabilities of any unsecured creditors who are party to the Intercreditor Agreement, the Subordinated Liabilities and the Intra Group Liabilities (each as defined in this description) and any other document designated as such by the Security Agent and the Issuer.

“Finance Documents” means the Revolving Facility Agreement, any Permitted Senior Facilities Agreement, any Permitted Senior Facilities Agreement, the indenture in respect of any Senior Secured Notes, Second Lien Facility Agreement, the indenture in respect of any Second Lien Notes, the facility documenting any Topco Facility, the indenture in respect of any Topco Notes and any document designated by the Issuer as an unsecured finance document under and in accordance with the Intercreditor Agreement.

“Priority Secured Parties” means the Secured Parties other than the Topco Creditors.

“Secured Creditors” means the Senior Secured Creditors, Second Lien Creditors and the Topco Creditors (each as defined below).

“Secured Debt Documents” means the documents relating to the Senior Secured Liabilities, Second Lien Liabilities, Topco Liabilities and Hedging Liabilities and any other document designated as such by the Security Agent and the Issuer.

“Secured Obligations” means (i) in the case of Transaction Security other than Topco Shared Security, all liabilities and all other present and future obligations at any time due, owing or incurred by any member of the Group and by each Debtor and any Third Party Security Provider to any Secured Party (other than a Topco Creditor) under the Secured Debt Documents (other than the Topco Finance Documents) (including to the Security Agent under any parallel debt), both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity (the **“Transaction Security Secured Obligations”**) and (ii) in the case of Topco Shared Security, the Topco Shared Security Secured Obligations (as defined below).

“Secured Parties” means the Security Agent, each of the agents, any receiver or delegate, the arrangers and the Secured Creditors from time to time but, in the case of each agent, arranger or any Secured Creditor, only if, it (or in the case of any noteholders, the relevant notes trustee) is a party to the Intercreditor Agreement or has acceded to the Intercreditor Agreement, in the appropriate capacity.

“Third Party Security Provider” means any person that has provided Transaction Security (including Topco Shared Security) but is not a Debtor in respect of any direct borrowing or guarantee liabilities of the applicable Secured Obligations to which that Transaction Security relates and which is designated by the Issuer (in its discretion).

“Topco Independent Obligor” means each Topco Borrower or any member of the Group that directly holds shares in a Topco Borrower or any such person that is not a member of the Group which is designated as such by the Issuer (in its discretion).

“Topco Independent Transaction Security” refers to security (other than Transaction Security) which in relation to a Topco Independent Obligor (i) is created, or expressed to be created, in favor of the Security Agent as agent or trustee for the other Topco Secured Parties (or a class of Topco Secured Parties) in respect of the liabilities of any Topco Borrower under the Topco Finance Documents (for the avoidance of doubt, other than to the extent that such security extends to any asset subject to Transaction Security (as defined below) at the time such security is granted) (the **“Topco Independent Secured Obligations”**); (ii) in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as agent or trustee for the other Topco Secured Parties (or a class of Topco Secured Parties), is created, or expressed to be created, in favor of (x) all the Topco Secured Parties (or a class of Topco Secured Parties); or (y) the Security Agent under a parallel debt and/or joint and several creditorship or similar structure for the benefit of all the Secured Parties (or a class of Secured Parties), in each case, in respect of the Topco Independent Secured Obligations. In the case of a Topco Independent Obligor which is a member of the Group and a direct shareholder of a Topco Borrower, such security shall be (i) limited to shares in and receivables owed to it by the relevant Topco Borrower which are not required to be subject to the Transaction Security pursuant to the Finance Documents and (ii) granted on a limited recourse basis. Topco Independent Transaction Security shall secure all liabilities and present and future obligations of each Topco Independent Obligor to the Topco Secured Parties under the Topco Finance Documents.

“Topco Shared Security” refers to security at any time which is created, or expressed to be created, over any of the following (i) the shares in the Issuer held by any direct shareholder of the Issuer and (ii) all receivables owed by the Issuer to a Topco Investor (as defined below), Subordinated Creditor or other holding company or shareholder of the Issuer (including any Topco Proceeds Loan and the Topco Proceeds Loan Liabilities, as applicable) (iii) the shares in any Topco Borrower which is a member of the Group, (iv) all receivables owed by a member of the Group under any Topco Proceeds Loan (or, in the case of a Topco Borrower which is a member of the Group, any Senior Secured Notes Proceeds Loan), and (v), any other assets not falling within

limbs (i), (ii), (iii) and (iv) of this paragraph of a Topco Borrower and (to the extent that the Issuer has confirmed to the Security Agent that the granting of such security in favor of the Topco Shared Security Secured Obligations is not prohibited by the terms of any applicable prior ranking financing agreements) any other member of the Group, in each case designated as Topco Shared Security by the Issuer (in its discretion) in favor of the Security Agent as agent or trustee for the other Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Security Agent under a parallel debt or similar structure). Topco Shared Security shall secure all liabilities and present and future obligations of each Topco Borrower that is not a member of the Group and each of its Subsidiaries other than Unrestricted Subsidiaries (as defined in the documents governing the relevant Topco Notes or Topco Facility (as the case may be)) (the “**Topco Group**”), each Debtor and any Third Party Security Provider to the Secured Parties under the Secured Debt Documents.

“**Transaction Security**” refers to security (from the Group, any Third Party Security Provider and Topco Shared Security (but excluding, for the avoidance of doubt, Topco Independent Transaction Security)) in each case which, to the extent legally possible and subject to any Agreed Security Principles (as defined in the Revolving Facility Agreement) and the provisions of the Intercreditor Agreement (i) is created, or expressed to be created, in favor of the Security Agent as agent or trustee for the other Secured Parties (or a class of Secured Parties) in respect of the applicable Secured Obligations; or (ii) in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as agent or trustee for the Secured Parties (or a class of Secured Parties), is created, or expressed to be created, in favor of (x) all the Secured Parties (or a class of Secured Parties) in respect of the applicable Secured Obligations or (y) the Security Agent under a parallel debt and/or joint and several creditorship or similar structure for the benefit of all the Secured Parties (or a class of Secured Parties) in respect of the applicable Secured Obligations. Transaction Security which is not Topco Shared Security shall secure all liabilities and present and future obligations of the Debtors and Third Party Security Providers to the Secured Parties (other than the creditors under the Topco Liabilities (as defined below) (the “**Topco Secured Parties**”)) under the Secured Debt Documents (other than the finance documents relating to the Topco Liabilities (the “**Topco Finance Documents**”)). Transaction Security which is Topco Shared Security shall secure all liabilities and present and future obligations of any member of the Topco Group, the Debtors and Third Party Security Providers to the Secured Parties under the Secured Debt Documents (including to the Security agent under a parallel debt) both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity (the “**Topco Shared Security Secured Obligations**”).

On the Issue Date, the Senior Secured Notes and the Note Guarantees thereunder will be Senior Secured Notes Liabilities for the purposes of the Intercreditor Agreement. On the Issue Date, no Cash Management Facility Liabilities, Topco Notes Liabilities, Senior Lender Liabilities, Second Lien Lender Liabilities, Second Lien Notes Liabilities or Topco Notes Liabilities will be outstanding. Such liabilities (and liabilities in respect of other New Debt Financings) may only be incurred and/or designated if not prohibited under the terms of the Debt Documents, including, without limitation, the covenants applicable to the Notes described under “*Description of the Notes — Certain Covenants.*”

Ranking and Priority

Priority of Debts

The Intercreditor Agreement provides that the liabilities owed by the Issuer and each other debtor under the Intercreditor Agreement (together, the “**Debtors**”) (other than any member of the Group which is designated as a Topco Borrower under the Intercreditor Agreement) (a “**Topco Borrower**”) to the Secured Parties and (in respect of Topco Proceeds Loan Liabilities only) the Topco Borrowers shall rank in right of priority and payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- (i) first, liabilities owed to (i) the lenders, issuing banks and ancillary lenders in relation to any future senior secured facilities agreements (a “**Permitted Senior Facilities Agreement**”) (the “**Senior Lender Liabilities**”), (ii) the lenders, issuing banks, and ancillary lenders in relation to the Revolving Facility Agreement and any future super senior facilities agreement (a “**Permitted Super Senior Facilities Agreement**”) and any hedge counterparty under a hedging agreement that is designated by the Issuer as super senior (together the “**Super Senior Liabilities**” and creditors thereof being the “**Super Senior Creditors**”), (iii) the Trustee and any trustee in relation to future senior secured notes (each a “**Senior Secured Notes Trustee**”) (other than certain amounts paid to it in its capacity as trustee), the holders of the Senior Secured Notes or any future senior secured notes (the “**Senior Secured Noteholders**”) and the liabilities in respect of such Senior Secured Notes being the “**Senior Secured Notes Liabilities**”), (iv) the lender under any loan made by the issuer of any Senior Secured Notes (if so designated by the Issuer in its discretion and not including, for

the avoidance of doubt, the Issuer) to a member of the Group for the purposes of on lending the proceeds of any Senior Secured Notes together with any additional or replacement loan made on substantially the same terms (the “**Senior Secured Notes Proceeds Loan Liabilities**”), (v) the arrangers, agents, issuing banks and lenders under any cash management facility (a “**Cash Management Facility**” and the liabilities under a Cash Management Facility being the “**Cash Management Facility Liabilities**”), (vi) the hedge counterparties in relation to any hedging agreements that are not Super Senior Liabilities (the “**Pari Passu Hedging Liabilities**”) (together with the hedging designated by the Issuer as being Super Senior Liabilities, the “**Hedging Liabilities**”), (vii) the lenders in relation to any future second lien facility agreement (a “**Second Lien Facility Agreement**” and the liabilities to the lenders under a Second Lien Facility Agreement being the “**Second Lien Lender Liabilities**”), (viii) any second lien notes trustee (other than certain amounts paid to it in its capacity as trustee), the holders of any future second lien notes and the Security Agent in relation to any second lien notes (such second lien notes being “**Second Lien Notes**” and the liabilities in respect of such Second Lien Notes being the “**Second Lien Notes Liabilities**” and together with the Second Lien Lender Liabilities, the “**Second Lien Liabilities**” and creditors thereof being the “**Second Lien Creditors**”), (ix) any agent or trustee under any finance documents relating to any of the aforementioned liabilities, any agent or trustee under the Topco Liabilities (as defined below) and to any agent or trustee in relation to certain other liabilities of such agent or trustee (together the “**Agent Liabilities**”), (x) any arranger in connection with the aforementioned liabilities, and (xi) the Security Agent, *pari passu* and without any preference between them; and

- (ii) second, all liabilities owed (i) to the trustee (other than certain amounts paid to it in its capacity as trustee), and the holders of any future notes issued by or in relation to which a New Debt Financing has been made available to or by a Topco Borrower and designated by the Issuer as Topco Notes and the Security Agent in relation to such Topco Notes (the “**Topco Notes Liabilities**”), (ii) under any future loan facility made available to any Topco Borrower (the “**Topco Facility Liabilities**” and together with the Topco Notes Liabilities, the “**Topco Liabilities**”), (iii) any arranger in connection with the aforementioned liabilities, and (iv) the liabilities owed under any future loan (a “**Topco Proceeds Loan**”) made by any Topco Borrower for the purpose of on lending the proceeds of any Topco Notes or Topco Loans (the “**Topco Proceeds Loan Liabilities**”), *pari passu* and without any preference between them.

The Intercreditor Agreement provides that the liabilities owed by any Topco Borrower to the Secured Parties shall rank *pari passu* in right and priority of payment and without any preference between them in respect of (i) the Senior Lender Liabilities, (ii) the Super Senior Liabilities, (iii) the Senior Secured Notes Liabilities, (iv) the Cash Management Facility Liabilities, (v) the Hedging Liabilities, (vi) the Second Lien Lender Liabilities, (vii) the Second Lien Notes Liabilities, (viii) the Topco Liabilities, (ix) the Agent Liabilities, and (x) any arranger in connection with the aforementioned liabilities.

The Intercreditor Agreement provides that the intra group liabilities owed by one member of the Group to another member of the Group which is or becomes party to the Intercreditor Agreement as an intra group lender (other than any Senior Secured Notes Proceeds Loan Liabilities or Topco Proceeds Loan Liabilities) (the “**Intra Group Liabilities**”) will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the creditors under the Senior Lender Liabilities, Super Senior Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities, Agent Liabilities and Notes Liabilities and to any arranger in connection with the aforementioned liabilities (such creditors, together with the Security Agent, any receiver or delegate, any creditor of the Agent Liabilities and any arranger with respect to the Secured Liabilities, the “**Secured Parties**”).

The Intercreditor Agreement also provides that the liabilities owed by any member of the Group (other than any Topco Proceeds Loan Liabilities) to a holding company of the Issuer or to any other person who becomes party to the Intercreditor Agreement as a subordinated creditor (a “**Subordinated Creditor**”) (the “**Subordinated Liabilities**”) will be subordinated to the liabilities under the Debt Documents owed by the Debtors and Third Party Security Providers to the Secured Parties and any person that becomes party to the Intercreditor Agreement as an unsecured creditor, and to the Intra Group Liabilities.

Priority of Security

The Intercreditor Agreement provides that the Transaction Security (irrespective of whether the related Transaction Security documents are themselves expressed to be first ranking or of any lower ranking security) shall rank and secure the applicable Secured Obligations (but only to the extent that such Transaction Security is expressed to secure those liabilities) in the following order:

- (i) first, the Senior Secured Creditor Liabilities (as defined below) *pari passu* and without any preference between them;
- (ii) second, the Second Lien Liabilities *pari passu* and without any preference between them; and
- (iii) third (to the extent of any Topco Shared Security), the Topco Liabilities *pari passu* and without any preference between them.

The Intercreditor Agreement provides that the Topco Independent Transaction Security (irrespective of whether the related Topco Independent Transaction Security documents are themselves expressed to be first ranking or of any lower ranking security) shall rank and secure the applicable Topco Independent Secured Obligations *pari passu* and without any preference between them (but only to the extent such Topco Independent Transaction Security is expressed to secure those liabilities).

Guarantees and Security: Topco Creditors

The creditors in respect of the Topco Liabilities (the “**Topco Creditors**”) have the right to take, accept or receive the benefit of:

- (i) any Topco Shared Security from any member of the Group or from a Third Party Security Provider in respect of the Topco Liabilities if and to the extent legally possible and subject to any agreed security principles, at the same time it is also offered either:
 - (A) to the Security Agent as agent or trustee for the other Secured Parties (or applicable class thereof) in respect of their Liabilities; or
 - (B) in the case of any jurisdiction in which effective security cannot be (or is not) granted in favor of the Security Agent as agent or trustee for the Secured Parties (or applicable class thereof):
 - I. to the other Secured Parties (or applicable class thereof) in respect of their Liabilities; or
 - II. to the Security Agent under a parallel debt structure, joint and several creditor structure or agency structure for the benefit of the other Secured Parties (or applicable class thereof),

and ranks in the same order of priority as described under “*Priority of Security*” above, provided that all amounts received or recovered by any Topco Creditor with respect to such Topco Shared Security are immediately paid to the Security Agent for application as set out under “*Application of Proceeds*” below;
- (ii) any guarantee, indemnity or other assurance from any member of the Group in respect of the Topco Liabilities in addition to any guarantee, indemnity or assurance in the original form of any Topco Finance Documents or the Intercreditor Agreement, or given to all the Secured Parties as security for the liabilities of the Topco Group, each Debtor and any Third Party Security Provider to the Secured Parties under the Debt Documents if, subject to any agreed security principles:
 - (A) (except for any guarantee, indemnity or other assurance permitted by the Finance Documents), the Secured Parties other than the Topco Creditors (the “**Priority Secured Parties**”) already benefit from such a guarantee, indemnity or other assurance or at the same time it is also offered to the Priority Secured Parties and ranks in the same order of priority as described under “— *Priority of Debts*” above, as applicable; and
 - (B) all amounts received by any Topco Creditor with respect to such guarantee, indemnity or assurance are immediately paid to the Security Agent for application as set out under “— *Application of Proceeds*” below; and
- (iii) any security, guarantee indemnity or other assurance:
 - (A) from any person that is not a member of the Group; and
 - (B) from any member of the Group:
 - I. in connection with any escrow or similar arrangements relating to amounts held by a person which is not a member of the Topco Group prior to release of those amounts to a member of the Topco Group;
 - II. in connection with any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Secured Liabilities not prohibited by the Intercreditor Agreement; or

III. as otherwise permitted by the Intercreditor Agreement.

No security (other than pursuant to the secured documents relating to Topco Independent Transaction Security or Topco Shared Security or as described above) shall be granted by a member of the Group in respect of any Topco Liabilities.

New Debt Financing

The Intercreditor Agreement provides, subject to certain conditions, for the implementation of existing, additional, supplemental or new financing arrangements or the assumption or incurrence of any Liabilities that will constitute, for the purposes of the Intercreditor Agreement, Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Liabilities, Topco Liabilities, Super Senior Liabilities, *Pari Passu* Hedging Liabilities or Unsecured Liabilities (each a “**New Debt Financing**”). The conditions include certification by the Issuer that such New Debt Financing is not prohibited under the terms of the Finance Documents.

Such financing arrangements may be implemented by way of refinancing, replacement, exchange, set off, discharge or increase of any such new, existing, additional or supplemental financing, guarantee or debt arrangement under the relevant finance documents. In connection with and in order to facilitate any New Debt Financing, each agent in respect of any Priority Secured Liabilities and the Security Agent (and each other person party to a Transaction Security document or a Topco Independent Transaction Security document) is authorized and instructed to enter promptly into any new security document, amend or waive any term of an existing security document and/or release any asset from the Transaction Security or Topco Independent Transaction Security (as the case may be) and/or to effect the ranking, priority guarantees and Security of the New Debt Financing, subject to certain conditions, including as regards the terms of such security (which shall be, unless otherwise required by the Issuer, substantially the same (if applicable) as the terms applicable to the existing Transaction Security or Topco Independent Transaction Security over equivalent assets).

Where any indebtedness (“**Permitted Acquired Indebtedness**”) which is not prohibited under the Finance Documents is incurred by or in connection with the acquisition of (i) a person or any of its subsidiaries who, after the Closing Date, becomes a Restricted Subsidiary or merges, consolidates or is otherwise combined with a Restricted Subsidiary, or (ii) in relation to an asset of or shares (or other ownership interests) in any such person or which is otherwise acquired after the Closing Date (together an “**Acquired Person or Asset**”), any security, guarantee, indemnity or other assurance against loss in respect of such New Debt Financing which is subsisting at the date when the conditions to the incurrence of such New Debt Financing set out in the Intercreditor Agreement have been satisfied (or is to be granted thereafter, including subject to any condition or periodic testing) shall be permitted to subsist and there is no requirement to offer that security, guarantee, indemnity or other assurance in respect of any other liabilities under any Debt Document. No security, guarantee, indemnity or other assurance against loss is required to be given by any member of the Topco Group in respect of any liabilities (including under any Debt Document) (i) over any Acquired Person or Asset if this would breach a contractual undertaking applicable to the Topco Group or is excluded or exempt from being given under the Agreed Security Principles (as defined in the Revolving Facility Agreement), (ii) over any asset required (including subject to any condition) to provide credit support in relation to any Permitted Acquired Indebtedness (other than as a result of any obligation to extend any Transaction Security ratably for the benefit of such Permitted Acquired Indebtedness), or (iii) where the grant of such security, guarantee, indemnity or other assurance against loss is prevented by the documentation relation to such Permitted Acquired Indebtedness or would give rise to an obligation (including any payment obligation but not including any obligation to extend any Transaction Security ratably for the benefit of such Permitted Acquired Indebtedness) under or in relation thereto.

Permitted Payments

Permitted Payments in Respect of the Senior and Super Senior Debt

The Debtors and Third Party Security Providers may make payments in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, Super Senior Liabilities and Cash Management Facility Liabilities (together with the Hedging Liabilities, the “**Senior Secured Creditor Liabilities**,” the creditors in respect thereof being the “**Senior Secured Creditors**”) at any time, provided that following certain acceleration events under the Revolving Facility Agreement, any Permitted Senior Facilities Agreement or Senior Secured Indenture or Permitted Super Senior Facilities Agreement or following certain insolvency events in relation to a member of the Group, payments may only be made by Debtors or Third Party Security Providers and received by

creditors in accordance with the provisions described below under “— *Application of Proceeds*” provided that there shall be no obligation to turnover any such payments received, other than those related to an enforcement of Transaction Security or a Distressed Disposal (as defined below) of assets subject to the Transaction Security.

Any failure to make a payment in accordance with the Senior Secured Finance Documents following an acceleration event as required by the Intercreditor Agreement shall not prevent the occurrence of an event of default under such applicable Senior Secured Finance Documents.

Permitted Payments in Respect of the Second Lien Debt

Prior to the first date on which all of the Senior Liabilities, the Super Senior Liabilities and the Senior Secured Notes Liabilities (together, the “**Senior Secured Liabilities**” and together with the Second Lien Liabilities and Topco Liabilities being the “**Secured Liabilities**”) have been discharged (the “**Senior Secured Discharge Date**”), the Issuer, the members of the Group and Third Party Security Providers may only make specified scheduled payments in respect of the Second Lien Liabilities, in accordance with the finance documents governing such Second Lien Liabilities, subject to compliance with certain conditions in the Intercreditor Agreement.

The principal conditions are that the relevant payment (if it is a payment of principal or capitalized interest) is not prohibited by any prior ranking financing agreement, including any Permitted Senior Facilities Agreement, Permitted Super Senior Facilities Agreement and any Senior Secured Notes Indenture (or if it is so prohibited, that any required consents to permit such payment have been obtained), no payment stop notice has been issued to the agent or trustee for the relevant Second Lien Liabilities and no payment default (subject to a *de minimis* threshold in the case of amounts other than principal, interest or certain fees) is continuing under any Permitted Senior Facilities Agreement, Permitted Super Senior Facilities Agreement, Cash Management Facility document or Senior Secured Notes document.

Certain specified payments in respect of Second Lien Liabilities are also permitted at all times, notwithstanding that a payment stop notice is outstanding or such a payment default is continuing. These payments and basket amounts are substantially similar to those referenced for Topco Liabilities in (ii) of the next paragraph.

Permitted Payments in Respect of Topco Liabilities

Prior to the date which is the later of the Senior Secured Discharge Date and the first date (the “**Second Lien Discharge Date**”) on which all Second Lien Liabilities have been discharged (the “**Priority Discharge Date**”), the Issuer, any Topco Borrowers, Third Party Security Providers and other members of the Group may only make specified payments (including any other direct or indirect step, matter, action or dealing in relation to any Topco Liabilities otherwise prohibited under the Intercreditor Agreement) under the Topco Liabilities or under any Topco Proceeds Loan (together the “**Topco Group Liabilities**”) to the Topco Creditors or any Topco Borrower or any holding company of the Issuer or other lender in respect of a Topco Proceeds Loan (in respect of the Topco Proceeds Loan Liabilities only) (such payments, collectively, “**Permitted Topco Payments**”):

- (i) if:
 - (A) no Topco Payment Stop Notice (as defined below) is outstanding;
 - (B) no payment default (subject to a *de minimis* threshold in the case of amounts other than principal, interest or certain fees) has occurred and is continuing under any Permitted Senior Facilities Agreement, Permitted Super Senior Facilities Agreement, Cash Management Facility document or Senior Secured Notes document (a “**Senior Secured Payment Default**”), or under the Second Lien Facilities or Second Lien Notes (a “**Second Lien Payment Default**”); and
 - (C) the payment is of (1) any amount of principal or capitalized interest in respect of the Topco Liabilities which is (x) not prohibited by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or, if it is so prohibited, any required consents to permit such payment have been obtained or (y) permitted as a Non Distressed Disposal (as defined below) or the result of any claim which is subject to Transaction Security, (2) any other amount which is not an amount of principal or capitalized interest (such other amounts including all scheduled interest payments (including, if applicable, special interest or liquidated damages), the accrual of cash interest otherwise payable during a period when a Topco Payment Stop Notice (as defined below) is outstanding and default interest on the Topco Liabilities accrued and payable in

accordance with the terms of the relevant Topco Finance Document (as at the date of the issue of the same or as amended in accordance with the terms of the Intercreditor Agreement and the other Debt Documents), additional amounts payable as a result of the tax gross up provisions relating to the Topco Liabilities and amounts in respect of currency indemnities in any Topco Finance Document, (3) made in pursuance of a debt buy back program approved by the Majority Senior Secured Creditors, Majority Super Senior Creditors and Majority Second Lien Creditors (each as defined below), (4) amounts due under any syndication strategy letter relating to the Topco Finance Documents, or (5) amounts under a Topco Proceeds Loan Agreement to fund any amount referred to in (1) to (4);

- (ii) if, notwithstanding that a Topco Payment Stop Notice (as defined below) is outstanding and/or (other than in respect of paragraph (N) below) a Senior Secured Payment Default and/or a Second Lien Payment Default has occurred and is continuing and (if the Topco Borrower is a guarantor or borrower under any prior ranking debt facilities at such time, other than in respect of paragraph (L) below) irrespective of whether any creditors under prior ranking debt facilities have accelerated their debt, the payment is not prohibited to be made at such time by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or the payment is (without double counting any equivalent applicable basket in any Debt Document, but whether or not permitted by the Debt Documents): (A) of ongoing fees under any original fee letter relating to the Topco Finance Documents, (B) of commercially reasonable advisory and professional fees for restructuring advice and valuations (including legal advice and the advice of other appropriate financial and/or restructuring advisors) and a Topco Agent's fees, costs and expenses not exceeding €1,000,000, but excluding the costs of any litigation against a Senior Secured Creditor or Second Lien Creditor (or their affiliates), (C) of any amounts owed to a Topco Agent (as defined below), (D) of costs necessary to protect, preserve or enforce security, (E) of any costs, commissions, taxes, premiums, amendment fees (including any original issue discount and other consent and/or waiver fees) and any expenses incurred in respect of (or reasonably incidental to) the Topco Finance Documents (including in relation to any reporting or listing requirements under the Topco Finance Documents), (F) of any other amount not exceeding €2,000,000 in any financial year of the Issuer (provided that any such amount not so applied may be carried forward and utilized in the subsequent financial year (where it shall be deemed to have been used first)), (G) of any amount of the Topco Liabilities which would have been payable but for the issue of a Topco Payment Stop Notice (which has since expired and no new Topco Payment Stop Notice (as defined below) is outstanding) which has been capitalized and added to the principal amount of the Topco Liabilities or where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Topco Liabilities during such period or any such amount described at (i)(C) above, provided that no such payment may be made if certain events of default have occurred under the Senior Secured Liabilities or Second Lien Liabilities or would occur as a result of making such payment, (H) for as long as an event of default under the Senior Secured Liabilities, Second Lien Liabilities or Topco Group Liabilities which is continuing, all or part of the Topco Liabilities being released or otherwise discharged solely in consideration for the issues of shares in any holding company of the Issuer ("**Debt for Equity Swap**") provided that no cash or cash equivalent payment is made in respect of the Topco Liabilities, that it does not result in a Change of Control as defined in any prior ranking finance agreement or Topco Finance Document and that any Liabilities owed by a member of the Group to another member of the Group, to the Subordinated Creditors or to any other holding company of the Issuer that arise as a result of any such Debt for Equity Swap are subordinated to the Senior Secured Liabilities and Second Lien Liabilities pursuant to the Intercreditor Agreement and the Senior Secured Creditors and Second Lien Creditors are granted Transaction Security in respect of any of those Intra Group Liabilities or Subordinated Liabilities owed by any member of the Group, (I) of non cash interest made by way of capitalizing interest or issuing a non cash pay instrument which is subordinated on the same terms as the Topco Liabilities, (J) of audit fees, directors' fees, taxes and other proper and incidental expenses required to maintain existence or any other reasonable and administrative and maintenance costs and expenses of a Topco Borrower or its affiliates, (K) funded directly or indirectly with the proceeds of Topco Liabilities incurred under or pursuant to any Topco Finance Documents, (L) by the Topco Borrower in respect of its obligations under the Topco Finance Documents; and such payment is not directly or indirectly sourced from a member of the Group or such payment is funded from proceeds received by the Topco Borrower from the Group without breaching the terms of the Debt Documents, (M) if the payment is of a principal amount of the Topco Liabilities and made in accordance with a provision in a Topco Finance Document relating to prepayment upon illegality or any other provision that permits the repayment in full of any Topco Creditor (without a related requirement to repay all other Topco Creditors) and (N) if no Senior Secured Payment Default or Second Lien Payment Default has occurred and is continuing and

the payment is a payment of principal, interest or any other amounts made on or after the final maturity date of the relevant Topco Liabilities (provided that such maturity date is no earlier than that contained in the original form of the relevant Topco Finance Document as of the date of first issuance or borrowing (as the case may be) of the applicable Topco Liabilities); or

- (iii) if the requisite Senior Secured Creditors, Super Senior Creditors and Second Lien Creditors give prior consent to that payment being made.

On or after the Priority Discharge Date, the Debtors, the Topco Borrowers and the Third Party Security Providers may make payments in respect of the Topco Group Liabilities in accordance with the Topco Finance Documents and the Topco Proceeds Loan Agreement (as applicable).

Topco Liabilities Payment Block Provisions

A Topco Payment Stop Notice (as defined below) is outstanding from the date falling one (1) Business Day after the date on which, following the occurrence of an event of default under any Senior Secured Liabilities (a “**Senior Secured Event of Default**”) or an event of default under the Second Lien Liabilities (a “**Second Lien Event of Default**”), the Security Agent (acting on the instructions of the requisite Super Senior Creditors, Senior Secured Creditors or Second Lien Creditors gave the instructions for the relevant stop notice to be delivered) (a “**Topco Payment Stop Notice**”) to the agent under any Topco Facility (the “**Topco Agent**”) and the trustee under any Topco Notes (the “**Topco Notes Trustee**”) advising that the Senior Secured Event of Default or Second Lien Event of Default is continuing and suspending payments by the Group of the Topco Liabilities, until the first to occur of:

- (i) the date falling one hundred and seventy nine (179) days after delivery of that Topco Payment Stop Notice;
- (ii) the date on which a default occurs for failure to pay principal at the original scheduled maturity of the relevant Topco Liabilities;
- (iii) if a Topco Standstill Period (as defined below) commences after delivery of that Topco Payment Stop Notice, the date on which such standstill period expires;
- (iv) the date on which the relevant Senior Secured Event of Default or Second Lien Event of Default has been remedied or waived;
- (v) the date on which the Security Agent (acting on the instructions of whichever of the Super Senior Creditors, Senior Secured Creditors or Second Lien Creditors gave the instructions for the relevant stop notice to be delivered) delivers a notice to the Topco Borrower, the Topco Agent and the Topco Notes Trustee cancelling the payment stop notice;
- (vi) the Priority Discharge Date; and
- (vii) the date on which the Topco Creditors take any enforcement action that is permitted under the Intercreditor Agreement (see “— *Permitted Topco Enforcement*” below).

No Topco Payment Stop Notice may be delivered by the Security Agent in reliance on a Senior Secured Event of Default or a Second Lien Event of Default more than forty five (45) days after the occurrence of the relevant event of default. No more than one Topco Payment Stop Notice may be served (i) with respect to the same event or set of circumstances, or (ii) in any period of three hundred and sixty (360) days.

Any failure to make a payment due in respect of the Topco Group Liabilities as a result of the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default shall not prevent (i) the occurrence of an event of default as a consequence of that failure to make a payment in relation to the relevant Topco Group Liabilities, or (ii) the issue of an enforcement notice in respect of an event of default under the finance documents documenting any Topco Group Liabilities (a “**Topco Enforcement Notice**”) on behalf of the Topco Creditors

Payment Obligations and Capitalization of Interest Continue

Nothing in the Second Lien or Topco payment block provisions will release any Debtor from the liability to make any payment (including of default interest, which shall continue to accrue) under the applicable Debt Documents even if its obligation to make such payment is restricted at any time. The accrual and capitalization of interest (if any) in accordance with the applicable Debt Documents shall continue notwithstanding the issue of a payment stop notice.

Cure of Payment Stop

If:

- (i) at any time following the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default, that Topco Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default or Second Lien Payment Default ceases to be continuing; and
- (ii) the relevant Debtor or Topco Borrower then promptly pays to the Topco Creditors or any party that has acceded to the Intercreditor Agreement as a creditor under a Topco Proceeds Loan (the “**Topco Investors**”) (in respect of the Topco Proceeds Loan Liabilities only) an amount equal to any payments which had accrued under the Topco Finance Documents or the Topco Proceeds Loan Agreement (as applicable) and which would have been Permitted Topco Payments but for that Topco Payment Stop Notice or Senior Secured Payment Default or Second Lien Payment Default (as the case may be),

then any event of default which may have occurred under a Topco Finance Document or Topco Proceeds Loan Agreement and any Topco Enforcement Notice which may have been issued as a result of that suspension of payments shall be deemed automatically waived without any further action being required.

Turnover by the creditors

Subject to certain exceptions, the Intercreditor Agreement will provide that if, at any time prior to the latest to occur of the Super Senior Discharge Date, the Senior Secured Discharge Date, the Second Lien Discharge Date and the first date on which all of the Topco Liabilities have been fully discharged (the “**Topco Discharge Date**”) (the “**Final Discharge Date**”) any creditor (other than a Senior Secured Creditor) receives or recovers from any Debtor, member of the Group or Third Party Security Provider:

- (i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the Debt Documents other than any payment or distribution which is either (x) not prohibited under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under “— *Application of Proceeds*”;
- (ii) any amount by way of set off which does not give effect to a payment permitted under the Intercreditor Agreement;
- (iii) any amount:
 - (A) on account of, or in relation to, any of the liabilities owed to the creditors under the Debt Documents (I) after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event, or (II) as a result of any other litigation or proceedings against a Debtor, member of the Group or any Third Party Security Provider (other than after the occurrence of an Insolvency Event); or
 - (B) by way of set off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event, other than, in each case, any amount received or recovered in accordance with the provisions set out below under “— *Application of Proceeds*”;
- (iv) the proceeds of any enforcement of any of the Transaction Security except in accordance with the provisions set out below under “— *Application of Proceeds*”; or
- (v) (subject to certain exceptions) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any Debtor, any member of the Group or Third Party Security Provider which is not in accordance with the provisions set out below under “— *Application of Proceeds*” and which is made as a result of, or after, the occurrence of an Insolvency Event (as defined below) in respect of that Debtor, member of the Group or Third Party Security Provider,

that creditor will:

- (A) in relation to receipts and recoveries not received or recovered by way of set off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for (or otherwise on behalf and for the account of) the Security Agent and promptly pay or distribute that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement, and (y) promptly pay or distribute an amount equal to the amount (if any)

by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

- (B) in relation to receipts and recoveries received or recovered by way of set off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

A turnover mechanism on substantially the same terms applies in the event that, at any time prior to the Final Discharge Date, any Senior Secured Creditor receives or recovers from any Debtor, any member of the Group or Third Party Security Provider (x) any proceeds from the enforcement of security or from a Distressed Disposal (as defined below) or following an acceleration event or the enforcement of security, any proceeds arising from any of the charged property or (y) any other amounts which should otherwise be received or recovered by the Security Agent except in accordance with the provisions set out below under “— *Application of Proceeds*.”

Effect of Insolvency Event

“**Insolvency Event**” is defined as, in relation to any Debtor, Material Subsidiary (each as defined in the Revolving Facility Agreement) or Third Party Security Provider, (a) the passing of any resolution or making of an order for insolvency, bankruptcy, winding up, dissolution, administration, examination or reorganization (excluding solvent reorganizations), (b) a moratorium is declared in relation to any of its indebtedness, (c) (other than on a solvent basis) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of it or a material part of its assets, or (d) any analogous procedure or step is taken in any jurisdiction, other than (in each case), frivolous or vexatious proceedings discharged within 20 business days, proceedings or appointments which the Security Agent is satisfied will be withdrawn or unsuccessful or as permitted under any Senior Secured Credit Facility Agreement or in any Permitted Senior Facilities Agreement, Permitted Super Senior Facilities Agreement or a Second Lien Facility Agreement, or otherwise not constituting a default.

The Intercreditor Agreement provides that, after the occurrence of an Insolvency Event, any party entitled to receive a distribution out of the assets of a Debtor, Material Subsidiary or Third Party Security Provider (in the case of a Senior Secured Creditor, only to the extent such amounts constitute proceeds of enforcement) shall direct the person responsible for the distribution to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. The Security Agent shall apply all such distributions paid to it in accordance with the provisions set out under “— *Application of Proceeds*” below.

To the extent that any member of the Group or Third Party Security Provider’s liabilities to creditors are, with certain exceptions, discharged by way of set off (mandatory or otherwise and in the case of a Senior Secured Creditor, only to the extent such amounts constitute proceeds of enforcement) after the occurrence of an Insolvency Event, any creditor benefiting from such set off shall pay an amount equal to the amount of the liabilities owed to it which are discharged by that set off to the Security Agent for application in accordance with the provisions set out under “— *Application of Proceeds*” below.

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards such liabilities.

Subject to certain netting and set off rights under ancillary or cash management facilities, each creditor irrevocably authorizes the Security Agent to take Enforcement Action (as defined below), make demands, collect and receive distributions, file claims and take other actions necessary to make recovery after the occurrence of an Insolvency Event in relation to a Debtor, member of the Group or Third Party Security Provider. The creditors agree to do all things the Security Agent reasonably requests in order to give effect to these provisions.

Security Enforcement Regime

Enforcement of Security

An “**Instructing Group**” means:

- (a) prior to the later of the Senior Secured Discharge Date and the first date on which the Super Senior Liabilities have been fully and finally discharged (the “**Super Senior Discharge Date**”), Senior Secured Creditors (other than the Super Senior Creditors) representing more than fifty (50)% of the Senior Secured Liabilities (other than the Super Senior Liabilities) (the “**Majority Senior Secured Creditors**”),

and Super Senior Creditors representing more than fifty (50)% of the Super Senior Secured Liabilities (the “**Majority Super Senior Creditors**”) save that, for instructions relating to enforcement, it shall mean the group of Secured Creditors entitled to give instructions in accordance with the enforcement regime described under *Enforcement of Transaction Security*” below;

- (b) on or after the later of the Senior Secured Discharge Date and the Super Senior Discharge Date but before the Priority Discharge Date, Second Lien Creditors representing more than fifty (50)% of the Second Lien Liabilities (the “**Majority Second Lien Creditors**”); and
- (c) on or after the Priority Discharge Date but before the Topco Discharge Date, Topco Creditors representing more than fifty (50)% of the Topco Liabilities (the “**Majority Topco Creditors**”).

Enforcement of Transaction Security

The Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise in accordance with the provisions described in this paragraph. If the Transaction Security has become enforceable, if either the Majority Super Senior Creditors or the Majority Senior Secured Creditors wish to issue enforcement instructions they shall deliver a copy of those instructions (an “**Initial Enforcement Notice**”) to the Security Agent and to the other agents, trustees and hedge counterparties.

The Security Agent will act in accordance with any instructions (provided they are consistent with the Enforcement Principles (as defined below)) received from (i) the Majority Senior Secured Creditors, (ii) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue within three months of the Initial Enforcement Notice or the Super Senior Discharge has not occurred within six months of the Initial Enforcement Notice, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iii) if an Insolvency Event (other than an Insolvency Event directly caused by enforcement action taken at the request of a Super Senior Creditor) is continuing, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iv) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue and the Majority Super Senior Creditors determine in good faith that a delay could reasonably be expected to have a material adverse effect on the Security Agent’s ability to enforce the Transaction Security or on the realization of proceeds and the Majority Super Senior Creditors deliver instructions before the Security Agent has received any instructions from the Majority Senior Secured Creditors, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (v) if, prior to the later of the Senior Secured Discharge Date and the Super Senior Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors (as applicable) have not given instructions or they have instructed the Security Agent (A) not to enforce or cease enforcing or (B) required any Debtor or Third Party Security Provider to make a Distressed Disposal (as defined below), any agent or trustee in relation to the Second Lien Liabilities (the “**Second Lien Agent**”) (acting on the instructions of the Majority Second Lien Creditors) where the rights of the Second Lien Creditors to enforce have arisen under the Intercreditor Agreement, or (vi) if, prior to the Priority Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors or the Majority Second Lien Creditors (as applicable) have not given instructions or they have instructed the Security Agent (A) not to enforce or cease enforcing or (B) required any Debtor or Third Party Security Provider to make a Distressed Disposal (as defined below) (in respect of the Topco Shared Security only) an agent or trustee under the Topco Finance Documents (acting on the instructions of the Majority Topco Creditors). Notwithstanding the preceding paragraph, if at any time the agents or representatives of the Second Lien Creditors or Topco Creditors then entitled to give the Security Agent instructions do not give such instruction and do not indicate any intention to give such instruction, then the Majority Senior Secured Creditors or Majority Super Senior Creditors to the extent that such group is entitled to give enforcement instructions as described in the paragraph above may give instructions to the Security Agent to enforce the Transaction Security as they see fit and the Security Agent shall act on such instructions.

“**Enforcement Principles**” means certain requirements as to the manner of enforcement, including that to the extent consistent with a prompt and expeditious realization of value, the method of enforcement chosen should maximize the value realized from such enforcement, (ii) certain proceeds must be received in cash, and (iii) enforcement in relation to assets over €2,000,000 or shares if not carried out by way of a public auction or other competitive sales process, shall (if the Security Agent is so requested by the Majority Super Senior Creditors or Majority Senior Secured Creditors) benefit from a fairness opinion from an investment bank, firm of accountants or third party financial adviser.

Enforcement—Topco Independent Transaction Security

Subject to the Topco Independent Transaction Security having become enforceable in accordance with its terms, an agent or trustee under the Topco Finance Documents (acting on the instructions of the Majority Topco Creditors) may give or refrain giving, instructions to the Security Agent to enforce or refrain from enforcing the Topco Independent Transaction Security as they see fit.

Manner of Enforcement

If the Transaction Security or Topco Independent Transaction Security is being enforced in accordance with any of the above paragraphs, the Security Agent shall enforce the relevant Transaction Security or Topco Independent Transaction Security in such manner (including the selection of any administrator of any Debtor or Third Party Security Provider to be appointed by the Security Agent) as any persons entitled at any time under the above provisions shall instruct it or, in the absence of any such instructions, as the Security Agent sees fit (which may include taking no action).

No Secured Party shall have any independent power to enforce, or to have recourse to, any of the Transaction Security or to exercise any right, power, authority or discretion arising under the Security Documents except through the Security Agent.

Security Held by Other Creditors

If any Transaction Security or Topco Independent Transaction Security is held by a creditor other than the Security Agent, then creditors may only enforce that Transaction Security or Topco Independent Transaction Security in accordance with instructions given by instructing creditors in accordance with the paragraphs above.

Enforcement Regime

Restrictions on Enforcement by Second Lien Creditors

Certain of the features set out below with respect to Topco Creditors may apply to the Second Lien Creditors, with appropriate modifications for the relative position in the capital structure.

Restrictions on Enforcement by Topco Creditors

Until the Priority Discharge Date, except with the prior consent of or as required by an Instructing Group, (i) no Topco Creditor or Topco Investor shall direct the Security Agent to enforce, or otherwise (to the extent applicable) require the enforcement of any Transaction Security (including the crystallization of any floating charge forming part of the Transaction Security); (ii) no Topco Creditor nor Topco Investor shall take or require the taking of any Enforcement Action (as defined below) against any member of the Group or Third Party Security Provider (other than in each case (and to the extent not restricted by (i) above and (iii) below) against a Topco Borrower in relation to the Topco Group Liabilities); and (iii) no Topco Creditor nor Topco Investor nor Topco Borrower shall take or require the taking of any Enforcement Action (as defined below) in relation to Topco Proceeds Loan Liabilities, except in the case of each of (i) through (iii) as set out under “— Permitted Topco Enforcement” below and provided that no such action required by an Instructing Group need be taken except to the extent that such Instructing Group otherwise is entitled under the Intercreditor Agreement to direct such action.

Other than as restricted by (i) and (iii) in the paragraph above, any Topco Creditor may at any time take any Enforcement Action (as defined below) available against any person that is not a member of the Group, in each case in accordance with the terms of the Topco Finance Documents.

“**Enforcement Action**” is defined as:

- (i) (A) in relation to any liabilities (other than unsecured liabilities) the acceleration, putting on demand, making of a demand, requiring a member of the Topco Group or Third Party Security Provider to acquire such liabilities (subject to certain exceptions), exercising of rights of set off (other than certain netting under hedging agreements or as otherwise permitted under the Secured Debt Documents) or (B) suing or commencing legal or arbitration proceedings against any member of the Topco Group or a Third Party Security Provider in relation to such liabilities;
- (ii) premature termination or close out of a hedging agreement, save to the extent permitted by the Intercreditor Agreement;

- (iii) the taking of steps to enforce or require the enforcement of the Transaction Security or, as the case may be, Topco Independent Transaction Security (including the crystallization of any floating charge forming part of the Transaction Security) as a result of an acceleration event which was continuing at the time the request for enforcement was made;
- (iv) entering into any composition, compromise, assignment or similar arrangement with any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given any security, guarantee or indemnity or other assurance against loss in respect of liabilities owed to a creditor under the Intercreditor Agreement (other than any action permitted under the Intercreditor Agreement or any debt buy backs pursuant to open market debt repurchases, tender offers or exchange offers entered into in accordance with the Secured Debt Documents, and not undertaken as part of an announced restructuring or turnaround plan or while a default was outstanding under the relevant Secured Debt Document); or
- (v) petitioning, applying, voting for or taking steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to the winding up, dissolution, administration or reorganization of any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given any security, guarantees, indemnity or other assurance against loss in respect of liabilities owed to a creditor under the Intercreditor Agreement or any of such Third Party Security Provider or member of the Topco Group's assets or any suspension of payments or moratorium of any indebtedness of any such Third Party Security Provider or member of the Topco Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action, (A) suing, commencing proceedings or taking any action referred to in paragraph (i)(B) or (v) where necessary (but only to the extent necessary) to preserve a claim, (B) discussions between or proposals made by any of the Secured Parties with respect to enforcement of the Transaction Security in accordance with the Intercreditor Agreement, (C) bringing proceedings in connection with a securities violation, securities or listing regulations or common law fraud or to restrain any breach of the Debt Documents or for specific performance with no claims for damages, (D) proceedings brought by a Secured Party to obtain injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any Debt Document, to obtain specific performance (other than specific performance of an obligation to make a payment) with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages, (E) demands made by intra group lenders or Subordinated Creditors to the extent they relate to payments permitted under the Intercreditor Agreement or the release of the liabilities owed to such creditors in return for the issue of shares in the relevant member of the Group provided that the ownership interest of the member of the Group is not diluted and any relevant shares remain subject to the same Transaction Security as existed prior to the issue, (F) proceedings brought by an ancillary lender, a lender of Cash Management Facility Liabilities (a "**Cash Management Facility Lender**"), hedge counterparty, issuing bank, or agent or trustee in respect of the Second Lien Liabilities or Topco Liabilities to obtain injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any Debt Document, to obtain specific performance (other than specific performance of an obligation to make a payment) with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages or to bring legal proceedings in connection with any securities violation, securities or listing regulations or common law fraud or to restrain any actual or putative breach of the Secured Debt Documents or for specific performance with no claims for damages and (G) the taking of any action by a member of the Topco Group not prohibited by the Finance Documents.

Permitted Topco Enforcement

Subject to certain exceptions, the restrictions set out above under "*Restrictions on Enforcement by Topco Creditors*" will not apply in respect of any Topco Group Liabilities, Topco Proceeds Loan Liabilities, or any Transaction Security securing any Topco Group Liabilities, if:

- (i) an event of default under a Topco Finance Document or a Topco Proceeds Loan Agreement (the "**Relevant Topco Default**") is continuing;
- (ii) all agents or trustees in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, and Second Lien Liabilities have received a notice of the Relevant Topco Default specifying the event or circumstance in relation to the Relevant Topco Default from the Topco Agent, the Topco Notes Trustee or the Topco Borrower;
- (iii) a Topco Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Topco Default is continuing at the end of that Topco Standstill Period (as defined below).

Promptly upon becoming aware of an event of default under a Topco Finance Document, a Topco Notes Trustee, Topco Agent or Topco Investor (as the case may be) may give a Topco Enforcement Notice notifying any agent under a “**Permitted Super Senior Facilities Agreement**” (the “**Super Senior Agent**”) Permitted Senior Facilities Agreement (the “**Senior Agent**”), Senior Secured Notes Trustee, the Second Lien Agent and any second lien notes trustee of the existence of such event of default.

“**Topco Standstill Period**” means the period beginning on the date (the “**Topco Standstill Start Date**”) a Topco Enforcement Notice is served in respect of such a Relevant Topco Default and ending on the earliest to occur of:

- (i) the date falling one hundred and seventy nine (179) days after the Topco Standstill Start Date (the “**Topco Standstill Period**”);
- (ii) the date the Priority Secured Parties take any Enforcement Action in relation to a particular Debtor or Third Party Security Provider, provided that:
 - (A) if a Topco Standstill Period ends pursuant to this paragraph (ii), the Topco Creditors or a Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may only take the same Enforcement Action in relation to a Topco Guarantor as the Enforcement Action taken by the Priority Secured Parties against such Topco Guarantor and not against any other member of the Group or Third Party Security Provider; and
 - (B) Enforcement Action for the purpose of this paragraph (ii) shall not include action taken to preserve or protect any security as opposed to realize it;
- (iii) the date of an Insolvency Event in relation to a particular Topco Guarantor against whom Enforcement Action is to be taken;
- (iv) the expiry of any other Topco Standstill Period outstanding at the date such first mentioned Topco Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy); and
- (v) the first date on which the Majority Super Senior Creditors, the Majority Senior Secured Creditors and the Majority Second Lien Creditors (as applicable) have given their consent to the relevant Enforcement Action.

The Topco Creditors or Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may take Enforcement Action under the provisions described in this section “— *Permitted Topco Enforcement*” in relation to a Relevant Topco Default even if, at the end of any relevant Topco Standstill Period or at any later time, a further Topco Standstill Period has begun as a result of any other event of default in respect of the Topco Liabilities.

Option to Purchase: Topco Creditors

Following acceleration or the enforcement of Transaction Security upon acceleration under any Senior Secured Creditor Liabilities, Second Lien Liabilities or Topco Liabilities, Topco Creditors may, by giving not less than ten (10) days’ prior written notice to the Security Agent, require the transfer to themselves of all, but not part of, the Senior Lender Liabilities, Super Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses. Topco Creditors must also elect for the counterparties to hedging obligations to transfer their hedging obligations to holders in exchange (subject to specified conditions) for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

Non Distressed Disposals

The Security Agent (on behalf of itself and the other Secured Parties) and each other person party to a Transaction Security document or a Topco Independent Transaction Security document agrees that it shall (and is irrevocably authorized, instructed and obliged to do so without further consent, agreement, instruction, direction, confirmation, payment, certification or other document, request or information from any creditor, other Secured Party or Debtor) promptly following receipt of a written request from the Issuer to the Security Agent:

- (i) release (or procure the release) from the Transaction Security or Topco Independent Transaction Security and the Secured Debt Documents:
 - (A) any security (and/or other claim relating to a Debt Document) over any asset which the Issuer has confirmed is the subject of:
 - (1) a disposal not prohibited under the Finance Documents or where any applicable release and/ or consent has been obtained under the applicable Finance Document including a disposal to a member of the Group but without prejudice to any obligation of any member of the Group in a Finance Document to provide replacement security; or
 - (2) any other transaction not prohibited by the Finance Documents or where any applicable release and/or consent has been obtained under the applicable Finance Document pursuant to which that asset will cease to be held or owned by a member of the Group; and
- in each case where such disposal is not a Distressed Disposal (as defined below) (in each case, a “**Non Distressed Disposal**”);
- (B) any security (and/or other claim relating to a Debt Document) over any document or other agreement requested in order for any member of the Group to the extent that the Issuer has confirmed that such action is not prohibited by any Finance Document to effect any amendment or waiver or otherwise exercise any rights, comply with any obligations or take any action in relation to such document or agreement;
 - (C) any security (and/or other claim relating to a Debt Document) over any asset of any member of the Group which has ceased or will cease to be a Debtor or guarantor simultaneously with such release to the extent that the Issuer has confirmed that such ceasing to be a Debtor or guarantor in accordance with the terms of each Finance Document or the Agreed Security Principles (as defined in the Revolving Facility Agreement); and
 - (D) any security (and/or other claim relating to a Debt Document) over any other asset to the extent that the Issuer has confirmed that such security is not required to be given or such release is otherwise permitted, in accordance with the terms of any Finance Document or the Agreed Security Principles (as defined in the Revolving Facility Agreement);
- (ii) in the case of a disposal of share or ownership interests in a Debtor, other member of the Group or any holding company of any Debtor or any other transaction pursuant to which a Debtor, other member of the Group or any holding company of any Debtor will cease to be a member of the Topco Group or a Debtor, release or procure the release of that Debtor or other member of the Group and its subsidiaries from all present and future liabilities under the Secured Debt Documents and the respective assets of such Debtor and its subsidiaries from the Transaction Security or Topco Independent Transaction Security and the Secured Debt Documents (including any claim relating to a Debt Document); and
 - (iii) effect a Debt Transfer (as defined below).

When making any request for a release pursuant to paragraphs (i)(A), (i)(B) and (ii) above, the Issuer shall confirm in writing to the Security Agent, that the relevant disposal or other action is not prohibited as at the date of completion of such release or, at the option of the Issuer, on the date that the definitive agreement for such disposal or similar transaction is entered into.

When making any request for a release pursuant to paragraph (i)(C) or (i)(D) above, the Issuer shall confirm in writing to the Security Agent, that such security is not required to be given or the relevant release or cessation is otherwise in accordance with the terms of the Finance Documents or the Agreed Security Principles (as defined in the Revolving Facility Agreement).

In the case of a disposal of shares or other ownership interests in a Debtor, member of the Group or holding company of any Debtor or any other transaction pursuant to which a Debtor, member of the Group or holding company of any Debtor will cease to be a member of Topco Group or a Debtor, to the extent the Issuer has confirmed to the Security Agent that such disposal or other transaction or designation is not prohibited by the Finance Documents, if such member of the Topco Group or a Debtor is a borrower, issuer or primary debtor under any Debt Document, such person shall have the right to voluntarily prepay any or all liabilities outstanding under any Debt Document to the applicable creditors concurrently with ceasing to be a member of the Topco Group or Debtor; and any right to decline, delay or prevent any prepayment in any Debt Document shall be disappplied to the extent that if exercised such right would prevent the repayment of

all such liabilities in full by such person (but without prejudice to any prepayment fees, make whole payment, break costs or other payment required by the relevant Finance Documents).

The Issuer may at any time require that all of the rights and obligations of any borrower of Super Senior Liabilities, Senior Lender Liabilities, Cash Management Facility Liabilities or Second Lien Lender Liabilities (each, a **"Borrower"**) under the applicable Secured Debt Documents be novated or otherwise transferred by that Borrower (a **"Debt Transfer"**) provided that (i) either (A) such Debt Transfer is to another member of the Group; (B) such Debt Transfer is by a Borrower where (I) that Borrower or any holding company of that Borrower is being disposed of in accordance with the Finance Documents, and (II) the proceeds of such disposal are not otherwise required to be applied unconditionally in prepayment of that Borrower's liabilities under the applicable Finance Documents; or (C) such Debt Transfer is undertaken in connection with an IPO, and (ii) the transferee in respect of such Debt Transfer is another borrower under the Super Senior Liabilities, Senior Lender Liabilities, Cash Management Facility Liabilities or Second Lien lender Liabilities (as applicable). Any Debt Transfer may (and shall upon the request of the Issuer) be effected on a cashless basis, by way of book entries and not as physical cash movement to repay and reborrow any applicable liabilities.

Distressed Disposals

"Distressed Disposal" means a disposal of an asset or shares of, or other financial securities issued by a member of the Group or, in the case of a Third Party Security Provider, any assets or shares or financial securities which are subject to the Transaction Security which is being effected (a) at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable as a result of an acceleration event which was continuing at the time the request for enforcement was made, (b) by enforcement of the Transaction Security as a result of an acceleration event which was continuing at the time the request for enforcement was made, or (c) after the occurrence of an acceleration event which has occurred and is continuing or the enforcement of any Transaction Security as a result of an acceleration event which has occurred and is continuing, by a Debtor or Third Party Security Provider to a person or persons which is not a member of the Group.

If a Distressed Disposal of any asset is being effected, the Security Agent is irrevocably authorized (subject to acting in accordance with certain conditions set out below) at the cost of the relevant Debtor, Third Party Security Provider and the Issuer and without any consent, sanction, authority or further confirmation from any creditor under the Intercreditor Agreement, Third Party Security Provider or Debtor:

- (i) to release the Transaction Security or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security or claim and issue any letters of non crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;
- (ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release (A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing, guarantee or other liabilities; (B) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets, and (C) any other claim of an intra group lender, a Topco Investor, Subordinated Creditor or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors, Third Party Security Providers and Debtors;
- (iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor to release (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing, guarantee or other liabilities; (B) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets, and (C) any other claim of an intragroup lender, a Topco Investor, Subordinated Creditor or a Debtor over that holding company's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors and Debtors;
- (iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities owed by such Debtor or holding company or any of their subsidiaries to creditors or other Debtors:
 - (A) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities (the **"Transferee"**) will be treated as a Secured Creditor or a Secured Party for the purposes of the Intercreditor Agreement) to execute and deliver or enter into any agreement to dispose of all or part of those liabilities, provided that, notwithstanding any other

provision of any Debt Document, the Transferee shall not be treated as a Secured Creditor or Secured Party for the purposes of the Intercreditor Agreement; and

- (B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Secured Creditor or a Secured Party for the purposes of the Intercreditor Agreement) to execute and deliver or enter into any agreement to dispose of all (and not part only) of the liabilities owed to the Secured Creditors and all or part of any other liabilities, on behalf of, in each case, the relevant creditors, Third Party Security Providers and Debtors;
- (v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the “**Disposed Entity**”) and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the “**Receiving Entity**”) all or any part of the Disposed Entity’s obligations or any obligations of a subsidiary of that Disposed Entity in respect of the intragroup liabilities or liabilities owed to any Debtor, to execute and deliver or enter into any agreement to:
 - (A) transfer all or part of the obligations in respect of those intra group liabilities or liabilities to any Debtor on behalf of the relevant intra group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and
 - (B) (provided that the Receiving Entity is a holding company of the Disposed Entity which is also a Guarantor of the Senior Secured Liabilities) to accept the transfer of all or part of the obligations in respect of those intra group liabilities, liabilities owed to Debtors on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra group liabilities or liabilities owed to Debtors are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities as described in paragraph (iv) above) shall be paid to the Security Agent for application in accordance with the provisions set out under “— *Application of Proceeds*” below as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred, as if that disposal of liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of liabilities pursuant to paragraphs (iv) and (v) above) effected by, or at the request of, the Security Agent, the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (although the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

If a Distressed Disposal is being effected at a time when the Majority Second Lien Creditors are entitled to give and have given instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, Subsidiary or holding company from any borrowing liabilities, guarantee liabilities or any other liabilities owed to any Senior Secured Creditor unless those borrowing liabilities, guarantee liabilities or any other liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor) immediately following that release.

If a Distressed Disposal is being effected at a time when the Majority Topco Creditors are entitled to give, and have given instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, subsidiary or holding company from any borrowing liabilities, guarantee liabilities or any other liabilities owed to any Senior Secured Creditor or any Second Lien Creditor unless those borrowing liabilities, guarantee liabilities or any other liabilities and any other Senior Secured Liabilities or Second Lien Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor) immediately following that release.

Where borrowing, guarantee or other liabilities would otherwise be released pursuant to the provisions described above, the creditor concerned may elect to have those borrowing, guarantee or other liabilities transferred to a holding company of the Issuer specified by such creditor, in which case the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Issuer and without any consent, sanction, authority or further confirmation from any creditor or Debtor) to execute such documents as are required to so transfer those borrowing, guarantee or other liabilities.

Subject to the provisions described below, if a Distressed Disposal (or a disposal of liabilities pursuant to paragraphs (iv) and (v) above) is being effected by or at the request of the Security Agent, unless the consent

of each Senior Agent and each Senior Secured Notes Trustee (as applicable) has been obtained, it is a further condition to any release, transfer or disposal that:

- (i) the consideration for such sale or disposal is in cash (or substantially all in cash); and
- (ii) such sale or disposal (including any sale or disposal of any claim) is made:
 - (A) pursuant to a public auction or other competitive sale process conducted with the advice of a reputable, independent and internationally recognized investment bank or firm of accountants or (if all such banks or firms are conflicted), a reputable, independent and internationally recognized third party professional firm which is regularly engaged in providing valuations of businesses or assets similar or comparable to those subject to the relevant Transaction Security) and, in each case, not being an auditor or administrator or other relevant officer of the applicable company (a “**Financial Advisor**”) as selected by the Security Agent (it being acknowledged that the Security Agent has no obligation to select or engage any Financial Advisor until it has been indemnified and/or secured and/or prefunded to its satisfaction), in respect of which the Secured Creditors are entitled to participate (a “**Competitive Sales Process**”); or
 - (B) where a Financial Adviser selected by the Security Agent has delivered an opinion (including an enterprise valuation of the Group which can be relied upon by the Security Agent and disclosed to the Senior Secured Creditors, the Second Lien Creditors and the Topco Creditors on a non reliance basis) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the Security Agent has no obligation to select or engage any Financial Adviser unless it has been indemnified and/or secured and/or prefunded to its satisfaction).

If before the Second Lien Discharge Date, a Distressed Disposal (or a disposal of liabilities pursuant to paragraphs (iv) and (v) above) is being effected such that any Second Lien Liabilities and/or Transaction Security securing Second Lien Liabilities will be released, transferred or disposed of pursuant to the Intercreditor Agreement, it is a further condition to any release, transfer or disposal that either:

- (i) each agent and trustee in respect of any Second Lien Liabilities has approved the release, transfer or disposal; or
- (ii) where shares or assets of a borrower, issuer or guarantor in respect of Second Lien Liabilities are sold:
 - (A) the consideration for such sale or disposal is in cash (or substantially all in cash); and
 - (B) at the time of completion of the sale or disposal the borrowing, guarantee and (to the extent permitted by the Intercreditor Agreement) other liabilities owing to each of the Secured Creditors and Unsecured Creditors by the Debtors and their respective subsidiaries being sold or disposed of (a “**Relevant Claim**”) are (to the same extent) unconditionally released and discharged or sold or disposed of concurrently with such sale (and not assumed by the purchaser or its affiliates), and all security under documents creating security in respect of the Secured Obligations in respect of the assets of such members of the Group is simultaneously and unconditionally released and discharged concurrently with such sale, provided that, if each Senior Agent and Senior Secured Notes Trustee (acting reasonably and in good faith) determines that the Senior Secured Creditors will recover a greater cash amount if such Relevant Claim is sold or otherwise transferred to the purchaser or its affiliates and not released or discharged and provided such amount is nevertheless less than the aggregate amount of outstanding Senior Secured Liabilities, which shall be deemed to be the case if there are no bidders) or if each Senior Agent and Senior Secured Notes Trustee (acting reasonably and in good faith) determines that there are no bona fide and fully committed bids in cash or substantially all in cash in excess of the outstanding amount of Senior Secured Liabilities and serves a written notice on the Security Agent confirming the same, then the Security Agent shall be entitled immediately to sell and transfer such Relevant Claim to the purchaser or its affiliate; and
 - (C) such sale or disposal (including any sale or disposal of any claim) is made pursuant to a Competitive Sales Process or where a Financial Adviser selected by the Security Agent has delivered an opinion (including an enterprise valuation of the Group which can be relied upon by the Security Agent and disclosed to the Senior Secured Creditors, the Second Lien Creditors and the Topco Creditors on a non reliance basis) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the

method of enforcement (it being acknowledged that the Security Agent has no obligation to select or engage any Financial Adviser unless it has been indemnified and/or secured and/or prefunded to its satisfaction).

If before the Topco Discharge Date, a Distressed Disposal (or a disposal of liabilities pursuant to paragraphs (iv) and (v) above) is being effected such that any Topco Liabilities or Transaction Security securing Topco Liabilities will be released, transferred or disposed of pursuant to the provisions described above, it is a further condition to any release, transfer or disposal that either:

- (i) each agent and trustee in respect of any Topco Liabilities has approved the release, transfer or disposal; or
- (ii) where shares or assets of a borrower, issuer or guarantor in respect of Topco Liabilities are sold:
 - (A) the consideration for such sale or disposal is in cash (or substantially all in cash); and
 - (B) at the time of completion of the sale or disposal a Relevant Claim is (to the same extent) unconditionally released and discharged or sold or disposed of concurrently with such sale (and not assumed by the purchaser or its affiliates), and all security under documents creating security in respect of the Secured Obligations in respect of the assets of such members of the Group is simultaneously and unconditionally released and discharged concurrently with such sale, provided that, if each Senior Agent, Senior Secured Notes Trustee and each agent and trustee in respect of any Second Lien Liabilities (acting reasonably and in good faith) determines that the Priority Secured Parties will recover a greater cash amount if such Relevant Claim is sold or otherwise transferred to the purchaser or its affiliates and not released or discharged and provided such amount is nevertheless less than the aggregate amount of outstanding Priority Secured Liabilities, which shall be deemed to be the case if there are no bidders or if each Senior Agent, Senior Secured Notes Trustee and each agent and trustee in respect of any Second Lien Liabilities (acting reasonably and in good faith) determines that there are no bona fide and fully committed bids in cash or substantially all in cash in excess of the outstanding amount of the Priority Secured Liabilities and serves a written notice on the Security Agent confirming the same, then the Security Agent shall be entitled immediately to sell and transfer such Relevant Claim to the purchaser or its affiliate; and
 - (C) such sale or disposal (including any sale or disposal of any claim) is made pursuant to a Competitive Sales Process or where a Financial Adviser selected by the Security Agent has delivered an opinion (including an enterprise valuation of the Group which can be relied upon by the Security Agent and disclosed to the Senior Secured Creditors, the Second Lien Creditors and the Topco Creditors on a nonreliance basis) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the Security Agent has no obligation to select or engage any Financial Adviser unless it has been indemnified and/or secured and/or prefunded to its satisfaction).

When acting for the purposes of the above paragraphs, the Security Agent shall always act (i) if the relevant Distressed Disposal is being effected by way of enforcement of the Transaction Security in accordance with the provisions set out under “— *Manner of Enforcement*” above, and (ii) in any other case on the instructions of the Instructing Group or, in the absence of such instructions, as the Security Agent sees fit (which may include taking no action).

Application of Proceeds

Order of Application — Transaction Security

Subject to certain provisions set out in the Intercreditor Agreement and to the proviso described below, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document (other than amounts in respect of Topco Independent Transaction Security or in connection with the realization or enforcement of any other security which is not Transaction Security or any guarantees provided by any subsidiary of any holding company of the Issuer (other than a member of the Group) in respect of any Topco Liabilities or Topco Proceeds Loan Liabilities) or in connection with the realization or enforcement of all or any part of the Transaction Security (the “**Recoveries**”) shall be applied at any time as the Security Agent (in its discretion) sees fit to the extent permitted by applicable law, in the following order of priority:

- (i) in discharging any Agent Liabilities relating to the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities and any sums owed to the Security Agent and any receiver or delegate on a *pari passu* basis;
- (ii) in payment of all costs and expenses incurred by any agent or Secured Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- (iii) for application towards the discharge of: (A) the Super Senior Lender Liabilities and liabilities to arrangers and agents thereof; and (B) Hedging Liabilities that have been designated by the Issuer as ranking alongside the Super Senior Lender Liabilities (the ***Super Senior Hedging Liabilities***) (on a pro rata basis between the Super Senior Hedging Liabilities of each hedge counterparty), on a pro rata basis and ranking *pari passu* between paragraphs (A) and (B) above, and/or if (or after) the Super Senior Discharge Date has occurred, for application towards the discharge of:
 - (A) the Senior Lender Liabilities and liabilities to arrangers thereof;
 - (B) the Senior Secured Notes Liabilities;
 - (C) the Cash Management Facility Liabilities; and
 - (D) the Hedging Liabilities which are not Super Senior Hedging Liabilities,
 on a pro rata basis between paragraphs (A), (B), (C) and (D) above;
- (iv) for application towards the discharge of (x) the Second Lien Lender Liabilities and liabilities to arrangers thereof, and (y) the Second Lien Notes Liabilities, on a pro rata basis and ranking *pari passu* between themselves;
- (v) solely to the extent such proceeds are from the realization or enforcement of the Topco Shared Security and any guarantees provided by a Topco Guarantor that is a member of the Group or Third Party Security Provider in respect of the Topco Liabilities, for application towards the discharge of (A) the Topco Facility Liabilities and liabilities to arrangers thereof, and (B) the Topco Notes Liabilities, on a pro rata basis and ranking *pari passu* between themselves;
- (vi) if none of the Debtors or Third Party Security Providers are under any further actual or contingent liability under any Secured Debt Document, in payment to any other person to whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and
- (vii) the balance, if any, in payment to the relevant Debtor or Third Party Security Provider,

provided that, all amounts from time to time received or recovered by the Security Agent from or in respect of a Topco Borrower pursuant to the terms of any Debt Document (other than in connection with the realization or enforcement of all or any part of the Transaction Security or Topco Independent Transaction Security) shall be held by the Security Agent on trust to apply at any time as the Security Agent (in its discretion) sees fit to the extent permitted by applicable law (and subject to the provisions of the Intercreditor Agreement), in the following order of priority:

- (A) in accordance with paragraph (i) above;
- (B) in accordance with paragraph (ii) above;
- (C) in accordance with paragraphs (iii), (iv), (v) and (vi) above (in each case only to the extent there are liabilities due from the relevant Topco Borrower to such creditors) provided that payments will be made on a pro rata basis and *pari passu* basis across all Liabilities subject to such paragraphs;
- (D) if none of the Debtors are under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and
- (E) the balance, if any, in payment to the relevant Debtor or Third Party Security Provider.

Order of Application — Topco Independent Transaction Security

Subject to certain provisions set out in the Intercreditor Agreement, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Topco Finance Document in connection with

the realization or enforcement of Topco Independent Transaction Security or any guarantees provided by a Topco Guarantor (other than a member of the Group) (the “**Topco Recoveries**”) shall be held by the Security Agent on trust and be applied at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law and subject to the provisions in the Intercreditor Agreement, in the following order of priority:

- (i) in discharging any Agent Liabilities in respect of the Topco Liabilities (to the extent related to such Topco Recoveries), and any sums owed to the Security Agent and any receiver or delegate on a *pari passu* basis;
- (ii) in payment of all costs and expenses incurred by any agent or Topco Creditor in connection with any realization or enforcement of the Topco Independent Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement; and
- (iii) for application towards the discharge of:
 - (A) the Topco Facility Liabilities; and
 - (B) the Topco Notes Liabilities,on a pro rata basis and ranking *pari passu* between paragraphs (A) and (B) above;
- (iv) if none of the Debtors or Third Party Security Providers or Topco Independent Obligors is under any further actual or contingent liability in respect of the Secured Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider or Topco Independent Obligor; and
- (v) the balance, if any, in payment to the relevant Debtor, Third Party Security Provider or Topco Independent Obligor.

Equalization

The Intercreditor Agreement will provide that if, for any reason, any liabilities relating to Super Senior Liabilities, Senior Secured Liabilities, Second Lien Liabilities or Topco Liabilities remain unpaid after the first date on which certain types of Enforcement Action are taken (the “**Enforcement Date**”) and the resulting losses are not borne by the creditors in any given specified class in the proportions which their respective exposures at the Enforcement Date bore to the aggregate exposures of all the creditors in that specified class at the Enforcement Date, the relevant class of creditors will make such payments amongst themselves as the Security Agent shall require to put the relevant creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Required Consents

The Intercreditor Agreement will provide that, subject to certain exceptions, its terms may be amended or waived only with the consent of the Issuer, the agents and trustees for the Secured Parties, and the Security Agent, provided that, to the extent that an amendment, waiver or consent only affects one class of creditors, and such amendment, waiver or consent could not reasonably be expected materially or adversely to affect the interests of the other classes of creditors, only written agreement from the relevant agent or trustee acting on behalf of the affected class (or in the case of hedging counterparties, each affected hedge counterparty) shall be required.

An amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other matters, the provisions set out under “— *Application of Proceeds*” above and the order of priority or subordination under the Intercreditor Agreement shall not be made, subject to certain exceptions, without the consent of:

- (i) each of the agents or trustees (acting in accordance with the relevant finance documents) under the Senior Liabilities, the Super Senior Liabilities, the Second Lien Liabilities and the Topco Liabilities (acting in accordance with the relevant finance documents),
- (ii) each Cash Management Facility Lender (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Cash Management Facility Lender under the Intercreditor Agreement and would not materially adversely affect the rights and obligations

of any other creditor or class of creditors other than the Cash Management Facility Lenders (solely in their capacity as such)),

- (iii) each hedge counterparty (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such hedge counterparty under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors other than the hedge counterparties (solely in their capacity as such)), and
- (iv) the Issuer.

Each agent or trustee shall, to the extent instructed to consent by the requisite percentage of creditors it represents or as otherwise authorized by the Debt Documents to which it is party, act on such instructions or authorizations in accordance therewith (save to the extent any amendments so consented or authorized to relate to any provision affecting the personal rights and obligations of that agent or trustee in its capacity as such).

Unless the Issuer agrees otherwise (in respect of any individual lender under the Revolving Facility Agreement constituting a net short lender for the purposes of the Revolving Facility Agreement (a “**Net Short Lender**”)) the participations and commitments under the Revolving Facility Agreement of any Net Short Lender shall be deemed to be zero for the purposes of both the numerator and the denominator of the relevant percentage of the relevant credit participations or otherwise when ascertaining whether the approval of or any instructions of the Majority Senior Secured Creditors, all Senior Secured Creditors or any other class of Creditors (as applicable) have been obtained for all purposes under the Finance Documents, including with respect to any request for a consent or agreement or requirement for instructions to be given to the agent under the Revolving Facility Agreement or the Security Agent.

Amendments and Waivers: Transaction Security Documents

Subject to certain exceptions under the Intercreditor Agreement (including as described below), the Security Agent (a) may, if the Issuer consents, and shall promptly upon request of the Issuer, amend the terms of, release or waive any of the requirements of or grant consents under, any document creating Transaction Security or Topco Independent Transaction Security which shall be binding on each party, and (b) may if the Issuer consents, and shall promptly upon request of the Issuer, amend, release and/or retake any document creating Transaction Security where such amendment, release and/or retake is required in order to ensure the validity, perfection or priority of the relevant Transaction Security, together with any related or consequential waiver (including by reason of a failure to register any relevant document with Companies House within the prescribed time limit set out in section 859 of the Companies Act 2006, in which case the Security Agent shall also irrevocably waive any payment or other obligation or default arising out of such failure to register) and any such amendment, release, waiver and retake shall be binding on each Party.

Where any such amendment, release or waiver of, or consent under, any document creating Transaction Security or Topco Independent Transaction Security would adversely affect the nature or scope of the assets subject to Transaction Security or Topco Independent Transaction Security (as the case may be) or the manner in which the proceeds of enforcement of the Transaction Security or Topco Independent Transaction Security are distributed, such amendment may not be made without the prior consent of:

- (i) each of the agents or trustees other than an agent under any Cash Management Facility, if appointed (acting in accordance with the relevant finance documents) under the Senior Liabilities, the Super Senior Liabilities, the Second Lien Liabilities and the Topco Liabilities;
- (ii) each Cash Management Facility Lender or the agent for the relevant Cash Management Facility on its behalf but only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Cash Management Facility Lender under the Intercreditor Agreement in their capacity as such and would not materially adversely affect the rights and obligations of any other creditor or class of creditors;
- (iii) each hedge counterparty (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such hedge counterparty under the under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors other than the hedge counterparties (solely in their capacity as such)), and
- (iv) the Issuer.

Exceptions

Subject to the paragraph below, an amendment, waiver or consent which relates to the rights or obligations which are personal to an agent, an arranger or the Security Agent in its capacity as such (including any ability of that Security Agent to act in its discretion under the Intercreditor Agreement) may not be effected without the consent of that agent, arranger or, as the case may be, Security Agent.

The preceding paragraph and the first paragraph above under “— *Amendments and Waivers: Transaction Security Documents*” are subject to certain exceptions under the Intercreditor Agreement, relating in particular to (i) any release of Transaction Security or Topco Independent Transaction Security, claims or liabilities, or (ii) to any amendment waiver or consent, which, in each case, the Security Agent gives in accordance with the provisions of the Intercreditor Agreement relating to the incurrence of additional or refinancing debt or the provisions set out under “— *New Debt Financing*,” “— *Non Distressed Disposals*” and “— *Distressed Disposals*” above. Any release, amendment, waiver or consent effected in accordance with the relevant provisions of the Debt Documents relating to such matters can be effected solely by the Issuer and the Security Agent.

Snooze/Lose

If in relation to:

- (i) a request for a consent in relation to any of the terms of the Intercreditor Agreement (or any other Debt Document other than a notes indenture which does not contain a similar snooze/lose provision or which applies a longer period than that specified in the Intercreditor Agreement);
- (ii) a request to participate in any vote of a class of creditors under the terms of the Intercreditor Agreement (or any other Debt Document other than a notes indenture which does not contain a similar snooze/lose provision or which applies a longer period than that specified in the Intercreditor Agreement);
- (iii) a request to approve any other action under the terms of the Intercreditor Agreement (or any other Debt Document other than a notes indenture which does not contain a similar snooze/lose provision or which applies a longer period than that specified in the Intercreditor Agreement); or
- (iv) a request to provide any confirmation or notification under the Intercreditor Agreement (or any other Debt Document other than a notes indenture which does not contain a similar snooze/lose provision or which applies a longer period than that specified in the Intercreditor Agreement),

any creditor:

- (A) fails to respond to that request within ten (10) Business Days (or any other period of time notified by the Issuer, with the prior agreement of the Agents if the period for this provision to operate is less than ten (10) Business Days) of that request being made; or
- (B) fails to provide details of its participation within the timescale specified by the Security Agent:
 - 1. in the case of paragraphs (i) to (iii) above, that the creditor’s participation (as the case may be) shall be deemed to be zero for the purpose of calculating their participation in respect of the matter when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of their participation or has been obtained to give that consent, carry that vote or approve that action;
 - 2. in the case of paragraphs (i) to (iii) above, that the creditor’s status shall be disregarded for the purposes of ascertaining whether the agreement of any specified group of creditors has been obtained to give that consent, carry that vote or approve that action; and
 - 3. in the case of paragraph (iv) above, that confirmation or notification shall be deemed to have been given,

provided that, notwithstanding the foregoing, this Snooze/Loose clause shall not apply to any Noteholder in respect of any request where such Noteholder is not given the option to respond to such request in the negative but shall otherwise apply to all Noteholders.

Provisions Following an IPO

On or following an initial public offering of a member of the Group (or a holding company thereof) (an “**IPO Event**”) (or in contemplation of an IPO Event with respect to the release of Transaction Security if required to implement such IPO Event), the Issuer is entitled to give notice to each agent and each Hedge Counterparty

and each Cash Management Facility Lender (a “**Pushdown Notice**”) that the terms of the Debt Documents will automatically operate (with effect from the date specified in the relevant Pushdown Notice (the “**IPO Pushdown Date**”)) so that, amongst other things, (i) the Group (and all related provisions) will now refer to the member of the Group or holding company of the Issuer who will issue shares or whose shares are to be sold pursuant to such IPO (the “**IPO Pushdown Entity**,” provided that (x) if any Topco Notes are not refinanced in full on or before the IPO Pushdown Date, the IPO Pushdown Entity shall be any holding company of the Issuer which is the issuer or borrower of any Topco Liabilities and the Group will refer to the direct Subsidiary of the IPO Pushdown Entity and its Restricted Subsidiaries from time to time and (y) if the Topco Notes have been refinanced in full on or before the Pushdown Date but the Senior Secured Notes have not been refinanced in full, the IPO Pushdown Entity shall be the Issuer and its Restricted Subsidiaries (the “**IPO Pushdown Group**”), (ii) all financial ratio calculations shall be made excluding any holding company of the IPO Pushdown Entity and all reporting obligations shall be assumed at the level of the IPO Pushdown Entity, (iii) each reference in the Debt Documents to the Issuer or any holding company of the IPO Pushdown Entity shall be deemed to be a reference to the IPO Pushdown Entity (to the extent applicable and unless the context requires otherwise), (iv) certain provisions of the Debt Documents (including representations, undertakings and events of default), will cease to apply to any holding company of the IPO Pushdown Entity, (v) no event, matter or circumstance relating to any holding company of the IPO Pushdown Entity shall directly or indirectly result in a breach of any representation, warranty, undertaking of event of default, (vi) any borrowing liabilities in respect of the Secured Debt Documents will be (and will be deemed to have been) novated or otherwise transferred to a member of the IPO Pushdown Group subject to certain conditions being met, (vii) each holding company of the IPO Pushdown Entity shall be irrevocably and unconditionally released from all obligations and restrictions under the Debt Documents (including any Transaction Security or Topco Independent Transaction Security) and (viii) unless otherwise notified by the Issuer, each Subordinated Creditor, Third Party Security Provider, Investor (as defined in the Revolving Facility Agreement) or Topco Independent Obligor will be irrevocably and unconditionally released from its obligations and restrictions under the Intercreditor Agreement in the appropriate capacity.

Subject to the consent of the majority lenders under and as defined in the Senior Lender Liabilities, noteholders representing more than 50% of any Senior Secured Notes Liabilities, the majority lenders under and as defined in any Second Lien Facility Agreement, noteholders representing more than 50% of any Second Lien Notes Liabilities, the majority lenders under and as defined in any Topco Facility and noteholders representing more than 50% of any Topco Notes Liabilities (following the relevant IPO), the Issuer and each subsidiary of the Issuer shall also be released from all obligations as Debtor and guarantor under the Debt Documents and from the Transaction Security (other than, in each case, borrowing liabilities). Each party to the Intercreditor Agreement shall be required to enter into any amendment, release or replacement of any Debt Document required to facilitate such matters.

Agreement to Override

Unless expressly stated otherwise therein, the Intercreditor Agreement overrides anything in any other Debt Document to the contrary.

DESCRIPTION OF THE NOTES

The following is a description of the €550.0 million aggregate principal amount of 4.500% Senior Secured Notes due 2028 (the “Notes”). The Notes will be issued by Shiba BidCo S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy (“Italy”), with its registered office at Via Alessandro Manzoni No. 38, Milan, Italy and registered with the Companies’ Register (*Registro delle Imprese*) of Milan-Monza-Brianza-Lodi under No. 11462410967 (the “Company”). For purposes of this “Description of the Notes,” references to (i) the “Company” refer only to Shiba BidCo S.p.A. and none of its subsidiaries and (ii) “we,” “our,” “Group” and “us” refer only to the Company and its consolidated subsidiaries.

The proceeds from the offering of the Notes sold on the Issue Date (as defined below), together with the Equity Contribution (as defined below) will be used by the Company to finance the Arcaplanet Acquisition (as defined below) and to pay fees and expenses incurred in connection with the Transactions (as defined below), as set forth in this offering memorandum under the caption “Use of Proceeds.” Pending consummation of the Arcaplanet Acquisition and the satisfaction of certain other conditions as described below, the Company will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit, or cause to be deposited on its behalf, an amount in cash equal to the gross proceeds of the Notes sold on the Issue Date into the Escrow Account (as defined below). In the event that (i) the Escrow Longstop Date (as defined below) occurs and the Escrow Agent (as defined below) shall not have received the Escrow Release Officer’s Certificate (as defined below) on or prior to such date or (ii) the Company informs the Escrow Agent in writing that, in the good faith judgment of the Company, the Arcaplanet Acquisition will not be consummated on or prior to the Escrow Longstop Date, the Company will redeem the entire outstanding aggregate principal amount of the Notes at a price equal to 100% of the issue price of the Notes as stated on the cover page of this offering memorandum, plus accrued and unpaid interest on the Notes and Additional Amounts (as defined below), if any, from, and including, the Issue Date to, but excluding, the Special Mandatory Redemption Date (as defined below). See “—Escrow of Proceeds; Special Mandatory Redemption.” Upon the initial issuance of the Notes on the Issue Date, the Notes will only be obligations of the Company. The Notes will not be guaranteed on the Issue Date. Assuming the Arcaplanet Acquisition Closing Date (as defined below) occurs on or prior to the Escrow Longstop Date and the funds are released from the Escrow Account, the Guarantors (as defined below) will, within 150 days from (and excluding) such Arcaplanet Acquisition Closing Date, subject to the Agreed Security Principles (as defined below) and substantially concurrently with the guarantees granted in favor of obligations under the Revolving Facility (as defined below), accede to the Indenture (as defined below) and the Intercreditor Agreement (as defined below) and guarantee the Notes on a senior secured basis; provided that Maxi Zoo (as defined below) will only accede to the Indenture and the Intercreditor Agreement and guarantee the Notes if the Maxi Zoo Contribution occurs on or prior to the Arcaplanet Acquisition Closing Date. The obligations of each Guarantor under its Note Guarantee (as defined below) will be contractually limited under such Note Guarantee to reflect limitations under applicable Italian law with respect to maintenance of share capital, corporate benefit, financial assistance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. Until the completion of the Post Closing Mergers (as defined below), the Note Guarantees to be granted by the Target Guarantors (as defined below) will only guarantee the Company’s obligations under Tranche B (as defined below) of the Notes. For a description of the relevant limitations, see “Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations.”

On the Issue Date and until the Arcaplanet Acquisition Closing Date, the Notes will be secured by a first-priority security interest in the Company’s beneficial interest in the Escrow Account and the Escrowed Property (as defined below). Assuming the Arcaplanet Acquisition Closing Date occurs on or prior to the Escrow Longstop Date and the funds are released from the Escrow Account, subject to the Agreed Security Principles, the Notes will be secured, on a first-priority basis, by the Issue Date Collateral (as defined below). In addition, the Notes will be secured by, within (i) 30 days from (and excluding) the Arcaplanet Acquisition Closing Date, (a) a pledge over the Company’s shares in the Target (as defined below) and any structural intercompany receivables owed to the Company (as lender) by the Target (as borrower) and (b) a pledge over the Company’s material bank accounts; and (ii) 150 days from (and excluding) the Arcaplanet Acquisition Closing Date, (x) pledges over each Guarantor’s shares in any other Guarantor; and (y) pledges over each Guarantor’s material bank accounts, in each case, subject to the Intercreditor Agreement, the Agreed Security Principles and the terms of the Security Documents (as defined below). The Collateral will also secure, on a first-priority basis, the Note Guarantees, once provided. Until the completion of the Post Closing Mergers, the security interests in the Collateral (as defined below) to be granted by the Target Guarantors will only secure the Company’s obligations under Tranche B of the Notes. For a description of relevant limitations, see “Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency

Law Considerations.” As soon as reasonably practicable after the completion of the Post Closing Mergers, such security interest will be extended to also secure Tranche A of the Notes. As described further in “*Description of Certain Financing Arrangements—Intercreditor Agreement*,” the Collateral will also secure borrowings under the Revolving Facility Agreement (as defined below) and certain Hedging Obligations (as defined below) on a first-ranking basis. Pursuant to the Intercreditor Agreement, the Holders of the Notes will receive proceeds from enforcement of security over the Collateral only after certain obligations (including under the Revolving Facility and certain Hedging Obligations) have been paid in full.

Prior to the Arcaplanet Acquisition Closing Date, the Company will not control the Target Group (as defined below), and none of the Target or any of its Subsidiaries (as defined below) will be subject to the covenants described in this “*Description of the Notes*.” In addition, shortly before, or substantially concurrently with, the Arcaplanet Acquisition Closing Date, the Maxi Zoo Contribution (as defined below) is expected to be completed. Prior to the completion of the Maxi Zoo Contribution, the Company will not control Maxi Zoo (as defined below), and Maxi Zoo will not be subject to the covenants described in this “*Description of the Notes*.” As such, we cannot assure you that, (i) prior to the Arcaplanet Acquisition Closing Date, the Target Group, or (ii) prior to the completion of the Maxi Zoo Contribution, Maxi Zoo, will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities as of the Issue Date and any such non-compliance will not constitute a Default or Event of Default under the Indenture prior to the Arcaplanet Acquisition Closing Date.

The Company will issue the Notes under an indenture (the “**Indenture**”), to be dated as of the Issue Date, among, *inter alios*, the Company, Lucid Trustee Services Limited, as trustee (the “**Trustee**”), Deutsche Bank AG, London Branch, as paying agent and transfer agent, Deutsche Bank Luxembourg S.A., as registrar, and Lucid Trustee Services Limited, as security agent (the “**Security Agent**”). The Notes will be issued in a private transaction that is not subject to the registration requirements of the U.S. Securities Act (as defined below). See “*Important Information for Investors*.” The Notes are subject to all such terms pursuant to the provisions of the Indenture, and Holders (as defined below) are referred to the Indenture for a statement thereof.

The following is a summary of the material provisions of the Indenture and refers to the Notes, the Intercreditor Agreement, the Security Documents and the Escrow Agreement (as defined below). Because this is a summary, it may not contain all the information that is important to you. You should read each of the Indenture, the Notes, the Intercreditor Agreement, the Security Documents and the Escrow Agreement in their entirety. Copies of such documents are available as described under “*Where You Can Find Additional Information*.” You can find the definitions of certain terms used in this “*Description of the Notes*” under “*—Certain Definitions*” below. The capitalized terms defined in “*—Certain Definitions*” are used in this “*Description of the Notes*” as so defined.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below) and in the case of a conflict between anything in the Indenture, the Notes or the Security Documents and anything in the Intercreditor Agreement, the terms of the Intercreditor Agreement will prevail. The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, the procedures for undertaking enforcement action, the subordination of certain indebtedness, enforcement standstills, payment blockages, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” for a description of certain terms of the Intercreditor Agreement.

The Company will not be required to, nor does the Company currently intend to, offer to exchange the Notes for notes registered under the U.S. Securities Act or otherwise register or qualify by prospectus the Notes for resale under the U.S. Securities Act. The Indenture will not be qualified under, or incorporate by reference or include, or be subject to, any provisions of the Trust Indenture Act (as defined below), including Section 316(b) thereof. Accordingly, the terms of the Notes include only those stated in the Indenture, and the Holders will not be entitled to the protections provided under the Trust Indenture Act to holders of debt securities issued under a qualified indenture, including among other things, those requiring the Trustee to resign in the event of certain conflicts of interest and to inform Holders of certain relationships between it and us.

Brief Description of the Notes and the Note Guarantees

Prior to the consummation of the Arcaplanet Acquisition (and substantially concurrent Maxi Zoo Contribution), the Notes will be senior obligations solely of the Company, secured by the Issue Date Collateral and by a security interest in the Company’s beneficial interest in the Escrow Account and the Escrowed Property and will not have the benefit of any Note Guarantees or any other credit support from the Target Group or Maxi Zoo. See “*—Escrow of Proceeds; Special Mandatory Redemption*.”

From and after the consummation of the Arcaplanet Acquisition (and assuming completion of the Maxi Zoo Contribution on or prior to the Arcaplanet Acquisition Closing Date), the Notes will:

- be general senior obligations of the Company, secured as set for the under “—*Security*”;
- rank *pari passu* in right of payment with any existing or future indebtedness of the Company and other obligations that are not expressly subordinated in right of payment to the Notes, including the Revolving Facility;
- rank senior in right of payment to any existing or future indebtedness of the Company that is expressly subordinated in right of payment to the Notes;
- rank effectively senior to any existing or future indebtedness of the Company that is unsecured to the extent of the value of the Collateral;
- be effectively subordinated to any existing or future indebtedness or obligation (including obligations to trade creditors) of the Company and its Subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness or obligation;
- be structurally subordinated to any existing or future indebtedness or obligation of the Company’s subsidiaries that do not guarantee the Notes, including their obligations to trade creditors;
- be guaranteed by the Guarantors on a senior basis within 150 days from (and excluding) the Arcaplanet Acquisition Closing Date, subject to the Agreed Security Principles and substantially concurrently with the guarantees granted in favor of obligations under the Revolving Facility; and
- be represented by one or more registered Notes in global form, but in certain circumstances may be represented by certificated Notes. See “*Book-Entry, Delivery and Form.*”

Once granted, each Note Guarantee will:

- be a general senior obligation of the relevant Guarantor secured as set for the under “—*Security*”;
- rank *pari passu* in right of payment with any the existing or future indebtedness of such Guarantor and other obligations that are not expressly subordinated in right of payment to the Notes, including the Revolving Facility;
- rank senior in right of payment to any existing or future indebtedness of such Guarantor that is expressly subordinated in right of payment to the Note Guarantee of such Guarantor;
- rank effectively senior to any existing or future indebtedness of such Guarantor that is unsecured to the extent of the value of the Collateral;
- be effectively subordinated to any existing or future indebtedness or obligation (including obligations to trade creditors) of such Guarantor and its Subsidiaries that is secured by property or assets that do not secure the Notes or the Note Guarantees, to the extent of the value of the property and assets securing such indebtedness or obligation; and
- be structurally subordinated to any existing or future indebtedness or obligation of such Guarantor’s Subsidiaries that do not guarantee the Notes, including their obligations to trade creditors.

As at June 30, 2021, after giving *pro forma* effect to the Transactions, the Company and its consolidated Subsidiaries would have had €550.0 million of total Indebtedness (all under the Notes), secured on the Collateral on a first-priority basis.

Principal and Maturity

On the Issue Date, the Company will issue €550.0 million aggregate principal amount of Notes. The Notes will mature on October 31, 2028. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. For the avoidance of doubt, neither Euroclear (as defined below), nor Clearstream (as defined below) is required to monitor or enforce the minimum amount. The rights of Holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear or Clearstream. If the due date for any payment in respect of any Notes is not a Business Day (as defined below) 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.

Interest

Interest on the Notes will accrue at the rate of 4.500% per annum and will be payable, in cash, semi-annually in arrears on 30 April and 31 October of each year, commencing on 30 April, 2022, to Holders of record on the April 1 and October 1 preceding the applicable interest payment date.

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest on overdue principal and interest on the Notes will accrue at a rate that is 1% higher than the interest rate on the overdue principal or interest. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period will end on (but not include) the relevant interest payment date. If the Company delivers global notes to the Trustee for cancellation on a date that is on or after the record date and on or before the corresponding interest payment date, the accrued and unpaid interest up to, but excluding, the redemption date will be paid on the redemption date to the Holder in whose name the Note is registered at the close of business on such record date in accordance with the applicable procedures of Euroclear or Clearstream, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Company.

The rights of Holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear and Clearstream, as applicable. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Additional Notes

The Indenture will be unlimited in aggregate principal amount, of which €550.0 million aggregate principal amount of Notes will be issued in this Offering. The Company may issue additional Notes (the “**Additional Notes**”) from time to time under the Indenture, subject to compliance with the covenants contained in the Indenture. Any Additional Notes shall have terms substantially identical to the Notes originally issued, except in respect of any of the following terms, which shall be set forth in an Officer’s Certificate (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 will be issued and will mature;
- (4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;
- (5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such Additional Notes may be payable;
- (6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;
- (7) if other than in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and
- (8) the ISIN, Common Code or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other Notes, 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 in such Officer’s Certificate; *provided* that any Additional Notes that are not fungible with the Notes offered hereunder for U.S. federal income tax purposes shall have a separate ISIN, Common Code or other securities identification number from such Notes. Unless the context otherwise requires, for all purposes of the Indenture and this “*Description of the Notes*,” references to “Notes” shall be deemed to include references to the Notes initially issued on the Issue Date, as well as any Additional Notes. Additional Notes may be designated to be of the same series as a series of Notes initially issued on the Issue Date, but only if

they have terms substantially identical in all material respects to the initial Notes, and shall be deemed to form one series and references to the Notes shall be deemed to include the Notes initially issued on the Issue Date, as well any such Additional Notes.

Payments

Principal of, premium, if any, interest and Additional Amounts, if any, with respect to the Notes represented by one or more global notes registered in the name of, or held by, a nominee of a common depository of Euroclear and Clearstream, as applicable, will be made through the Paying Agent (as defined below) by wire transfer of immediately available funds to the accounts specified by the registered Holder or Holders thereof.

Principal of, premium, if any, interest and Additional Amounts, if any, with respect to certificated Notes will be payable at the office or agency of the Company maintained for such purpose (the **"Paying Agent"**); *provided* that all payments of principal, premium, if any, and interest and Additional Amounts, if any, with respect to certificated Notes may, at the option of the Company, be made by wire transfer to a euro account maintained by the payee with a bank in the United States, the United Kingdom or Europe if the applicable Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

The rights of Holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear and Clearstream, as applicable. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Paying Agent, Registrar and Transfer Agent for the Notes

The Company will maintain one or more Paying Agents for the Notes. The initial Paying Agent will be Deutsche Bank AG, London Branch.

The Company will also maintain a registrar (the **"Registrar"**) and a transfer agent (the **"Transfer Agent"**) for the Notes. The initial Registrar will be Deutsche Bank Luxembourg S.A. The initial Transfer Agent will be Deutsche Bank AG, London Branch. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and, together with the Transfer Agent, will facilitate transfers of the Notes on behalf of the Company.

Upon written notice to the Trustee, the Company may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders. However, for so long as Notes are listed on the Official List of the Luxembourg Stock Exchange (the **"Exchange"**) and if and to the extent that the rules of the Exchange so require, the Company will notify the Exchange of any change of Paying Agent, Registrar or Transfer Agent. The Company or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes, *provided* that it segregates and holds in a separate trust fund for the benefit of the Holders all money held by it as paying agent.

Transfer and Exchange

A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar and the Trustee may require a Holder to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. Holders will be required to pay all taxes due on transfer. Any such transfer or exchange will be made without charge to Holders, other than any taxes payable in connection with such transfer. The Company and the Transfer Agent will not be required to transfer or exchange any Note selected for redemption or tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer (each as defined herein). Also, the Company and the Transfer Agent and Registrar will not be required to transfer or exchange any Note for a period of 15 days before the delivery of a notice of redemption of Notes to be redeemed or between record date and payment date. The registered Holder of a Note will be treated as the absolute owner of the Note for all purposes. See *"Book Entry, Delivery and Form."*

Restricted Subsidiaries and Unrestricted Subsidiaries

There will be no "Restricted Subsidiaries" of the Company for the purposes of the Indenture as at the Issue Date. Immediately after the completion of (i) the Arcaplanet Acquisition on the Arcaplanet Acquisition Closing Date and (ii) the Maxi Zoo Contribution substantially concurrently with such Arcaplanet

Acquisition, (a) the Target and all of its subsidiaries as of such date and (b) Maxi Zoo will become Restricted Subsidiaries of the Company. However, in the circumstances described below under “—*Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*,” the Company 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 and will not guarantee, or provide security with respect to, the Notes. In the circumstances described below under “—*Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*,” the Company will be permitted to redesignate Unrestricted Subsidiaries as Restricted Subsidiaries.

Escrow of Proceeds; Special Mandatory Redemption

The Offering will be consummated prior to the consummation of the Arcaplanet Acquisition and the Maxi Zoo Contribution. Substantially concurrently with the closing of the Offering on the Issue Date, the Company will enter into an escrow agreement (as amended, supplemented or modified from time to time, the “**Escrow Agreement**”) among the Company, the Trustee and Lucid Agency Services Limited, as escrow agent (in such capacity, together with its successors, the “**Escrow Agent**”), pursuant to which the Company will deposit, or cause to be deposited on its behalf, an amount in cash equal to the gross proceeds of the Notes sold on the Issue Date into an escrow account (the “**Escrow Account**”). The Escrow Account will be segregated from the Company’s other funds. The Escrow Account will be in the name of, and controlled by, the Escrow Agent subject to the terms of the Escrow Agreement, on behalf of the Trustee and the Holders of the Notes. The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account in connection with the Notes (less any property and/or funds paid in accordance with the Escrow Agreement, such as ordinary course charges and fees paid to the bank holding the Escrow Account) are referred to, collectively, as the “**Escrowed Property**.” Interest will be calculated in accordance with the terms of the Indenture and the Notes.

To secure the payment of the Special Mandatory Redemption Price (as defined below) of the Notes, the Company will grant the Trustee, for its benefit and the benefit of the Holders of the Notes, subject to certain liens of the Escrow Agent, a first-priority security interest in the Company’s beneficial interest in the Escrow Account and the Escrowed Property, pursuant to an escrow account charge dated the Issue Date between the Company, the Trustee and the Escrow Agent (the “**Escrow Charge**”); *provided*, however that such liens and security interest shall automatically be released and terminate upon receipt by the Trustee of either an Escrow Release Officer’s Certificate or a notice of Special Mandatory Redemption. The Escrow Agreement will provide that the funds will be segregated and held for the purposes specified herein. By its acceptance of the Notes, each Holder shall be deemed to authorize and direct the Trustee to execute, deliver and perform its obligations under the Escrow Agreement and the Escrow Charge. The Escrow Agent will invest the Escrowed Property as directed by the Company in such short-term liquid investments (including bank deposit products) as permitted under the Escrow Agreement, and liquidate such investments, as the Company will from time to time direct in writing.

The Escrow Agreement shall provide for the Escrow Agent to release from the Escrow Account, upon instruction of the Company, a portion of the Escrowed Property in an amount equal to the amount of accrued and unpaid interest and Additional Amounts, if any, from, and including, the Issue Date or the most recent interest payment date, as applicable, to, but excluding, any interest payment date prior to the Escrow Release (as defined below) in order to satisfy the interest payment obligations in respect of the Notes under the Indenture as set forth under “—*Principal, Maturity and Interest*.” In addition, the Escrow Agent will be entitled pursuant to the Escrow Agreement to deduct amounts from the Escrowed Property in respect of negative interest having accrued on the Escrowed Property.

Other than in connection with the payment of interest and Additional Amounts, if any, as set forth in the previous paragraph, the Company will be entitled to cause the Escrow Agent to release Escrowed Property (in which case the Escrowed Property will be paid to, or as directed by, the Company) (the “**Escrow Release**”) (the date of the Escrow Release being referred to as the “**Escrow Release Date**”) upon delivery to the Escrow Agent, on or prior to March 31, 2022 (the “**Escrow Longstop Date**”), of an Officer’s Certificate (the “**Escrow Release Officer’s Certificate**”), upon which the Escrow Agent shall be entitled to rely absolutely without further investigation, certifying that the following conditions (collectively, the “**Escrow Conditions**”) will be met substantially concurrently with or promptly following the Escrow Release on the Escrow Release Date:

- (1) the funds required to pay the consideration for the Arcaplanet Acquisition will be required promptly (and in any event within three Business Days) following the release of the Escrowed Property to consummate the Arcaplanet Acquisition substantially on the terms set forth under “*Summary—The Transactions*,” and

- (2) the conditions precedent to borrowing under the Revolving Facility (other than any condition precedent relating to the Escrow Release or satisfaction of the Escrow Conditions) shall have been, or substantially concurrently shall be, satisfied or waived in all material respects.

Upon the Escrow Release, the Escrowed Property will be paid out of the Escrow Account in accordance with the Escrow Agreement for the purposes described under “*Use of Proceeds*” and the Escrow Account will be reduced to zero.

In the event that (i) the Escrow Longstop Date occurs and the Escrow Agent shall not have received the Escrow Release Officer’s Certificate on or prior to such date or (ii) the Company informs the Escrow Agent and the Trustee in writing that, in the good faith judgment of the Company, the Arcaplanet Acquisition will not be consummated on or prior to the Escrow Longstop Date (the date of any such event being the “**Special Termination Date**”), the Company will redeem the entire outstanding aggregate principal amount of the Notes (the “**Special Mandatory Redemption**”) at a price (the “**Special Mandatory Redemption Price**”) equal to 100% of the issue price of the Notes as stated on the cover page of this offering memorandum, *plus* accrued and unpaid interest on the Notes and Additional Amounts, if any, from, and including, the Issue Date to, but excluding, the Special Mandatory Redemption Date (as defined below), subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date.

Notice of the Special Mandatory Redemption will be delivered by the Company no later than one Business Day following the Special Termination Date, to the Trustee, the Escrow Agent and the Paying Agent, and will provide that the Notes shall be redeemed on a date that is no later than the tenth Business Day after such notice is given by the Company in accordance with the terms of the Escrow Agreement (the “**Special Mandatory Redemption Date**”). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Paying Agent for payment to each Holder of Notes the Special Mandatory Redemption Price for such Holder’s Notes, shall be entitled to use the Escrowed Property to make such payments and, concurrently with the payment to such Holders, deliver any excess Escrowed Property (if any) to the Company. Notice of such Special Mandatory Redemption shall be given to the Holders of the Notes at least five Business Days before the Special Mandatory Redemption Date.

The Escrow Account will not include cash to fund any accrued and unpaid interest owing to Holders of the Notes, which is included in the Special Mandatory Redemption Price. In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption of the Notes exceeds the amount of the applicable Escrowed Property, Midco will be required to make an equity contribution to the Company to fund the difference between the applicable Special Mandatory Redemption Price and the amount of the Escrowed Property pursuant to a commitment provided by it.

The Company from time to time, but not more than twice in aggregate, may open one or more replacement or additional accounts at an alternative bank or banks, which in each case must be an Initial Purchaser or one or more of their respective banking affiliates, and may transfer any portion of the Escrowed Property to any such replacement or additional accounts (a “**Transfer**”) without such Transfer being deemed an Escrow Release; *provided* that the Company provides a substantially equivalent security interest to the Trustee for the benefit of the Holders over such replacement or additional account or accounts if such security interest was initially granted in connection with the original Escrow Account; and *provided further* that use of the funds from any such account shall be subject to the same conditions as applied to the original Escrow Account. In such an event, any replacement or alternative accounts into which Escrowed Property is transferred shall be deemed to be an Escrow Account. Receipt by the Trustee from the Company of an Officer’s Certificate in connection with a Transfer shall constitute deemed consent by the Trustee for the transfer of the Escrowed Property from the original Escrow Account to a new Escrow Account.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Official List of the Exchange and the rules of the Exchange so require, the Company will notify the Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption.

In addition, the conditions applicable to a Special Mandatory Redemption may be waived or modified by Holders representing a majority in aggregate principal amount of the Notes then outstanding.

Note Guarantees

General

The Notes will not be guaranteed on the Issue Date. Assuming the Arcaplanet Acquisition Closing Date occurs on or prior to the Escrow Longstop Date, the funds are released from the Escrow Account and the

Maxi Zoo Contribution occurs on or prior to the Arcaplanet Acquisition Closing Date, each of Noah 2 S.p.A. (the “**Target**”), Agrifarma S.p.A. (“**Agrifarma**”) and Maxi Zoo S.p.A. (“**Maxi Zoo**”, and together with the Target and Agrifarma, the “**Guarantors**”) will, within 150 days from (and excluding) the Arcaplanet Acquisition Closing Date, subject to the Agreed Security Principles and substantially concurrently with the guarantees granted in favor of obligations under the Revolving Facility, accede to the Indenture and the Intercreditor Agreement and guarantee the Notes on a senior basis. In addition, if required by the covenant described under “—*Certain Covenants—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*” and subject to the Intercreditor Agreement and the Agreed Security Principles, certain other Restricted Subsidiaries may provide Note Guarantees in the future and accede to the Intercreditor Agreement. Certain Guarantors may cease to exist in connection with the Post Closing Mergers. For the twelve months ended June 30, 2021, on an aggregate basis, the Guarantors generated 100% of our *pro forma* revenue from sales and services and approximately 99% of our *Pro forma* Adjusted EBITDA (excluding synergies and run-rate adjustments). As at June 30, 2021, on an aggregate basis (excluding all intragroup items, investments in subsidiaries and goodwill), the Guarantors accounted for 100% of our *pro forma* total assets (excluding investments in subsidiaries not consolidated and goodwill).

The obligations of each Guarantor under its Note Guarantee will be limited to the maximum amount that would not render the Guarantor’s obligations subject to avoidance under applicable fraudulent conveyance provisions of any applicable law to comply with corporate benefit, financial assistance and other laws. In addition, the Note Guarantees will be further limited as required under the Agreed Security Principles as described below under “*Security—General.*” The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Facility and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance rules, corporate benefit rules, fraudulent preference rules, “thin capitalization” rules, capital maintenance rules, retention of title claims and similar matters, or where the time and cost of granting the guarantee would be disproportionate to the benefit accruing to the Holders. In particular, the obligations of each Guarantor under its Note Guarantee will be contractually limited under such Note Guarantee to reflect limitations under applicable Italian law with respect to maintenance of share capital, corporate benefit, financial assistance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. See “*Risk Factors—Risks Related to the Notes, the Note Guarantees and the Collateral—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes and the Collateral*” and “*Risk Factors—Risks Related to the Notes, the Note Guarantees and the Collateral—The Issuer is incorporated in Italy, and Italian insolvency laws may not be as favorable to holders of the Notes as insolvency laws in other jurisdictions with which they may be familiar.*” By virtue of these limitations, a Guarantor’s obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Note Guarantee. In particular, until the completion of the Post Closing Mergers, the Note Guarantees to be granted by the Target and Agrifarma (together, the “**Target Guarantors**”) will only guarantee the Company’s obligations under Tranche B of the Notes. For a description of the relevant limitations, see “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations.*” As soon as reasonably practicable after the completion of the Post Closing Mergers, such security interest will be extended to also secure Tranche A of the Notes.

The Company is a holding company with no business operations other than management of the equity interests it holds in each of its Subsidiaries. Following consummation of the Arcaplanet Acquisition and the Maxi Zoo Contribution and prior to the completion of the Post Closing Mergers, the Company will be dependent upon the cash flow from its operating Subsidiaries in the form of dividends or other distributions or payments (including, under the Proceeds Loan (as defined below)) to meet its obligations, including its obligations under the Notes. See “*Risk Factors—Risks Related to the Notes, the Note Guarantees and the Collateral—The Issuer is a holding company that has no revenue generating operations of its own and will depend on cash flows from the operating companies of the Target Group and payments under the Proceeds Loan to be able to make payments on the Notes.*”

A portion of the operations of the Company will be conducted through Subsidiaries that are not expected to become Guarantors, including Subsidiaries exempt from becoming Guarantors or having security granted over their shares or assets under the Agreed Security Principles. Claims of creditors of non-Guarantors, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries and claims against joint ventures generally will have priority with respect to the assets and earnings of those Subsidiaries and joint ventures over the claims of creditors of the Company and the Guarantors, including Holders. The

Notes and each Note Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Subsidiaries of the Company (other than the Guarantors) and joint ventures. Although the Indenture limits the incurrence of Indebtedness (including Disqualified Stock and Preferred Stock of Restricted Subsidiaries), the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness under the Indenture. See “—*Certain Covenants—Limitation on Indebtedness.*”

Note Guarantee Releases

A Note Guarantee of a Guarantor will be automatically and unconditionally released and discharged upon:

- (1) a direct or indirect sale, exchange, transfer or other disposition (including by way of merger, amalgamation, consolidation, dividend distribution or otherwise) of (i) the Capital Stock of such Guarantor (as a result of which such Guarantor would no longer be a Restricted Subsidiary), or (ii) all or substantially all the assets of the Guarantor, to a Person other than the Company or a Restricted Subsidiary and otherwise in compliance with the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement;
- (2) the designation, in accordance with the Indenture, of such Guarantor as an Unrestricted Subsidiary;
- (3) legal defeasance, covenant defeasance or satisfaction and discharge of the Notes and the Indenture, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*;”
- (4) in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (5) upon the release or discharge of the Note Guarantee and any other obligations of such Guarantor under the Revolving Facility Agreement, *provided* that as of the next applicable test date after giving effect to such release and any applicable clean-up period, the Guarantor Coverage Test (as defined in the Revolving Facility Agreement) is met, calculated in accordance with, and in the manner provided by and subject to the same exceptions as those set forth in the Revolving Facility Agreement;
- (6) as described in the second paragraph of the covenant described below under “—*Certain Covenants—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*;”
- (7) upon the merger, amalgamation or consolidation of any Guarantor with and into the Company or another Guarantor or upon the liquidation of such Guarantor, in each case, in compliance with the covenant under “—*Certain Covenants—Merger and Consolidation*;”
- (8) in connection with a Permitted Transaction;
- (9) upon the achievement of Investment Grade Status by the Notes; and
- (10) as described under “—*Amendments and Waivers.*”

The Trustee and the Security Agent, as applicable, shall, subject to receipt of certain documentation requested pursuant to the Indenture, take all necessary actions at the reasonable request and cost of the Company, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note 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 and will not require any other action or consent on the part of the Trustee. None of the Company, the Trustee or any Guarantor will be required to make a notation on the Notes to reflect any such release, termination or discharge. The Company may in its sole discretion elect to have any Note Guarantee remain in place, as opposed to being released.

Security

General

On the Issue Date, the Notes will be secured on a first-priority basis by the Escrow Charge (the “**Escrow Collateral**”). Upon receipt by the Trustee of either an Escrow Release Officer’s Certificate or a notice of Special Mandatory Redemption, the Escrowed Property will be released and the first-priority security interests over the Company’s beneficial interest in the Escrowed Property will automatically be released and terminate.

Subject to the Agreed Security Principles, the Notes will also be secured on the Issue Date on a first-priority basis by:

- a limited recourse Italian law share pledge in respect of Midco's shares in the capital of the Company; and
- a limited recourse pledge in respect of any structural intercompany receivables owed to Midco (as lender) by the Company (as borrower)

(collectively, the "**Issue Date Collateral**").

In addition, subject to the Agreed Security Principles:

- within 30 days from (and excluding) the Arcaplanet Acquisition Closing Date, the Notes will be secured by (i) a pledge over the Company's shares in the capital of the Target and any structural intercompany receivables owed to the Company (as lender) by the Target (as borrower); and (ii) a pledge over the Company's material bank accounts; and
- within 150 days from (and excluding) the Arcaplanet Acquisition Closing Date, the Notes will be secured by (i) pledges over each Guarantor's shares in any other Guarantor; and (ii) pledges over each Guarantor's material bank accounts.

(collectively, the "**Post Closing Collateral**" and, together with the Issue Date Collateral, the "**Collateral**").

The Collateral will also secure, on a first-priority basis, the Note Guarantees, once provided.

In addition, the Collateral will secure the Revolving Facility on a *pari passu* basis and may also secure certain Hedging Obligations, any Additional Notes as well as certain other future Indebtedness. Pursuant to the Intercreditor Agreement, the Holders of the Notes will receive proceeds from enforcement of security over the Collateral only after certain obligations (including under the Revolving Facility and certain Hedging Obligations) have been paid in full. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Certain Definitions—Permitted Collateral Liens*."

Subject to certain conditions, including compliance with the covenants described under "*Certain Covenants—Impairment of Security Interest*" and "*Certain Covenants—Limitation on Liens*," the Company and the Restricted Subsidiaries will be permitted to grant security over the Collateral in connection with future issuances of Indebtedness, including, subject to certain requirements described herein, Additional Notes, as permitted under the Indenture and the Intercreditor Agreement.

The Escrow Charge will be granted to the Trustee and the security interests in the remaining Collateral will be granted to the Security Agent on behalf of the Holders and holders of the other secured obligations that are secured by the Collateral pursuant to the Security Documents. Any other assets subject to Security Interests that may in the future be granted to secure obligations under the Notes, any Note Guarantees and the Indenture would also constitute "Collateral." All Collateral will be subject to the limitations that are applicable to Note Guarantees granted by the same entity, the operation of the Agreed Security Principles and any Permitted Collateral Liens (as defined below).

The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the Holders. No appraisals of the Collateral have been made in connection with the Offering. 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 Note Guarantees and the Collateral—The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances*."

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. In particular, until the completion of the Post Closing Mergers, the Liens in the Collateral to be granted by the Target Guarantors will only secure the Company's obligations under Tranche B of the Notes. For a description of relevant limitations, see "*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*."

Notwithstanding the foregoing and the provisions of the covenant described below under "*Certain Covenants—Limitation on Liens*," certain property, rights and assets may not be pledged, and any pledge over

property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. The following is a non-exhaustive summary of certain terms of the Agreed Security Principles, which include, among others:

- general legal and statutory limitations, regulatory restrictions, financial assistance, anti-trust and other competition authority restrictions, corporate benefit, fraudulent preference, equitable subordination, “transfer pricing”, “thin capitalization”, “earnings stripping”, “controlled foreign corporation” and other tax restrictions, “exchange control restrictions”, “capital maintenance” rules and “liquidity impairment” rules, tax restrictions, retention of title claims, employee consultation or approval requirements and similar principles may limit the ability of a member of the Group to provide a guarantee or security or may require that the guarantee or security be limited as to amount or otherwise and, if so, the guarantee or security will be limited accordingly *provided* that, to the extent requested by the Security Agent before signing any applicable security or accession document, the relevant member of the Group shall use reasonable endeavors (but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;
- a key factor in determining whether or not (and the terms on which) a guarantee or security will be taken (and in respect of the security, the extent of its perfection and/or registration) is the applicable time and cost (including adverse effects on taxes, interest deductibility, stamp duty, registration costs and taxes, notarial costs, translation costs and all applicable legal fees and adverse effects on the ability of the Group to obtain or maintain local facilities or other financing arrangements, including any factoring or similar arrangement in each case permitted under the Indenture), which will not be disproportionate to the benefit accruing to the secured parties of obtaining such guarantee or security;
- members of the Group will not be required to give guarantees or enter into security documents if (1) they are not wholly owned by another member of the Group or if it is not within the legal capacity of the relevant members of the Group; (2) if it would conflict with the fiduciary or statutory duties of their officers or contravene any applicable legal, regulatory or contractual prohibition or restriction or have the potential to result in a material risk of personal or criminal liability for any officer of or for any member of the Group or (3) the granting of such guarantee or Security may, in the reasonable opinion of the Company, have an adverse impact on the credit rating of any member of the Group or any debt or other instrument issued by a member of the Group or in respect of which a member of the Group is a trustee, corporate administrator or similar or analogous function; *provided* that, to the extent requested by the Security Agent before signing any applicable security document or accession document, the relevant member of the Group shall use reasonable endeavors (but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;
- a member of the Group will not be required to give a guarantee or enter into security documents if to do so could require consultation with or the consent of any pensions trustee, agent or regulator (or equivalent or similar person) or may be prejudicial to the terms of any pension scheme or other post-employment benefit scheme (or any arrangements relating to any pension scheme or other post-employment benefit scheme) of a member of the Group or any member of the Group’s relationship with any pensions trustee, agent or regulator (or equivalent or similar person), *provided* that if (and for so long as) any such proposed guarantee or security document: (x) benefits from the positive consent and approval of the relevant pensions trustee, agent and/or regulator; and (y) is not prejudicial to the terms of the relevant pension scheme or other post-employment benefit scheme (or any arrangements relating to such pension scheme or other post-employment benefit scheme or any member of the Group’s relationship with any pensions trustee, agent or regulator (or equivalent or similar person)), in each case as determined by the Company or another relevant member of the Group (in each case, acting in good faith), this paragraph shall not operate to restrict the granting of such guarantee or security;
- guarantees and security will be limited so that the aggregate of notarial costs and all registration and like taxes and duties relating to the provision of security will not exceed an amount to be agreed between the Company and the Security Agent;
- where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only;
- it is expressly acknowledged that it may be either impossible or impractical to create security over certain categories of assets, in which event security will not be taken over such assets;

- any asset subject to a legal requirement, contract, lease, license, instrument, regulatory constraint (including any agreement with any government or regulatory body) or other third party arrangement (other than restrictions contained in the constitutional documents of a member of the Group or in any intra-Group loan agreement), which may prevent or condition the asset from being charged, secured or being subject to the applicable security document (including requiring a consent of any third party, supervisory board or works council (or equivalent)) and any asset which, if subject to the applicable security document, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations with respect to any member of the Group in respect of the asset or require the relevant chargor to take any action materially adverse to the interests of the Group or any member thereof, in each case will be excluded from a guarantee or security document;
- the giving of a guarantee, the granting of security and the registration and/or the perfection of the security granted will not be required if it would have a material adverse effect on the ability of the relevant member of the Group to conduct its operations and business in the ordinary course as otherwise permitted by the Note Documents (including dealing with the secured assets and all contractual counterparties or amending, waiving or terminating (or allowing to lapse) any rights, benefits or obligations, in each case prior to an Acceleration Event (as defined in the Intercreditor Agreement) which is continuing, and any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to the Agreed Security Principles;
- any security document will only be required to be notarized if required by law in order for the relevant security to become effective or admissible in evidence;
- no guarantee or security will be required to be given by or over any acquired person or asset (and no consent shall be required to be sought with respect thereto), which are required to support Acquired Indebtedness to the extent such Acquired Indebtedness is permitted by the Indenture to remain outstanding after an acquisition. No member of a target group or other entity acquired pursuant to an acquisition permitted by the Indenture shall be required to become a Guarantor or grant security with respect to the Notes if prevented by the terms of the documentation governing that acquired indebtedness (including Acquired Indebtedness or any Refinancing Indebtedness in respect of such Acquired Indebtedness) or if becoming a Guarantor or the granting of any security would give rise to an obligation (including any payment obligation) under or in relation thereto; no security will be granted over any asset secured for the benefit of any debt permitted by the Indenture and/or to the extent constituting a Permitted Lien, unless specifically required by a Note Document to the contrary;
- no title investigations or other diligence on assets will be required and no title insurance will be required;
- security will not be required over any assets subject to security in favor of a third party (other than in relation to security under general business conditions of account banks, which do not prohibit or prevent the creation of security over such accounts) or any cash constituting regulatory capital or customer cash (and such assets or cash shall be excluded from any relevant security document);
- to the extent legally effective, all security will be given in favor of the Security Agent and not the secured creditors individually (with the Security Agent to hold one set of security documents for all secured parties); “parallel debt” provisions will be used where necessary (and included in the Intercreditor Agreement and not the individual security documents); no member of the Group will be required to take any action in relation to any guarantees or security as a result of any assignment or transfer by a secured party;
- guarantees and security will not be required from or over the assets of, any joint venture or similar arrangement, any minority interest or any member of the Group that is not wholly-owned by another member of the Group;
- each security document shall be deemed not to restrict or condition any transaction permitted under the Indenture or the Intercreditor Agreement and the security granted under each security document shall be deemed to be subject to these Agreed Security Principles, before and after the execution of the relevant security document and creation of the relevant security;
- no security may be provided on terms, which are inconsistent with the turnover or sharing provisions in the Intercreditor Agreement;
- the secured parties (or any agent or similar representative appointed by them at the relevant time) will not be able to exercise any power of attorney or set-off granted to them under the terms of the Note Documents prior to the occurrence of an Acceleration Event which is continuing;

- no guarantee or security shall guarantee or secure any “Excluded Swap Obligations” defined in accordance with the LSTA Market Advisory Update dated February 15, 2013 entitled “Swap Regulations’ Implications for Loan Documentation”, and any update thereto by the LSTA;
- other than a general filing relating to a floating charge or blanket lien, no perfection, filing or other action will be required with respect to assets of a type not owned by members of the Group or not in Italy (the “**Guarantor Jurisdiction**”) or otherwise over the shares of a member of the Group not located in the Guarantor Jurisdiction;
- no translation of any document relating to any security or any asset subject to any security will be required to be prepared or provided to the secured parties, unless (i) required for such documents to become effective or admissible in evidence and (ii) an Acceleration Event is continuing; and
- whether or not required for the purpose of perfecting the relevant Security Interest, the Transaction Security Documents governed by Italian law will be executed by way of exchange of correspondence (*scambio di corrispondenza commerciale*) or outside of Italy.

In the event of any conflict or inconsistency between any term of the Agreed Security Principles and any term of a Transaction Security Document, the Holder authorizes, instruct and direct the Security Agent to, and the Security Agent shall promptly (at the option and upon request of the Company) (i) enter into such amendments to such Transaction Security Document or (ii) release and terminate such Transaction Security Document and enter into a replacement Transaction Security Document on such amended terms, in each case as shall be necessary or desirable to cure such conflict or inconsistency.

The Agreed Security Principles with respect to the Notes will be interpreted and applied in good faith by the Company.

Priority

The relative priority with regard to the Security Interests (as defined below) in the Collateral as between (a) the lenders under the Revolving Facility, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agent and the Holders under the Indenture; and (d) the creditors of certain other Indebtedness (including Indebtedness that may be Incurred in the future) permitted to be secured by such Collateral, respectively, will be established by the terms of the Intercreditor Agreement, which will provide, among other things, that the obligations under the Revolving Facility, the Notes and certain Hedging Obligations and the guarantees thereof are secured equally and ratably by first-priority Security Interests in the Collateral. In addition, any Revolving Facility Incurred pursuant to sub-clause (i)(A)(3) of the second paragraph of the covenant described under “*Limitation on Indebtedness*” below will be a “super senior” obligation under the Intercreditor Agreement and Holders will only receive proceeds from the enforcement of, or certain distressed disposals of, the Collateral after the obligations thereunder (and certain super senior Hedging Obligations) have been paid in full. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*—Certain Definitions—Permitted Collateral Liens.*”

Security Documents

Under the Security Documents, the Company and certain of its Subsidiaries will grant security over the Collateral to secure the payment when due of the Company’s and the Guarantors’ payment obligations under the Notes, the Note Guarantees and the Indenture. The Security Documents will be entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into such Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties (including itself, the Trustee and the Holders from time to time). Under the Intercreditor Agreement, the Security Agent also acts as an agent of the lenders under the Revolving Facility Agreement and the counterparties under certain Hedging Obligations in relation to the Security Interests created in favor of such parties.

In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of Security Interests, the relevant Security Documents will secure “parallel debt” obligations created under the Intercreditor Agreement in favor of the Security Agent (and not the obligations under the Notes and the Note Guarantees). The parallel debt construct has not been fully tested under the law in certain of these jurisdictions (including Italy). See “*Risk Factors—Risks Related to the Notes, the Note Guarantees and the Collateral—The Escrow Charge will be granted to the Trustee and the security interests in the remaining Collateral will be granted to the Security Agent, rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by Italian law.*”

The Escrow Charge shall be granted solely for the benefit of the Trustee on behalf of the Holders of the Notes, and no other persons (including, for the avoidance of doubt, any lender under the Revolving Facility, counterparties under any Hedging Obligations or any other creditors) shall be entitled to benefit from the Escrow Charge.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by applicable law, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the Holders. As a consequence of such contractual provisions, Holders will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent.

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under “—*Security—Release of Liens.*”

In the event that the Company 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 Note Guarantees and the Collateral—The granting of the Note Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or avoidance periods for such security interests in accordance with the laws applicable in certain jurisdictions.*”

Enforcement of 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 Security Agent in accordance with the terms of the Intercreditor Agreement. These limitations are described under “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations.*” The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Facility, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have and, by accepting a Note as described below, each Holder will be deemed to have, appointed the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that each Holder, by accepting a Note, will be deemed (without any further consent of the Holders) to have:

- (1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents and perform the duties and exercise the rights, powers and discretions that are specifically given to them under the Intercreditor Agreement and the Security Documents securing such Indebtedness, together with any other incidental rights, power and discretions;
- (2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents; and
- (3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents (including the execution of, and compliance with, any waiver, modification, amendment, renewal or replacement expressed to be executed by the Trustee or the Security Agent on its behalf).

See “*Risk Factors—Risks Related to the Notes, the Note Guarantees and the Collateral—The Escrow Charge will be granted to the Trustee and the security interests in the remaining Collateral will be granted to the Security*

Agent, rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by Italian law.”

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under “—*Certain Covenants—Additional Intercreditor Agreements.*”

Release of Liens

Subject to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, release of the Security Interests in respect of the Collateral will be permitted under any one or more of the following circumstances:

- (1) other than the Liens over the Capital Stock of the Company, in connection with any sale or other disposition of Collateral to (a) a Person that is not the Company or a Restricted Subsidiary (but excluding any transaction subject to “—*Merger and Consolidation*”), if such sale or other disposition does not violate the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” and is otherwise not prohibited 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 (including intercompany loan receivables and hedging receivables) to a Restricted Subsidiary (except to a Securitization Subsidiary), unless the relevant property and assets remain subject to, or otherwise become subject to, a Lien in favor of the Notes following such sale or disposal;
- (2) in the case of a Guarantor that is released from its Note 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*” and “—*Certain Covenants—Limitation on Liens*”;
- (4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in “*Defeasance*” and “*Satisfaction and Discharge*”;
- (5) if the Company 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, and the release of any assets designated by the Company as Receivables Assets in connection with a Receivables Facility;
- (6) in connection with a Permitted Transaction; or
- (7) as otherwise permitted in accordance with the Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under “—*Certain Covenants—Impairment of Security Interest.*” For the avoidance of doubt, Liens in respect of Specified Assets will be released in connection with a Specified Asset Disposition.

The Security Interests over the rights subject to the Escrow Charge will be released upon the occurrence of the Escrow Release or in connection with the Special Mandatory Redemption.

The Security Agent and the Trustee (but only if required) will take all necessary action reasonably requested by, and at the cost of, the Company to effectuate any release of Collateral securing the Notes and the Note Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release). The Security Agent and the Trustee shall be entitled to request and rely solely upon an Officer’s Certificate and Opinion of Counsel, each certifying which circumstance, as described above, giving rise to a release of the Security Interests has occurred, and that such release complies with the Indenture; *provided*, however, that with respect to the release of the Security Interests over the rights subject to the Escrow Charge, the Trustee shall be entitled to additionally receive (i) in connection with the Escrow Release, an Officer’s Certificate (which may, at the Company’s option, be the Escrow Release Officer’s Certificate) certifying satisfaction of the conditions for the Escrow Release and (ii) in connection with the Special Mandatory Redemption, a notice of the Special Mandatory Redemption.

IPO Debt Pushdown

On or following a public equity offering (an “**IPO Event**”) (or in contemplation of an IPO Event with respect to the release of security if required to implement such IPO Event), the Company shall be entitled to require (by written notice to the Trustee (a “**Pushdown Notice**”)) that the terms of the Debt Documents shall operate (with effect from the date specified in the relevant Pushdown Notice (the “**Pushdown Date**”)) on the basis that:

- (i) references to the Company and Restricted Subsidiaries (and all related provisions) shall apply only to the IPO Pushdown Entity and its Restricted Subsidiaries from time to time;
- (ii) all financial ratio calculations, basket calculations and financial definitions shall exclude any parent entity of the IPO Pushdown Entity and all reporting obligations shall be assumed at the level of the IPO Pushdown Entity;
- (iii) each reference in the Indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement) to the “Company” shall be deemed to be a reference to the IPO Pushdown Entity (to the extent applicable and unless the context requires otherwise); and *provided* that nothing in this paragraph, including the deeming construct contemplated by this sub-clause (iii) and any action taken by the IPO Pushdown Entity prior to it being deemed to be the Company, shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking, covenant or other term in the Indenture, the Revolving Facility Agreement, the Intercreditor Agreement any Additional Intercreditor Agreement or the other collateral documents or a Default or an Event of Default;
- (iv) none of the representations, warranties, undertakings, covenants or Events of Default, as applicable, in the Debt Documents shall apply to any entity of which the IPO Pushdown Entity is a Subsidiary (whether in its capacity as a Guarantor in respect of the Notes or otherwise);
- (v) no event, matter or circumstance relating to any Parent Entity of the IPO Pushdown Entity (whether in its capacity as a Guarantor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking, covenant or other term in the Debt Documents or a Default or an Event of Default;
- (vi) each Parent Entity of the IPO Pushdown Entity shall be irrevocably and unconditionally released from all obligations and restrictions under the Debt Documents and any security granted by any such Parent Entity;
- (vii) each Parent Entity of the IPO Pushdown Entity will not, on the Pushdown Date after giving *pro forma* effect thereto, have any assets (other than shares in its subsidiaries and intercompany receivables) that are material to, or reasonably necessary for the operation of, the business of the Group;
- (viii) unless otherwise notified by the Company: (A) each Person which is party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as a “Subordinated Creditor,” “Third Party Security Provider,” “Investor” or “Topco Independent Obligor” (as such terms are defined in the Intercreditor Agreement) (each in such capacity, a “**Released Person**”) shall be irrevocably and unconditionally released from the Intercreditor Agreement (or any Additional Intercreditor Agreement) and all obligations and restrictions under the Intercreditor Agreement or any Additional Intercreditor Agreement (and from the date specified by the Company, that Person shall cease to be party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) in the applicable capacity as a Released Person and shall have no further rights or obligations under the Intercreditor Agreement (or any Additional Intercreditor Agreement) in that capacity); and (B) there shall be no obligation or requirement for any Person to become party to the Intercreditor Agreement as a Released Person; and
- (ix) in the event that any Person is released from or ceases to be or become party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as a Released Person as a consequence of this paragraph, any term of the Indenture and/or the Intercreditor Agreement (or any Additional Intercreditor Agreement) which requires or assumes that any Person be a Released Person or that any liabilities or obligations to such Person be subject to the Intercreditor Agreement (or any Additional Intercreditor Agreement) or otherwise subordinated shall cease to apply.

The Trustee, the Security Agent and any other agents party thereto shall be required to enter into any amendment to, release of, or replacement of the Indenture, the Intercreditor Agreement or the other security documents required by the Company and/or take such other action as is required by the Company in order to

facilitate or reflect any of the matters contemplated by the first paragraph of this this section “*IPO Debt Pushdown*” (collectively, an “**IPO Pushdown**”); *provided*, that such amendment, replacement or other document or instrument will not impose any personal obligations on the Trustee, the Security Agent and any other agents party thereto or adversely affect the rights, duties, liabilities, indemnifications or immunities of the Trustee, the Security Agent or any other agents party thereto under the Indenture, Intercreditor Agreement or Security Documents. The Trustee, the Security Agent and any other agents party thereto are each irrevocably authorized and instructed by the Holders of the Notes (without any consent by the Holders of the Notes) to execute any such amended, released or replacement documents and/or take other such action on behalf of the Holders (and shall do so on the request of the Company).

For the purpose of this section “*IPO Debt Pushdown*,” the “IPO Pushdown Entity” shall be any Restricted Subsidiary of the Company or a Parent Entity of the Company notified to the Trustee by the Company in writing as the Person to be treated as the IPO Pushdown Entity in relation to the relevant IPO Event; *provided*, that the IPO Pushdown Entity shall be a Restricted Subsidiary of the Company which will issue shares, or whose shares are to be sold, pursuant to that IPO Event (or a parent entity of such Restricted Subsidiary).

If the Company delivers a Pushdown Notice to the Trustee pursuant to the first paragraph of this section “*IPO Debt Pushdown*” in relation to a contemplated IPO Event, it shall be entitled to revoke that Pushdown Notice at any time prior to the occurrence of the relevant IPO Event by written notice to the Trustee. In the event that any Pushdown Notice is revoked in accordance with this paragraph: (a) the provisions of clauses (i) to (vii) of the first paragraph of this section “*IPO Debt Pushdown*” shall cease to apply in relation to that Pushdown Notice; (b) if any security has been released pursuant to the foregoing paragraphs in reliance on that Pushdown Notice, subject to the Agreed Security Principles, the Company or the relevant Restricted Subsidiary will as soon as reasonably practicable execute a replacement Security Document in respect of that security; and (c) if any Person party to the Intercreditor Agreement in the capacity of a Released Person has been released from the Intercreditor Agreement pursuant to clauses (vi) or (vii) of the first paragraph or the third paragraph of this section “*IPO Debt Pushdown*” in reliance on that Pushdown Notice, that Person shall as soon as reasonably practicable accede to the Intercreditor Agreement as the applicable Released Person. For the avoidance of doubt: (A) nothing in this paragraph shall prohibit or otherwise restrict the Company from delivering a further Pushdown Notice in relation to any actual or contemplated IPO Event; and (B) revocation of a Pushdown Notice shall not, and shall not be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term in the Indenture or the Intercreditor Agreement or a Default or an Event of Default (whether by reason of any action or step taken by any Person, or any matter or circumstance arising or committed, while that Pushdown Notice was effective or otherwise).

Optional Redemption

General

Except as set forth below and except as described under “—*Redemption for Taxation Reasons*,” the Notes are not redeemable at the option of the Company.

At any time and from time to time prior to October 31, 2024, the Company may, at its option, redeem the Notes, in whole or in part, upon notice as described under “—*Selection and Notice*,” at a redemption price equal to 100% of the principal amount thereof, *plus* the Applicable Premium with respect to the Notes as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the redemption date.

At any time and from time to time prior to October 31, 2024, the Company may, at its option, during each twelve month period following the Issue Date redeem up to 10% of the aggregate principal amount of the Notes (including any Additional Notes), upon giving notice as described under “—*Selection and Notice*,” at a redemption price equal to 103.000% of the principal amount of the Notes so redeemed, *plus* accrued and unpaid interest and Additional Amounts, if any, to but excluding the redemption date.

At any time and from time to time prior to October 31, 2024, the Company may, at its option, redeem an aggregate principal amount of Notes not to exceed the Net Cash Proceeds received by the Company from one or more Equity Offerings or a contribution to the Company’s common share capital made with the Net Cash Proceeds of one or more Equity Offerings, at a redemption price equal to 104.500% of the principal amount of such Notes *plus* accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the redemption date; provided that:

- (1) the aggregate principal amount redeemed shall not exceed 40% of the aggregate principal amount of the Notes issued under the Indenture (including Additional Notes);

- (2) at least 50% of the original aggregate principal amount of the Notes issued under the Indenture on the Issue Date (excluding Additional Notes) remains outstanding immediately after the occurrence of each such redemption (unless all Notes are redeemed substantially concurrently); and
- (3) each such redemption occurs not later than 180 days after the closing of the related Equity Offering.

At any time and from time to time on or after October 31, 2024, the Company may, at its option, redeem the Notes in whole or in part, upon notice as described under “—*Selection and Notice*,” at a redemption price equal to the percentage of principal amount set forth below *plus* accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to, but excluding, the applicable redemption date, if redeemed during the twelve-month period beginning on October 31 of the year indicated below:

Year	Percentage
2024	102.250%
2025	101.125%
2026 and thereafter	100.000%

Other Redemptions Terms

Notwithstanding the foregoing, in connection with any tender offer for the Notes, including a Change of Control Offer or Asset Disposition Offer, if Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Company, or any third party making such a tender offer in lieu of the Company, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Company 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 date, to redeem all Notes, in whole or in part, that remain outstanding following such purchase at a price equal to the price offered to each other Holder (excluding any early tender or incentive fee) in such tender offer *plus*, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but excluding, the date of such redemption. Without prejudice to any provision of the Indenture regarding Notes deemed not to be outstanding for voting purposes if held by the Company or its Affiliates, in determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Notes have validly tendered and not validly withdrawn Notes in a tender offer, including a Change of Control Offer or Asset Disposition Offer, Notes owned by an Affiliate of the Company or by funds controlled or managed by any Affiliate of the Company, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer and such determination.

Notice of redemption will be provided as set forth under “—*Selection and Notice*” below.

Notice of any redemption (other than a Special Mandatory Redemption) of the Notes may, at the Company’s discretion, be given prior to the completion of a transaction (including an Equity Offering, an incurrence of Indebtedness, a Change of Control, an Asset Disposition or other transaction) and any redemption notice may, at the Company’s discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related transaction. If such redemption or purchase is so subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Company’s discretion, the redemption or repurchase date may be delayed until such time (including more than 60 days after the date the notice of redemption or offer to purchase was sent) as any or all such conditions shall be satisfied (or waived by the Company in its sole discretion), or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Company in its sole discretion) by the redemption or purchase date, or by the redemption or purchase date as so delayed, or that such notice may be rescinded at any time in the Company’s sole discretion if the Company determines that any or all of such conditions will not be satisfied or waived. In addition, the Company may provide in such notice that payment of the redemption or purchase price and performance of the Company’s obligations with respect to such redemption may be performed by another Person.

If the optional redemption date is on or after a record date and on or before the corresponding interest payment date, the accrued and unpaid interest up to, but excluding, the redemption date will be paid on the redemption date to the Holder in whose name the Note is registered at the close of business on such record date in accordance with the applicable procedures of Euroclear or Clearstream, as applicable, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Company.

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Mandatory Redemption or Sinking Fund

Except as described under the caption “—*Escrow of Proceeds; Special Mandatory Redemption*,” the Company is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes. However, under certain circumstances, the Company may be required to offer to purchase Notes as described under “—*Change of Control*” and “—*Certain Covenants—Limitations on Sales of Assets and Subsidiary Stock*.” As market conditions warrant, we and our equity holders, including the Permitted Holders, their respective Affiliates and members of our management, may from time to time seek to purchase our outstanding debt securities or loans, including the Notes or derivative instruments related thereto, in privately negotiated or open market transactions, by tender offer or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, including the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement, any purchases made by us may be funded by the use of cash on our balance sheet or the incurrence of new secured or unsecured debt, including borrowings under our credit facilities. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may be with respect to a substantial amount of a particular class or series of debt, with the attendant reduction in the trading liquidity of such class or series.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a *pro rata* basis by use of a pool factor; *provided*, however, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Trustee, Paying Agent or Registrar will be liable for any selections made in accordance with this paragraph.

For so long as the Notes are listed on the Exchange and the rules of the Exchange so require, the Company shall publish notice of redemption in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar (except that a notice of redemption may be mailed more than 60 days prior to a redemption date, if the notice is issued in connection with a legal or covenant defeasance of the Notes or a satisfaction and discharge of the Indenture). While in global form, notices to Holders may be delivered via Euroclear and Clearstream in lieu of notice via registered mail. Such notice of redemption may also be published on the website of the Exchange (www.bourse.lu) in lieu of publication in the *Luxemburger Wort* so long as the rules of the Exchange are complied with.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a global note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable notice of redemption (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, unless the Company defaults in the payment of the redemption price, interest ceases to accrue on Notes or portions of them called for redemption.

Redemption for Taxation Reasons

The Company may redeem the Notes in whole, but not in part, at any time at its discretion upon giving not less than 10 nor more than 60 days' prior written notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to but excluding the date fixed for redemption (a “**Tax Redemption Date**”) (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, as defined below under “*Withholding Taxes*,” if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Company determines in good faith that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations, official guidance or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below under “—*Withholding Taxes*”) affecting taxation; or

- (2) any amendment to, or change in an official application, administration or written interpretation of such laws, treaties, regulations, official guidance or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a “**Change in Tax Law**”),

a Payor (as defined below under “—*Withholding Taxes*”) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts (or increased Additional Amounts) with respect to the Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Company or a Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be formally announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obliged to make at least one payment on the Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under “*Selection and Notice*.” Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the Company will deliver to the Trustee (a) an Officer’s Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right to so redeem have been satisfied and that the obligation to pay Additional Amounts cannot be avoided by the relevant Payor taking reasonable measures available to it (but in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Company or another Guarantor who can make such payment without the obligation to pay Additional Amounts) and (b) a written opinion of an independent tax counsel of recognized standing qualified under the laws of the Relevant Taxing Jurisdiction and satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely conclusively on such Officer’s Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without liability or further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Company or any Guarantor (including any successor entity) (each, a “**Payor**”) in respect of the Notes or with respect to any Note 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 relevant taxing authority’s interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) any jurisdiction from or through which payment on any such Note or Note Guarantee is made by or on behalf of any Payor or the Paying Agent or any political subdivision or governmental authority thereof or therein having the power to tax (including the jurisdiction of the Paying Agent); or
- (2) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a “**Relevant Taxing Jurisdiction**”),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Note or any Note Guarantee, including (without limitation) 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, after such withholding or deduction (including any such withholding or deduction 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 Note 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 such Taxes would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in or place of management present in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Note Guarantee;
- (2) any Taxes, to the extent such Taxes are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a reasonable written request of the Payor addressed to the Holder or beneficial owner, after reasonable notice (at least 30 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a law, statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of, all or part of such Tax, but, in each case, only to the extent the Holder or beneficial owner is legally entitled to do so;
- (3) any Taxes, to the extent such Taxes are imposed as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the later of the applicable payment date or the date the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);
- (4) any Taxes that are payable otherwise than by deduction or withholding from a payment with respect to the Notes or with respect to any Note Guarantee;
- (5) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;
- (6) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time (the “**Decree No. 239**”) and any related implementing regulations, and pursuant to Italian Legislative Decree No. 461 of November 21, 1997 (the “**Decree No. 461**”) and any related implementing regulations)) and any related implementing regulations; *provided* that:
 - a. Additional Amounts shall be payable in circumstances where the procedures required under Decree No. 239 or Decree No. 461 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due solely to the actions or omissions of the Payor or their agents; and
 - b. for the avoidance of doubt, no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the Holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of amendments to the list of countries, which allow for a satisfactory exchange of information with Italy, currently provided for by Italian Ministerial Decree dated September 4, 1996, as subsequently amended, or by reason of the approval of the ministerial Decree to be issued under art. 11 par .4 let c) of Decree No. 239, as subsequently amended or superseded, providing for a new list of countries which allow for a satisfactory exchange of information with Italy, whereby such Holders country of residence does not appear on the aforesaid amended or new list (the “**White List**”);
- (7) any Taxes to the extent that such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual, which is resident in a country which does not appear on the White List;
- (8) any Taxes imposed, deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Internal Revenue Code**”) or otherwise imposed pursuant to sections 1471 through 1474 of the Internal Revenue Code, in each case, as of the Issue Date (and any amended or successor version that is substantively comparable), any current or future regulations or agreements thereunder, official interpretations thereof or similar law or regulation implementing an intergovernmental agreement relating thereto; or

(9) any combination of the items (1) through (8) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any Person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant tax authority in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of such other reasonable evidence as is available of such payments as soon as reasonably practicable to the Trustee (with a copy to the relevant Paying Agent). Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the relevant Paying Agent.

If any Payor is obligated to pay Additional Amounts with respect to any payment made on any Note or any Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the relevant Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the relevant Paying Agent to pay Additional Amounts 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 relevant Paying Agent shall be entitled to conclusively rely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of the Notes*" there is mentioned, in any context:

- (1) the payment of principal;
- (2) redemption prices or purchase prices in connection with a redemption or purchase of the Notes;
- (3) interest; or
- (4) any other amount payable on or with respect to any of the Notes or any Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and reimburse each applicable Holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, issuance, delivery, registration, enforcement of, or receipt of payments with respect to any Notes, any Note Guarantee, the Indenture, or any other document or instrument in relation thereto (in each case, other than in connection with a transfer after the Offering) and limited, solely to the extent of such taxes or similar charges or levies that arise from the receipt of any payments of principal or interest on the Notes, to any such taxes or similar charges or levies that are not excluded under clauses (1) through (3) and (5) through (8).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction, in which any successor to a Payor is incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes (or any Note Guarantee) is made by or on behalf of such successor Payor, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

The Indenture will provide that if a Change of Control occurs, unless (i) a third party makes a Change of Control Offer or (ii) the Company previously or substantially concurrently therewith delivered a redemption notice with respect to all the outstanding Notes as described in the seventh paragraph under this section "*Change of Control*," the Company will make an offer to purchase all of the Notes (*provided* that Notes of €100,000 or less in principal amount may only be redeemed in whole and not in part) pursuant to the offer described below (the "**Change of Control Offer**") at a price in cash equal to 101% of the aggregate principal amount thereof, *plus* accrued and unpaid interest and Additional Amounts, if any, to but excluding the date

of repurchase; *provided* that if the repurchase date is on or after the record date and on or before the corresponding interest payment date, then Holders in whose name the Notes are registered at the close of business on such record date will receive interest on the repurchase date. Within 60 days following any Change of Control, the Company will deliver or cause to be delivered a notice of such Change of Control Offer electronically in accordance with the applicable procedures of Euroclear or Clearstream or by first-class mail, with a copy to the Trustee, to each Holder of Notes at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of Euroclear or Clearstream, describing the transaction or transactions that constitute the Change of Control and offering to repurchase the Notes for the specified purchase price on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered, pursuant to the procedures required by the Indenture and described in such notice, except in the case of a conditional Change of Control Offer made in advance of a Change of Control as described below.

To the extent that the provisions of any securities laws, rules or regulations, including Rule 14e-1 under the Exchange Act, conflict with the provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof. The Company may rely on any no-action letters issued by the SEC indicating that the staff of the SEC will not recommend enforcement action in the event a tender offer satisfies certain conditions.

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 Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The occurrence of events which would constitute a Change of Control may constitute a default under the Revolving Facility Agreement that permits the lenders to accelerate the maturity of borrowings thereunder and trigger the change of control offer requirements under other financing arrangements of a Parent Entity. Future Indebtedness of the Company or its subsidiaries may contain prohibitions on certain events, which 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 Company to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The Company's ability to pay cash to the Holders of Notes following the occurrence of a Change of Control may be limited by its then-existing financial resources. Therefore, sufficient funds may not be available when necessary to make any required repurchases. The Change of Control purchase feature of the Notes may, in certain circumstances, make more difficult or discourage a sale or takeover of the Group and, thus, the removal of incumbent management.

Subject to the limitations discussed below, the Company could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to incur additional Indebtedness are contained in the covenants described under “—*Certain Covenants—Limitation on Indebtedness*” and “—*Certain Covenants—Limitation on Liens*.” Such restrictions in the Indenture can be waived only with the consent of the Holders of a majority in principal amount of the Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford Holders protection in the event of a highly leveraged transaction.

The Company will not be required to make a Change of Control Offer following a Change of Control if (i) 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 Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (ii) a notice of redemption of all outstanding Notes has been given pursuant to the Indenture as described under “—*Optional Redemption*,” unless and until there is a default in the payment of the redemption price on the applicable redemption date or the redemption is not consummated due to the failure of a condition precedent contained in the applicable redemption notice to be satisfied. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control.

The definition of “Change of Control” includes a disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries, taken as a whole, to certain Persons. Although there is a limited

body of case law interpreting the phrase “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” of the assets of the Company and its 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 of Notes may require the Company to make an offer to repurchase the Notes as described above. In addition, if an event constitutes a Change of Control, the definitions of Change of Control and Permitted Holders expressly permit a third party to obtain control of the Company in a transaction, which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

The provisions under the Indenture relating to the Company’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 the Holders of a majority in principal amount of the Notes then outstanding.

If and for so long as the Notes are listed on the Official List of the Exchange and if and to the extent that the rules of the Exchange so require, the Company will notify the Exchange of any Change of Control Offer.

Certain Covenants

Set forth below are summaries of certain covenants that will be contained in the Indenture. For the avoidance of doubt, the consummation of the Transactions shall not be prohibited by the covenants below under “*Certain Covenants*.”

Suspension of Covenants on Achievement of Investment Grade Status

Following the first day:

- (a) the Notes have achieved Investment Grade Status; and
- (b) no Default or Event of Default has occurred and is continuing under the Indenture,

(the occurrence of such events, a “**Covenant Suspension Event**” and the date thereof being referred to as the “**Suspension Date**”), then, beginning on the Suspension Date until the occurrence of the Reversion Date (as defined below), (i) the amount of each basket set by reference to a monetary amount for which a specific amount is set out in the Indenture and any definitions used therein (including all “annual,” “life of facilities,” “fiscal year,” “financial year,” “calendar year,” “at any time” and “aggregate” baskets) shall be increased by fifty (50) per cent and (ii) the covenants specifically listed under the following captions in this offering memorandum will no longer be applicable to the Notes (collectively, the “**Suspended Covenants**”):

- “*—Limitation on Indebtedness;*”
- “*—Limitation on Restricted Payments;*”
- “*—Limitation on Sales of Assets and Subsidiary Stock;*”
- “*—Limitation on Affiliate Transactions;*”
- the provisions of clause (iv) under “*Merger and Consolidation—Company;*”
- “*—Limitation on Restrictions on Distributions from Restricted Subsidiaries;*”
- “*—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries;*” and
- “*—Impairment of Security Interest.*”

During any period that the foregoing covenants have been suspended, the Company may not designate any of its Subsidiaries as Unrestricted Subsidiaries. If and while the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants, the Notes will be entitled to substantially less covenant protection. In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the “**Reversion Date**”) the Notes no longer have an Investment Grade Rating or a Rating Agency withdraws its Investment Grade Rating or downgrades the rating assigned to the Notes below an Investment Grade Rating (in each case, to the extent given an Investment Grade Rating by such Rating Agency), then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture with respect to future events. The period of time between the Suspension Date and the Reversion Date is referred to in this “Description of the Notes” as the “**Suspension Period**.” The Note Guarantees will be suspended

during the Suspension Period. Additionally, upon the occurrence of a Covenant Suspension Event, the amount of Excess Proceeds from any Asset Dispositions shall be reset to zero.

During the Suspension Period, the Company and its Restricted Subsidiaries will be entitled to incur Liens to the extent provided for under “—*Limitation on Liens*” (including, without limitation, Permitted Liens) and any Permitted Liens, which may refer to one or more Suspended Covenants shall be interpreted as though such applicable Suspended Covenant(s) continued to be applicable during the Suspension Period (but solely for purposes of the “—*Limitation on Liens*” covenant and the “Permitted Liens” and “Permitted Collateral Liens” definitions and for no other covenant).

Notwithstanding the foregoing, in the event of any such reinstatement, no action taken or omitted to be taken by the Company or any of its Restricted Subsidiaries prior to such reinstatement will give rise to a Default or Event of Default under the Indenture, and no Default or Event of Default will be deemed to exist or have occurred as a result of any failure by the Company or any Restricted Subsidiary to comply with any of the Suspended Covenants during the Suspension Period; *provided*, that (1) with respect to Restricted Payments (as defined herein) made after such reinstatement, the amount available to be made as Restricted Payments will be calculated as though the covenant described under the caption “—*Limitation on Restricted Payments*” had been in effect prior to, but not during, the Suspension Period (including with respect to an Applicable Transaction entered into during the Suspension Period); (2) all Indebtedness incurred, committed or issued during the Suspension Period (or deemed incurred or issued in connection with an Applicable Transaction entered into during the Suspension Period) will be classified to have been incurred or issued pursuant to clause (iv)(A) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*,” (3) any Affiliate Transaction (as defined herein) entered into after such reinstatement pursuant to an agreement entered into during any Suspension Period shall be deemed to be permitted pursuant to clause (vi) of the second paragraph of the covenant described under “—*Limitation on Affiliate Transactions*,” (4) any encumbrance or restriction on the ability of any Restricted Subsidiary that is not a Guarantor to take any action described in clauses (i) through (iii) of the first paragraph of the covenant described under “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*” that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (i) of the second paragraph of the covenant described under “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*,” (5) no Subsidiary of the Company shall be required to comply with the covenant described under “—*Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*” after such reinstatement with respect to any guarantee or obligation entered into by such Subsidiary during any Suspension Period; and (6) all Investments made during the Suspension Period (or deemed made in connection with an Applicable Transaction entered into during the Suspension Period) will be classified to have been made under clause (i) of the definition of “Permitted Investments.”

Notwithstanding that the Suspended Covenants may be reinstated after the Reversion Date, (1) no Default, Event of Default or breach of any kind will be deemed to exist under the Indenture, the Notes or the Note Guarantees with respect to the Suspended Covenants, and none of the Company or any of its Subsidiaries shall bear any liability for any actions taken or events occurring during the Suspension Period, or any actions taken at any time pursuant to any contractual obligation arising during any Suspension Period, in each case as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or, upon termination of the Suspension Period or after that time based solely on any action taken or event that occurred during the Suspension Period), and (2) following a Reversion Date, the Company and each Restricted Subsidiary will be permitted, without causing a Default or Event of Default, to honor, comply with or otherwise perform any contractual commitments or obligations arising during any Suspension Period and to consummate the transactions contemplated thereby.

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Rating. The Trustee shall be notified of a Covenant Suspension Event. The Trustee shall have no duty to (i) monitor the ratings of the Notes, (ii) ascertain whether a Covenant Suspension Event or Reversion Date have occurred, or (iii) notify the Holders of any of the foregoing.

Limitation on Indebtedness

The Company will not, and will not permit any of the Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided* that the Company and any of the Restricted Subsidiaries may Incur Indebtedness (including Acquired Indebtedness), if on the Applicable Test Date and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), either: (i) the Fixed Charge Coverage Ratio is at least 2.00:1.00 or (ii) the Total Net Leverage Ratio does not exceed 6.55:1.00.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness (collectively, “**Permitted Debt**”):

- (i) the Incurrence by the Company or any of the Restricted Subsidiaries of Indebtedness under any Credit Facility (and the issuance and creation of letters of credit, guarantees and bankers’ acceptances thereunder) in an aggregate principal amount at any time outstanding not to exceed the sum of:
 - (A) the greater of (x) €103.5 million or, if higher, the principal amount of the Revolving Facility as at the Arcaplanet Acquisition Closing Date and (y) an amount equal to ninety-five (95) per cent. of LTM EBITDA; *plus*
 - (B) the maximum amount of Senior Secured Indebtedness such that, on the Applicable Test Date after giving *pro forma* effect to such Incurrence, the Senior Secured Net Leverage Ratio either does not increase as a result or does not exceed 5.05:1.00; *plus*
 - (C) the maximum amount of Indebtedness secured on the Collateral that is not Senior Secured Indebtedness such that, on the Applicable Test Date after giving *pro forma* effect to such Incurrence, the Total Secured Net Leverage Ratio either does not increase as a result or does not exceed 6.05:1.00; *plus*
 - (D) the maximum amount of Indebtedness not secured on Collateral or unsecured such that on the Applicable Test Date, after giving *pro forma* effect to such Incurrence, either:
 - (1) the Total Net Leverage Ratio either does not increase as a result or does not exceed 6.55:1.00; or
 - (2) the Fixed Charge Coverage Ratio either does not decrease as a result or is at least 2.00:1.00,*provided that any Indebtedness or unutilized commitments in respect of Indebtedness Incurred or deemed to be Incurred pursuant to this clause (i) may be refinanced at any time if such refinancing does not exceed the greater of (x) the aggregate principal amount of Indebtedness permitted to be Incurred pursuant to this clause (i) on the Applicable Test Date for such refinancing and (y) the aggregate principal amount of the Indebtedness or unutilized commitments in respect of Indebtedness being refinanced at such time (together with an amount necessary to pay accrued and unpaid interest and any fees and expenses (including original issue discount, upfront fees or similar fees), including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses Incurred or payable in connection with such refinancing) and, in the case of a refinancing of Indebtedness under the Revolving Facility, such Indebtedness shall be treated for all purposes as Incurred pursuant to clause (A) above;*
- (ii) any (A) guarantees by the Company or any Restricted Subsidiary of Indebtedness or other obligations of the Company or any Restricted Subsidiary and (B) without limiting the covenant set out under “—*Limitation on Liens*,” Indebtedness arising by reason of any Lien granted by or applicable to such person securing Indebtedness of the Company or any Restricted Subsidiary, in each case, so long as the Incurrence of such Indebtedness or other obligations is permitted by the terms of the Indenture;
- (iii) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary;
- (iv) Indebtedness represented by:
 - (A) Indebtedness of the Target Group outstanding as of the Arcaplanet Acquisition Closing Date or Incurred under a facility committed and as in effect as of the Arcaplanet Acquisition Closing Date after giving *pro forma* effect to the Transactions and the application of the proceeds therefrom;
 - (B) the Notes (other than any Additional Notes), including any Note Guarantees in respect thereof;
 - (C) Refinancing Indebtedness Incurred in respect of any Indebtedness described in:
 - (1) this clause (iv);
 - (2) clause (v)(B) below; or
 - (3) the first paragraph of this covenant; and
 - (D) other Indebtedness Incurred to finance Management Advances;

- (v) Indebtedness (x) of the Company, any Restricted Subsidiary or any person that will be a Restricted Subsidiary or that will be merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary Incurred or issued to finance an acquisition (including an acquisition of any assets), merger, amalgamation or consolidation or similar transaction (“**Acquisition Debt**”) or any capital expenditure or (y) of persons that are, or secured by any assets that are, acquired by the Company or any Restricted Subsidiary or merged into, amalgamated or consolidated with the Company or a Restricted Subsidiary in accordance with the terms of the Indenture; in an aggregate amount not to exceed:
 - (A) an amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this sub-clause (v)(A) and then outstanding, does not exceed the greater of (x) €27.3 million and (y) an amount equal to twenty-five (25) per cent. of LTM EBITDA as of the Applicable Test Date; *plus*
 - (B) unlimited additional Indebtedness to the extent that:
 - (1) after giving effect to such acquisition (including an acquisition of any assets), merger, amalgamation or consolidation or similar transaction or capital expenditure:
 - (I) if such Indebtedness is Senior Secured Indebtedness, either (x) the Company would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to clause (i)(B) of this paragraph or (y) the Senior Secured Net Leverage Ratio would not increase as a result;
 - (II) if such Indebtedness constitutes Indebtedness that is secured on the Collateral but is not Senior Secured Indebtedness, either (x) the Company would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to clause (i)(C) of this paragraph or (y) the Total Secured Net Leverage Ratio would not increase as a result; or
 - (III) if such Indebtedness is not secured on the Collateral or unsecured, either (x) the Company would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant or clause (i)(D) of this paragraph; (y) the Total Net Leverage Ratio would not increase as a result or (z) the Fixed Charge Coverage Ratio would not decrease as a result; or
 - (2) in the case of Acquired Indebtedness, such Indebtedness is discharged within six (6) months of Incurrence or would otherwise constitute Permitted Debt or Indebtedness incurred pursuant to the first paragraph of this covenant;
- (vi) Hedging Obligations (excluding Hedging Obligations entered into for speculative purposes as determined in good faith by the Company);
- (vii) Indebtedness:
 - (A) represented by Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness either:
 - (1) Incurred in the ordinary course of business; or otherwise
 - (2) 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 sub-clause (vii)(A)(2) and then outstanding, does not exceed the greater of (x) €54.5 million and (y) an amount equal to fifty (50) per cent. of LTM EBITDA as of the Applicable Test Date,

provided that, in each case, the Indebtedness exists on the date of such purchase, lease, rental, construction, design, installation or improvement or is created within three hundred and sixty-five (365) days thereafter;
 - (B) arising out of Sale and Leaseback Transactions; or

- (C) represented by lease obligations which would not constitute Capitalized Lease Obligations but for the implementation of IFRS 16 (Leases) or equivalent provision under the Accounting Principles or any changes in the applicable Accounting Principles;
- (viii) Indebtedness in respect of:
- (A) workers' compensation claims, old-age-part-time arrangements, self-insurance obligations, unemployment insurance (including premiums related thereto), other types of social security, pension obligations or partial retirement obligations, vacation pay, health, disability or other employee benefits, customer guarantees performance, indemnity, surety, judgment, appeal, advance payment (including progress premiums), customs, value added or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred either:
- (1) Incurred in the ordinary course of business; or otherwise
 - (2) in an aggregate 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 sub-clause (viii)(A)(2) and then outstanding, does not exceed the greater of (x) €5.5 million and (y) an amount equal to five (5) per cent. of LTM EBITDA, as of the Applicable Test Date;
- (B) the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within forty-five (45) days of Incurrence;
- (C) customer deposits and advance payments (including progress premiums) received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;
- (D) letters of credit, bankers' acceptances, warehouse receipts, guarantees, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes or other similar instruments or obligations issued or relating to liabilities or obligations either:
- (1) Incurred in the ordinary course of business; or otherwise
 - (2) in an aggregate 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 sub-clause (viii)(D)(2) and then outstanding, does not exceed the greater of (x) €5.5 million and (y) an amount equal to five (5) per cent. of LTM EBITDA as of the Applicable Test Date;
- (E) the financing of insurance premiums, take-or-pay obligations contained in supply arrangements, any customary treasury, depositary, cash management, credit card processing, automatic clearinghouse arrangements, overdraft protections, credit or debit card, purchase card, electronic funds transfer, the collection of checks and direct debits, cash pooling or netting or setting off arrangements, operating facilities or similar arrangements either:
- (1) Incurred in the ordinary course of business; or otherwise
 - (2) constituting or consisting of Indebtedness Incurred in an aggregate 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 sub-clause (viii)(E)(2) and then outstanding, does not exceed the greater of (x) €27.3 million and (y) an amount equal to twenty-five (25) per cent. of LTM EBITDA, as of the Applicable Test Date;
- (F) Indebtedness representing:
- (1) deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent Entity, the Company or any of its Subsidiaries in the ordinary course of business; or
 - (2) deferred consideration or other similar arrangements in connection with any Investment or acquisition permitted hereby;

- (G) Indebtedness owed on a short-term basis of no longer than thirty (30) Business Days to banks and other financial institutions Incurred in the ordinary course of business of the Company or any Restricted Subsidiary with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company or any Restricted Subsidiary; and
- (H) Settlement Indebtedness;
- (ix) Indebtedness arising from agreements providing for guarantees, indemnification, obligations in respect of earn-outs, deferred consideration or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or person or any Capital Stock of a Subsidiary (other than guarantees of Indebtedness Incurred by any person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Company and the Restricted Subsidiaries in respect of all such Indebtedness in connection with a disposition shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and the Restricted Subsidiaries in connection with such disposition;
- (x) 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 (x) and then outstanding, will not exceed two hundred (200) per cent. of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock or otherwise contributed to the equity (in each case, other than through the issuance of Disqualified Stock, Designated Preferred Stock, an Excluded Contribution or a Parent Debt Contribution) of the Company, in each case, subsequent to the Arcaplanet Acquisition Closing Date, and any Refinancing Indebtedness in respect thereof, *provided* that:
- (A) any such Net Cash Proceeds that are so received or contributed shall not increase the amount available for making Restricted Payments to the extent the Company and the Restricted Subsidiaries Incur Indebtedness in reliance thereon; and
 - (B) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (x) to the extent such Net Cash Proceeds or cash have been applied to make a Restricted Payment;
- (xi) Indebtedness of Restricted Subsidiaries that are not Guarantors and guarantees by the Company or any Restricted Subsidiary of Indebtedness of joint ventures in an aggregate 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 (xi) and then outstanding, does not exceed the greater of (x) €27.3 million and (y) an amount equal to twenty-five (25) per cent. of LTM EBITDA as of the Applicable Test Date;
- (xii) Indebtedness consisting of promissory notes issued by the Company or any of the Restricted Subsidiaries to any future, present or former employee, director, contractor or consultant of the Company, any of its Subsidiaries or any Parent Entity (or permitted transferees, assigns, estates, or heirs of such employee, director, contractor or consultant), to finance the purchase or redemption of Capital Stock of the Company or any Parent Entity or payment of a transaction bonus that is permitted by the covenant described under “*Limitation on Restricted Payments*;”
- (xiii) 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 (xiii) and then outstanding, will not exceed the greater of (x) €54.5 million and (y) an amount equal to fifty (50) per cent. of LTM EBITDA as of the Applicable Test Date;
- (xiv) Indebtedness Incurred pursuant to factoring financings, securitizations, receivables financings or similar arrangements, in each case, that are:
- (A) not recourse to the Company and the Restricted Subsidiaries other than a Securitization Subsidiary (except to the extent customary in the good faith determination of the Company for such type of arrangement and except for Standard Securitization Undertakings);

- (B) in the ordinary course of business;
 - (C) outstanding or available for Incurrence as at the Arcaplanet Acquisition Closing Date; or
 - (D) 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 sub-clause (xiv)(D) and then outstanding, does not exceed the greater of (x) € 54.5 million and (y) an amount equal to fifty (50) per cent. of LTM EBITDA as of the Applicable Test Date;
- (xv) any obligation, or guarantee of any obligation, of the Company or any Restricted Subsidiary to reimburse or indemnify a person extending credit to customers of the Company or a Restricted Subsidiary Incurred in the ordinary course of business for all or any portion of the amounts payable by such customers to the person extending such credit;
 - (xvi) Indebtedness to a customer to finance the acquisition of any equipment necessary to perform services for such customer; *provided that* (A) the repayment of such Indebtedness is conditional upon such customer ordering a specific volume of goods and (B) such Indebtedness does not bear interest or provide for scheduled amortization or maturity;
 - (xvii) Obligations in respect of Disqualified Stock of the Company in an 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 (xvii) and then outstanding, does not exceed the greater of (x) €10.9 million and (y) an amount equal to ten (10) per cent. of LTM EBITDA as of the Applicable Test Date;
 - (xviii) Indebtedness of the Company or any of the Restricted Subsidiaries arising pursuant to any Permitted Tax Restructuring;
 - (xix) Indebtedness consisting of local lines of credit, bilateral facilities, overdraft facilities or local working capital facilities 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 (xix) and then outstanding, will not exceed the greater of (x) €32.7 million and (y) an amount equal to thirty (30) per cent. of LTM EBITDA;
 - (xx) Indebtedness of the Company or any Restricted Subsidiary in an aggregate 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 (xx) and then outstanding, will not exceed an amount equal to one hundred and fifty (150) per cent of the Available RP Capacity Amount; *provided that* to the extent the Available RP Capacity Amount is used to Incur Indebtedness pursuant to this clause (xx), the Incurrence of such Indebtedness shall reduce the capacity to make Restricted Payments pursuant to the relevant Restricted Payment provisions under the first paragraph under “*Limitation on Restricted Payments*” or pursuant to the relevant Permitted Payment provisions under the second paragraph under “*Limitation on Restricted Payments*” in an amount equal to the Available RP Capacity Amount so utilized (it being understood that the capacity to make any Restricted Payments under the first paragraph of the covenant described under “*Limitation on Restricted Payments*” or any Permitted Payments provision under the second paragraph of the covenant described under “*Limitation on Restricted Payments*” may not be reduced below zero (0) under this proviso);
 - (xxi) Indebtedness of the Company or any Restricted Subsidiary under any cash bridge facility incurred for the purpose of (or in connection with) bridging cash held by Restricted Subsidiaries that is subject to restrictions or limitations on transfer to the Company or other Restricted Subsidiaries identified by the Company under applicable currency exchange, cash repatriation or similar or equivalent laws, rules, regulations, restrictions or practices, or that the Company otherwise determines would be impractical to transfer to the Company or any other Restricted Subsidiary(ies) identified by the Company, in an aggregate outstanding principal amount which does not exceed the greater of (x) €32.7 million and (y) an amount equal to thirty (30) per cent of LTM EBITDA; and
 - (xxii) Indebtedness of the Company or any Restricted Subsidiary incurred in connection with any Permitted Transaction.

For purposes of determining compliance with, and without prejudice to the section “*Financial Calculations*,” and the outstanding principal amount of any particular Indebtedness Incurred pursuant to, and in compliance with, this covenant:

- (i) subject to clause (ii) below, in the event that all or any portion of any item of Indebtedness (or any portion thereof) meets the criteria of more than one of the categories of Permitted Debt or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Company, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and will only be required to include, in any manner that complies with this covenant, the amount and type of such Indebtedness (or any portion thereof) in the first paragraph of this covenant or one of the clauses of the second paragraph of this covenant, and Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;
- (ii) all Indebtedness under the Revolving Facility outstanding as of the Arcaplanet Acquisition Closing Date (and any Refinancing Indebtedness in respect thereof) shall be deemed to have been Incurred pursuant to clauses (i)(A) above;
- (iii) for purposes of determining compliance with this covenant, with respect to Indebtedness Incurred under a Credit Facility, re-borrowings of amounts previously repaid pursuant to a “cash sweep” or “clean down” provisions or any similar provisions under a Credit Facility that provide that Indebtedness is deemed to have been repaid periodically shall only be deemed for the purposes of this covenant to have been Incurred on the date such Indebtedness was first Incurred and not on the date of any subsequent re-borrowing thereof;
- (iv) in the case of any Refinancing Indebtedness, when measuring the outstanding amount of such Indebtedness, such amount shall not include any amounts necessary to pay the aggregate amount of accrued and unpaid interest and any fees and expenses (including original issue discount, upfront fees or similar fees), including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses Incurred or payable in connection with such refinancing;
- (v) 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;
- (vi) if obligations in respect of letters of credit, bankers’ acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to the first or the second paragraph of this covenant and the letters of credit, bankers’ acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (vii) the principal amount of any Disqualified Stock of the Company 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;
- (viii) in the event that the Company or a Restricted Subsidiary enters into or increases commitments under any facility or enters into any commitment to Incur or issue Indebtedness, the Incurrence or issuance thereof for all purposes under the Indenture, including for the purposes of calculating any Applicable Metric for borrowings and re-borrowings thereunder (and including issuance and creation of letters of credit and bankers’ acceptances thereunder) may be determined, at the Company’s option (A) on the date of such facility or such entry into or increase in commitments or (B) on the date on which such facility or commitments become available or, if applicable, any other Applicable Test Date (assuming, in the case of (A) and (B) of this clause (viii) that the full amount thereof (or, at the option of the Company, a portion thereof) has been borrowed as of such date) and, in either case, if any such Applicable Metric is satisfied with respect thereto at such time, any borrowing or re-borrowing thereunder (and the issuance and creation of letters of credit and bankers’ acceptances thereunder) will be permitted under this covenant irrespective of the Applicable Metric at the time of any borrowing or re-borrowing (or issuance or creation of letters of credit or bankers’ acceptances thereunder) (the committed amount (excluding any such amount in respect of Indebtedness under any revolving facility, letter of credit facility or bank guarantee facility and/or other debt which is available to be re-drawn (including under the Revolving Facility)) permitted to be borrowed or re-borrowed on a date pursuant to the operation of this clause (viii) but not actually borrowed on such date shall be the “Reserved Indebtedness Amount” as of such date for purposes of the Fixed Charge Coverage Ratio, the Senior Secured Net Leverage Ratio, the Total Secured Net Leverage Ratio or the Total Net Leverage Ratio, as applicable, and, to the extent of any clause of the second paragraph of this covenant (if any), shall be deemed to be Incurred and outstanding under such clauses);

- (ix) notwithstanding anything in this covenant to the contrary, in the case of any Indebtedness Incurred to refinance Indebtedness initially Incurred in reliance on the first paragraph of this covenant or any clause of the second paragraph of this covenant measured by reference to a percentage of LTM EBITDA as of the Applicable Test Date, if such refinancing would cause the percentage of LTM EBITDA restriction to be exceeded if calculated based on the percentage of LTM EBITDA on the Applicable Test Date of such refinancing, such percentage of LTM EBITDA restriction shall not be deemed to be exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, *plus* the aggregate amount of accrued and unpaid interest and any fees and expenses (including original issue discount, upfront fees or similar fees), including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses Incurred or payable in connection with such refinancing; and
- (x) except as otherwise specified herein, the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of the applicable Accounting Principles.

Accrual and/or capitalization of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares or Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in the applicable Accounting Principles, will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; *provided* that the amount of any Refinancing Indebtedness in respect of any outstanding Indebtedness may (in the Company's sole discretion) be increased by the amount of all such accrued and/or capitalized interest, accreted value, original issue discount and/or additional Indebtedness in respect of such Indebtedness and such Increased Amount will not be deemed to be Indebtedness for the purpose of calculating any basket, permission or threshold under which such Refinancing Indebtedness is permitted to be Incurred.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this covenant, the Company shall be in default of this covenant).

For purposes of determining compliance with any restriction on the incurrence of Indebtedness denominated in a given currency, the Currency Equivalent of the aggregate principal amount of Indebtedness (or liquidation preference in the case of Disqualified Stock or Preferred Stock) denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, or, at the option of the Company, first committed or first incurred or upon execution of the definitive documentation in respect thereof (whichever yields the lower Currency Equivalent); *provided* that if such Indebtedness is incurred to refinance other Indebtedness denominated in another currency, and such refinancing would cause the applicable currency denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such currency denominated restriction, as applicable, shall be deemed not to have been exceeded so long as the principal amount (or liquidation preference in the case of Disqualified Stock or Preferred Stock) of such Refinancing Indebtedness does not exceed the principal amount (or liquidation preference in the case of Disqualified Stock or Preferred Stock) set forth in sub-clause (c) of the definition of "Refinancing Indebtedness".

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies, in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not permit any of the Restricted Subsidiaries, directly or indirectly, to:

- (i) declare or pay any dividend or make any distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any such payment in connection with any merger or consolidation involving the Company or any of the Restricted Subsidiaries) except:
 - (A) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding;

- (B) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of the Company or any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Company or another Restricted Subsidiary on no more than a *pro rata* basis); and
 - (C) dividends or distributions payable to any Parent Entity to fund payments of interest, premiums or break costs in respect of Indebtedness of such Parent Entity (or Refinancing Indebtedness thereof), which is guaranteed by the Company or any Restricted Subsidiary or is otherwise considered Indebtedness of the Company or any Restricted Subsidiary; *provided that*:
 - (1) any net proceeds from such Indebtedness are, directly or indirectly, contributed to the equity of the Company or any Restricted Subsidiary in any form or otherwise received (including by way of Indebtedness) by the Company or any Restricted Subsidiary (a “**Parent Debt Contribution**”);
 - (2) any net proceeds described in sub-clause (1) above shall be excluded for purposes of increasing the amount available for distribution pursuant to clause (C) of this paragraph and shall not be Excluded Contributions; and
 - (3) in the case that any net proceeds described in sub-clause (1) above are contributed to or received by the Company or the Restricted Subsidiaries in the form of Indebtedness, there shall be no double-counting of interest paid on such Indebtedness, any proceeds loan relating to such Indebtedness and any dividends or distributions payable to the relevant Parent Entity to fund interest payments in respect of Indebtedness of such Parent Entity;
 - (ii) purchase, repurchase, redeem, retire or otherwise acquire or retire for value any Capital Stock of the Company or any Parent Entity held by persons other than the Company or a Restricted Subsidiary other than in exchange for Capital Stock of the Company (other than Disqualified Stock) or in exchange for options, warrants or other rights to purchase such Capital Stock of the Company;
 - (iii) 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 (I) any such purchase, repurchase, redemption, defeasance or other acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (II) any Indebtedness Incurred pursuant to clause (iii) of the second paragraph of the covenant described under “*Limitation on Indebtedness*”);
 - (iv) make any payment (whether of principal, interest or other amounts) on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding (other than (x) any payment of interest thereon in the form of additional Subordinated Shareholder Funding) or (y) any payment thereon directly or indirectly for the purpose of funding any of the payments referred to in clause (i)(C) above); or
 - (v) make any Restricted Investment,
- (any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (i) through (v) above are referred to herein as a “**Restricted Payment**”), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:
- (A) an Event of Default shall have occurred and be continuing or would occur as a consequence thereof;
 - (B) the Company is not able to Incur an additional €1.00 of Indebtedness pursuant to clause (i) of the first paragraph under “*Limitation on Indebtedness*” immediately after giving effect, on a *pro forma* basis, to such Restricted Payment; or
 - (C) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Arcaplanet Acquisition Closing Date (and not returned or rescinded) (including Permitted Payments made pursuant to clauses (i) and (xiii)(C) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph) would exceed the sum of (without duplication):
 - (1) fifty (50) per cent. of Consolidated Net Income of the Company for the period (treated as one accounting period) from the first day of the Financial Quarter in which the Arcaplanet Acquisition Closing Date occurs to the end of the most recent Financial Quarter ending prior to the date of such

Restricted Payment for which internal consolidated financial statements of the Company are available. *provided* that the amount taken into account pursuant to this sub-clause (1) shall not be less than zero (0); *plus*

- (2) one hundred (100) per cent. of the aggregate amount of cash, and the fair market value of property or assets or marketable securities, received by the Company from the issue or sale of its Subordinated Shareholder Funding or Capital Stock or as the result of a merger or consolidation with another person or otherwise contributed to the equity (in each case other than through the issuance of Disqualified Stock or Designated Preferred Stock) of the Company subsequent to the Arcaplanet Acquisition Closing Date (other than (1) Subordinated Shareholder Funding or Capital Stock sold to a Subsidiary of the Company, (2) 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 Company or any Subsidiary of the Company for the benefit of their employees to the extent funded by the Company or any Restricted Subsidiary, (3) cash or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (vi) of the next succeeding paragraph and (4) Excluded Contributions); *plus*
- (3) one hundred (100) per cent. of the aggregate amount of cash, and the fair market value of property or assets or marketable securities, received subsequent to the Arcaplanet Acquisition Closing Date by the Company or any Restricted Subsidiary from the issuance or sale (other than (1) Subordinated Shareholder Funding or (2) Capital Stock sold to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of their employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Arcaplanet Acquisition Closing Date of any Indebtedness, Disqualified Stock or Designated Preferred Stock that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preferred Stock) *plus*, without duplication, the amount of any cash, and the fair market value of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange; *plus*
- (4) one hundred (100) per cent. of the aggregate amount received in cash and the fair market value, as determined in good faith by the Company, of marketable securities or other property received subsequent to the Arcaplanet Acquisition Closing Date by the Company or any Restricted Subsidiary by means of: (1) the sale or other disposition (other than to the Company or a Restricted Subsidiary) of Restricted Investments made by the Company or the Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from the Company or the Restricted Subsidiaries and repayments of loans or advances, and releases of guarantees, which constitute Restricted Investments by the Company or the Restricted Subsidiaries, in each case after the Arcaplanet Acquisition Closing Date; or (2) the sale (other than to the Company or a Restricted Subsidiary) of the stock of an Unrestricted Subsidiary or a distribution from an Unrestricted Subsidiary or a dividend from a person that is not a Restricted Subsidiary after the Arcaplanet Acquisition Closing Date (in each case, other than to the extent of the amount of the Investment that constituted a Permitted Investment or was made under clause (xvii) of the next succeeding paragraph and will increase the amount available under the applicable clause of the definition of "Permitted Investment" or clause (xvii) of the next succeeding paragraph, as the case may be); *plus*
- (5) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger, amalgamation or consolidation of an Unrestricted Subsidiary into the Company or a Restricted Subsidiary or the transfer of all or substantially all of the assets of an Unrestricted Subsidiary to the Company or a Restricted Subsidiary subsequent to the Arcaplanet Acquisition Closing Date, the fair market value of the Investment in such Unrestricted Subsidiary (or the assets transferred), as determined in good faith by the Company at the time of the redesignation of such Unrestricted Subsidiary as a Restricted Subsidiary or at the time of such merger, amalgamation or consolidation or transfer of assets (after taking into consideration any Indebtedness associated with the Unrestricted Subsidiary so designated or merged, amalgamated or consolidated or Indebtedness associated with the assets so transferred), other than to the extent of the amount of the Investment that constituted a Permitted Investment or was made under clause (xvii) of the next succeeding paragraph and will increase the amount available under the applicable clause of the definition of "Permitted Investment" or clause (xvii) of the next succeeding paragraph, as the case may be; *plus*
- (6) the greater of (x) €32.7 million and (y) an amount equal to thirty (30) per cent. of LTM EBITDA.

The foregoing provisions will not prohibit any of the following (collectively, “**Permitted Payments**”):

- (i) the payment of any dividend or distribution or any purchase, redemption, defeasance, repurchase, other acquisition or retirement for value, completed within sixty (60) days after the date of declaration or notice thereof, if at the date of declaration or notice such payment would have complied with the provisions of this covenant or the redemption, repurchase or retirement of Indebtedness if, at the date of any redemption or repayment notice, such payment would have complied with the provisions of this covenant as if it were and is deemed at such time to be a Restricted Payment at the time of such notice;
- (ii) any:
 - (A) prepayment, purchase, repurchase, redemption, defeasance or other acquisition, discharge or retirement of Capital Stock of the Company (including any accrued and unpaid dividends thereon) (“**Treasury Capital Stock**”) or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege, in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Subordinated Shareholder Funding or Capital Stock of the Company (other than Disqualified Stock or Designated Preferred Stock) (“**Refunding Capital Stock**”) or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock or through an Excluded Contribution or a Parent Debt Contribution) of the Company; *provided* that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Subordinated Shareholder Funding or Capital Stock or such contribution will be excluded from clause (C)(2) of the first paragraph of this covenant; and
 - (B) if immediately prior to the retirement of Treasury Capital Stock, the declaration and payment of dividends thereon was permitted under sub-clause (xiii) below, the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock, the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Capital Stock of a Parent Entity) in an aggregate amount per year no greater than the aggregate amount of dividends per annum that were declarable and payable on such Treasury Capital Stock immediately prior to such retirement;
- (iii) any prepayment, purchase, repurchase, exchange, redemption, defeasance, discharge 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*”;
- (iv) any prepayment, purchase, repurchase, redemption, defeasance, discharge or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company 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*”;
- (v) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness (other than Subordinated Shareholder Funding) or Disqualified Stock or Preferred Stock of a Restricted Subsidiary:
 - (A) to the extent required by the agreement governing such Subordinated Indebtedness, Disqualified Stock or Preferred Stock, following the occurrence of:
 - (1) a Change of Control (or other similar event described therein as a “change of control”); or
 - (2) an Asset Disposition (or other similar event described therein as an “asset disposition” or “asset sale”),but only if (and to the extent required) the Company shall have first complied with the provisions of the Indenture that require (i) a Change of Control Offer or (ii) other than as provided in clause (iii)(A)(2) or, solely as it relates to this clause (v), clause (iii)(C) of the first paragraph of the covenant described under “*Limitation on Sales of Assets and Subsidiary Stock*,” an Asset Disposition Offer, as applicable, and in each case all Notes validly tendered by Holders thereof in connection with such Change of Control Offer or Asset Disposition Offer, as applicable, have been repurchased, redeemed, acquired or retired for value; or

- (B) consisting of Acquired Indebtedness, other than Indebtedness Incurred:
- (1) 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 Company or a Restricted Subsidiary; or
 - (2) otherwise in connection with, or in contemplation of, such acquisition;
- (vi) any Restricted Payment to pay for any purchase, repurchase, redemption, prepayment, defeasance, cancellation, retirement or other acquisition or retirement for value of Capital Stock (including any options, warrants or other rights in respect thereof) (other than Disqualified Stock) or Subordinated Shareholder Funding of the Company or any Parent Entity held by any future, present or former employee, director or consultant of the Company, any of its Subsidiaries or any Parent Entity (or permitted transferees, assigns, estates, trusts or heirs of such employee, director, contractor or consultant); *provided* that cancellation of Indebtedness owing to the Company or any Restricted Subsidiary from any future, present or former members of management, directors, employees, contractors or consultants of the Company or Restricted Subsidiaries or any Parent Entity in connection with a repurchase of Capital Stock of the Company or any Parent Entity will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;
- (vii) the declaration and payment of dividends on Disqualified Stock or Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “*Limitation on Indebtedness*,”
- (viii) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise, conversion or exchange of stock options, warrants or other rights in respect thereof, if such Capital Stock represents a portion of the exercise price thereof or withholding or similar taxes in respect thereof and payments in respect of withholding or similar taxes payable upon exercise or vesting thereof;
- (ix) dividends, loans, advances or distributions to any Parent Entity or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):
- (A) the amounts required for any Parent Entity to pay any Parent Entity Expenses or any Related Taxes;
 - (B) any Permitted Tax Distribution;
 - (C) amounts constituting, or to be used for purposes of, making payments to the extent specified in clauses (ii), (iii), (v), (xi), (xii) and (xvii)(A) (but only in respect of the parenthetical thereto) of the second paragraph of the covenant described under “*Limitation on Affiliate Transactions*”), *provided* that any such dividends, loans, advances or distributions to make payments in respect of annual management fees specified in clause (xi)(A) of the second paragraph under “*Limitation on Affiliate Transactions*” and made pursuant to this sub-clause (C) shall not exceed in aggregate, the greater of (x) €3.3 million and (y) an amount equal to three (3) per cent. of LTM EBITDA in any financial year; and
 - (D) up to the greater of (x) €5.5 million and (y) an amount equal to five (5) per cent. of LTM EBITDA in any financial year;
- (x) the declaration and payment of dividends on, or the purchase, redemption, defeasance or other acquisition or retirement for value of, the Capital Stock, common stock or common equity interests of the Company, any Parent Entity or any IPO Entity following a Public Offering of such Capital Stock, common stock or common equity interests; *provided* that the aggregate amount of all such dividends or distributions shall not exceed the sum of:
- (A) up to six (6) per cent. per annum of the amount of Net Cash Proceeds received by or contributed to the Company’s common equity by any Parent Entity or any IPO Entity from any such public offering, other than public offerings with respect to the Company’s, any Parent Entity’s or any IPO Entity’s common equity registered on Form S-8, other than issuances to any Subsidiary of the Company and other than any public sale constituting an Excluded Contribution; and
 - (B) an aggregate amount per annum not to exceed seven (7) per cent. of the greater of Market Capitalization or IPO Market Capitalization;

- (xi) payments by the Company, or loans, advances, dividends or distributions to any Parent Entity to make payments, to holders of Capital Stock of the Company or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock; *provided that* any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Company);
- (xii) Restricted Payments that are made (A) in an amount that does not exceed the aggregate amount of Excluded Contributions received following the Arcaplanet Acquisition Closing Date or (B) without duplication with the immediately preceding sub-clause (A) and without double counting any such cash proceeds that otherwise increase amounts available under clause (C) of the first paragraph of this covenant, in an amount not to exceed the cash proceeds from a sale, conveyance, transfer or other disposition in respect of property or assets acquired after the Arcaplanet Acquisition Closing Date, if the acquisition of such property or assets was financed with Excluded Contributions;
- (xiii) the declaration and payment of dividends:
 - (A) on Designated Preferred Stock of the Company issued after the Arcaplanet Acquisition Closing Date;
 - (B) to a Parent Entity in an amount sufficient to allow the Parent Entity to pay dividends to holders of its Designated Preferred Stock issued after the Arcaplanet Acquisition Closing Date; and
 - (C) on Refunding Capital Stock that is Preferred Stock issued after the Arcaplanet Acquisition Closing Date in excess of the dividends declarable and payable thereon pursuant to clause (ii) of the second paragraph of this covenant;

provided that:

- (1) in the case of sub-clauses (A) and (B) above, the amount of all dividends declared or paid to a person pursuant to such clauses shall not exceed the cash proceeds received by the Company or the aggregate amount contributed as Subordinated Shareholder Funding or in cash to the equity of the Company (other than through the issuance of Disqualified Stock or an Excluded Contribution or a Parent Debt Contribution of the Company), from the issuance or sale of such Designated Preferred Stock; and
 - (2) in the case of sub-clauses (A), (B) and (C) above, as at the Applicable Test Date, after giving effect to such payment on a *pro forma* basis the Company would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to clause (i) of the first paragraph under “*Limitation on Indebtedness*”;
- (xiv) distributions, by dividend or otherwise, or other transfer or disposition of shares of Capital Stock, of equity interests in, or Indebtedness owed to the Company or a Restricted Subsidiary by, Unrestricted Subsidiaries (other than Unrestricted Subsidiaries, substantially all the assets of which are cash and Cash Equivalent Investments), or proceeds thereof;
- (xv) distributions or payments of Securitization Fees, sales contributions and other transfers of Securitization Assets or Receivables Assets and purchases of Securitization Assets or Receivables Assets pursuant to a Securitization Repurchase Obligation, in each case in connection with a Qualified Securitization Financing or Receivables Facility;
- (xvi) any Restricted Payment made in connection with the Transactions (including those Restricted Payments contemplated by the tax structure memorandum prepared in connection with the Arcaplanet Acquisition (other than any exit steps described therein)) and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto or used to fund amounts owed to Affiliates in connection with the Transactions (including dividends to any Parent Entity to permit payment by such Parent Entity of such amounts);
- (xvii)
 - (A) Restricted Payments (including loans or advances):
 - (1) up to the greater of (x) €43.6 million and (y) an amount equal to forty (40) per cent. of LTM EBITDA; *plus*

- (2) any Declined Proceeds; *plus*
- (B) so long as no Event of Default is continuing, any Restricted Payments (including loans or advances), so long as, immediately after giving *pro forma* effect to the payment of any such Restricted Payment and the Incurrence of any Indebtedness the net proceeds of which are used to make such Restricted Payment, either:
 - (1) the Total Secured Net Leverage Ratio shall be no greater than 4.30:1.00;
 - (2) in the case that the Total Secured Net Leverage Ratio exceeds 4.30:1.00, the Total Secured Net Leverage Ratio shall be no greater than 4.55:1.00 and fifty (50) per cent of such Restricted Payment shall be funded from the Available Amount (without double counting) at the time of such Restricted Payment; or
 - (3) in the case that the Total Secured Net Leverage Ratio exceeds 4.55:1.00, the Total Secured Net Leverage Ratio shall be no greater than 4.80:1.00 and one hundred (100) per cent of such Restricted Payment shall be funded from the Available Amount (without double counting) at the time of such Restricted Payment;
- (xviii) mandatory redemptions of Disqualified Stock issued as a Restricted Payment or as consideration for a Permitted Investment;
- (xix) so long as no Event of Default is continuing, the direct or indirect repayment, redemption, defeasance, repurchase, exchange or other acquisition or retirement of Subordinated Indebtedness of the Company or any Restricted Subsidiary, but excluding any Subordinated Shareholder Funding other than to the extent that the repayment of such Subordinated Shareholder Funding directly or indirectly finances a repayment, redemption, defeasance, repurchase, exchange or other acquisition or retirement of Subordinated Indebtedness otherwise contemplated by this clause (xix):
 - (A) in an aggregate amount at the time redeemed, defeased, repurchased, exchanged or otherwise acquired or retired not to exceed the greater of (x) €32.7 million and (y) an amount equal to thirty (30) per cent. of LTM EBITDA; *plus*
 - (B) such that immediately after giving *pro forma* effect to the payment of any such Restricted Payment and the redemption, defeasance, repurchase, exchange or other acquisition or retirement of any such Subordinated Indebtedness, either:
 - (1) the Total Secured Net Leverage Ratio shall be no greater than 4.55:1.00; or
 - (2) in the case that the Total Secured Net Leverage Ratio exceeds 4.55:1.00, the Total Secured Net Leverage Ratio shall be no greater than 4.80:1.00 and fifty (50) per cent. of such Restricted Payment shall be funded from the Available Amount (without double counting) at the time of such Restricted Payment; or
 - (3) in the case that the Total Secured Net Leverage Ratio exceeds 4.80:1.00, the Total Secured Net Leverage Ratio shall be no greater than 5.05:1.00 and one hundred (100) per cent. of such Restricted Payment shall be funded from the Available Amount (without double counting) at the time of such Restricted Payment;
- (xx) payments or distributions to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Company and the Restricted Subsidiaries, taken as a whole, that complies with the covenants described under “*Merger and Consolidation*,”
- (xxi) Restricted Payments to a Parent Entity to finance Investments that would otherwise be permitted to be made pursuant to this covenant if made by the Company, *provided* that:
 - (A) such Restricted Payments shall be made substantially concurrently with the closing of such Investment;
 - (B) such Parent Entity shall, promptly following the closing thereof, cause:
 - (1) all property acquired (whether assets or Capital Stock) to be contributed to the capital of the Company or one of the Restricted Subsidiaries; or

- (2) the merger or amalgamation of the person formed or acquired into the Company or one of the Restricted Subsidiaries (to the extent not prohibited by the covenant described under “*Merger and Consolidation*”) to consummate such Investment;
- (C) such Parent Entity and its Affiliates (other than the Company or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction, except to the extent the Company or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Indenture;
- (D) any property received by the Company shall not increase amounts available for Restricted Payments pursuant to clause (C)(2) of the first paragraph or clauses (ii) or (vi) of this paragraph or be deemed to be an Excluded Contribution or a Parent Debt Contribution; and
- (E) such Investment shall be deemed to be made by the Company or such Restricted Subsidiary pursuant to another provision of this covenant (other than pursuant to clause (xxi) hereof) or pursuant to the definition of “*Permitted Investments*” (other than pursuant to clause (I) thereof);
- (xxii) any Restricted Payment to repay any equity injected into the Group on or around the Arcaplanet Acquisition Closing Date in an amount equal to any post-closing purchase price adjustment payment received by the Group;
- (xxiii) any dividends, repayments of equity, reductions of capital or any other distribution made with Net Available Cash from Permitted Specified Asset Dispositions in an amount equal to:
 - (A) fifty (50) per cent. of the Net Available Cash from Permitted Specified Asset Dispositions; *provided* that immediately after giving *pro forma* effect to the payment of any such dividends, repayments of equity, reductions of capital or any other distribution and the Permitted Specified Asset Disposition, the Total Net Leverage Ratio shall be no greater than 4.80:1.00; and
 - (B) one hundred (100) per cent. of the Net Available Cash from Permitted Specified Asset Dispositions; *provided* that immediately after giving *pro forma* effect to the payment of any such dividends, repayments of equity, reductions of capital or any other distribution and the Permitted Specified Asset Disposition, the Total Net Leverage Ratio shall be no greater than 4.55:1.00.
- (xxiv) so long as no Event of Default is continuing, Restricted Payments of amounts deemed to not constitute Excess Proceeds pursuant to the second paragraph of the covenant described under “*Limitation on Sales of Assets and Subsidiary Stock*”;
- (xxv) Restricted Payments in an amount not to exceed the aggregate amount of the Closing Overfunding;
- (xxvi) any Restricted Payments constituting, or made for the purpose of, a Permitted Transaction; and
- (xxvii) Restricted Payments made within eighteen (18) months of the Arcaplanet Acquisition Closing Date in an amount not to exceed the aggregate amount of Equity Contributions expected as of the Arcaplanet Acquisition Closing Date, in lieu of, or to replace, Indebtedness which could be incurred under clause (xxi) of the second paragraph of the covenant described under “*Limitation on Indebtedness*” above; *provided* that (without double counting) any Restricted Payment made pursuant to this clause (xxvii) shall reduce the amount which may be Incurred under clause (xxi) of the second paragraph of the covenant described under “*Limitation on Indebtedness*” above on a euro-for-euro basis.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) (i) meets the criteria of more than one of the categories of Permitted Payments described in the second paragraph of this covenant, and/or (ii) is permitted pursuant to the first paragraph of this covenant and/or (iii) constitutes a Permitted Investment, the Company will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as a Permitted Investment.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the Applicable Test Date of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment, property or assets other than cash shall be determined conclusively by the Company acting in good faith.

Unrestricted Subsidiaries may use value transferred from the Company and the Restricted Subsidiaries in a Permitted Investment or a Restricted Investment not prohibited under this covenant to purchase or otherwise acquire Indebtedness or Capital Stock of the Company, any Parent Entity or any of the Company's Restricted Subsidiaries, and to transfer value to the holders of the Capital Stock or any Parent Entity and to Affiliates thereof, and such purchase, acquisition, or transfer will not be deemed to be a "direct or indirect" action by the Company or the Restricted Subsidiaries.

Limitation on Liens

The Company will not, and the Company will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Company), whether owned on the Arcaplanet Acquisition Closing 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:

- (i) in the case of any property or asset that does not constitute Collateral:
 - (A) Permitted Liens; or
 - (B) Liens on property or assets that are not Permitted Liens if obligations under the Notes and the Indenture are directly secured equally and ratably with or prior to, or, 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
- (ii) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any Lien created in favor of the Notes pursuant to sub-clause (i)(B) of the first paragraph of this covenant will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates and (ii) otherwise as set forth in the Indenture, the Intercreditor Agreement and/or under the relevant Security Document.

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "**Increased Amount**" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Limitation on Sales of Assets and Subsidiary Stock

The Company will not, and will not permit any of the Restricted Subsidiaries to, make any Asset Disposition unless:

- (i) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Company, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);
- (ii) in any such Asset Disposition, or series of related Asset Dispositions, with a purchase price in excess of the greater of (x) €21.8 million and (y) an amount equal to twenty (20) per cent. of LTM EBITDA, except in the case of a Permitted Asset Swap, at least seventy-five (75) per cent. of the consideration for such Asset Disposition, together with all other Asset Dispositions since the Arcaplanet Acquisition Closing Date (on a cumulative basis), received by the Company or such Restricted Subsidiary, as the case may be, is in the form of Cash Equivalent Investments; and *provided* that the amount of:
 - (A) the greater of the principal amount and the carrying value of any liabilities (as reflected on the Company's or such Restricted Subsidiary's most recent consolidated balance sheet or in the footnotes thereto or, if Incurred or increased subsequent to the date of such balance sheet, such liabilities that would have been reflected on the Company's or such Restricted Subsidiary's consolidated balance sheet or in the footnotes thereto if such incurrence or increase had taken place on or prior to the

date of such balance sheet, as determined by the Company) of the Company or such Restricted Subsidiary, other than liabilities that are by their terms subordinated to the Notes, that are (1) assumed by the transferee of any such assets (or a third party in connection with such transfer) pursuant to a written agreement which releases or indemnifies the Company or such Restricted Subsidiary from such liabilities or (2) otherwise cancelled or terminated in connection with the transaction;

- (B) any securities, notes or other obligations or assets received by the Company or such Restricted Subsidiary from such transferee that are converted or reasonably expected by the Company acting in good faith to be converted by the Company or such Restricted Subsidiary into Cash Equivalent Investments (to the extent of the Cash Equivalent Investments received or expected to be received) or by their terms are required to be satisfied for Cash Equivalent Investments within one hundred and eighty (180) days following the closing of such Asset Disposition; and
- (C) any Designated Non-Cash Consideration received by the Company or such Restricted Subsidiary in such Asset Disposition having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this clause (C) that is at that time outstanding, not to exceed the greater of (x) €27.3 million and (y) an amount equal to twenty-five (25) per cent. of LTM EBITDA at the time of the receipt of such Designated Non-Cash Consideration (or, at the Company's option, at the time of contractually agreeing to such Asset Disposition), with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value,

shall each be deemed to be Cash Equivalent Investments for purposes of this provision and for no other purpose; and

- (iii) an amount equal to one hundred (100) per cent. of the Net Available Cash from such Asset Disposition is applied, to the extent the Company or any Restricted Subsidiary, as the case may be, elects (at its sole discretion):

(A) to prepay, repay or purchase:

- (1) any Senior Secured Indebtedness; and/or
- (2) any other Permitted Debt (*provided* that such application would comply with the covenant described under "*Limitation on Restricted Payments*"),

(in each case, other than Indebtedness owed to the Company or any Restricted Subsidiary);

- (B) to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary equal to the amount of Net Available Cash received by the Company or another Restricted Subsidiary); and/or
- (C) to make any Restricted Payment or Permitted Payment permitted to be made under the covenant described under "*Limitation on Restricted Payments*" or any Permitted Investment,

in each case, within three hundred and sixty-five (365) days from the later of (1) the date of such Asset Disposition and (2) the receipt of such Net Available Cash; *provided* that:

- (1) in connection with any prepayment, repayment or purchase of Indebtedness pursuant to sub-clause (iii)(A) above, the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (other than in the case of any asset-based credit facility, any revolving credit facility (including the Revolving Facility)) to be reduced in an amount equal to the principal amount so prepaid, repaid or purchased;
- (2) a binding commitment or letter of intent entered into not later than such 365th day shall be treated as a permitted application of the Net Available Cash from the date of such commitment or letter of intent so long as the Company, or such Restricted Subsidiary, enters into such commitment or letter of intent with the good faith expectation that such Net Available Cash will be applied to satisfy such commitment or letter of intent within the later of such 365th day and one hundred and eighty (180) days of such commitment or letter of intent (an "**Acceptable Commitment**"); and

- (3) pending the final application of the amount of any such Net Available Cash in accordance with sub-clauses (iii)(A) to (iii)(C) above, the Company and the Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise use such Net Available Cash in any manner permitted by the Indenture.

The following amount of Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the first paragraph of this covenant will be deemed to constitute “**Excess Proceeds**” under the Indenture:

- (i) if the Total Net Leverage Ratio as at the Applicable Test Date after giving *pro forma* effect to such Asset Disposition exceeds 4.80:1.00, one hundred (100) per cent of the Net Available Cash from such Asset Disposition; or
- (ii) if the Total Net Leverage Ratio as at the Applicable Test Date after giving *pro forma* effect to such Asset Disposition exceeds 4.80:1.00 but does not exceed 4.55:1.00, fifty (50) per cent. of the Net Available Cash from such Asset Disposition; or
- (iii) if the Total Net Leverage Ratio as at the Applicable Test Date after giving *pro forma* effect to such Asset Disposition does not exceed 4.55:1.00, zero (0) per cent of the Net Available Cash from such Asset Disposition;

in each case, *provided that*:

- (A) to the extent the Company or any Restricted Subsidiary has elected to prepay, repay or purchase any amount of Notes or other Senior Secured Indebtedness at a price of no less than one hundred (100) per cent. of the principal amount thereof, and has extended such offer to the Holders of the Notes on at least a *pari passu* basis to the extent the creditors in respect of such Senior Secured Indebtedness (including the Holders) elect not to tender their Senior Secured Indebtedness for such prepayment, repayment or purchase, the Company will be deemed to have applied an amount of Net Available Cash equal to such amount not tendered under this clause (A), and such amount shall not increase the amount of Excess Proceeds (such amount, together with the aggregate amount described under the fourth paragraph of this covenant, the “**Declined Proceeds**”); and
- (B) for the avoidance of doubt, Net Available Cash that will not constitute Excess Proceeds pursuant to clause (ii) or (iii) of the paragraph above shall be immediately available to the Group for any purposes permitted by the Indenture, including to make Restricted Payments in accordance with clause (xxiv) of the second paragraph of the covenant described under “*Limitation on Restricted Payments*,” without regard to the periods specified in clause (iii) of the first paragraph of this covenant.

On the 366th day (or such longer period permitted by the first paragraph of this covenant) after the later of an Asset Disposition or the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds under this covenant exceeds the greater of (x) €32.7 million and (y) an amount equal to thirty (30) per cent. of LTM EBITDA in a single transaction, the Company will within ten (10) Business Days make an offer (an “**Asset Disposition Offer**”) to all Holders of the Notes and, if required or permitted by the terms of any other Senior Secured Indebtedness, to the holders of such Senior Secured Indebtedness, to purchase the maximum aggregate principal amount (or accreted value, as applicable) of the Notes and such Senior Secured Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to (i) in the case of the Notes, 100% of the principal amount thereof (or accreted value, if less), *plus* accrued and unpaid interest, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture, and (ii) in the case of such Senior Secured Indebtedness, the offer price required by the terms thereof, in accordance with the procedures set forth in the agreement(s) governing such Senior Secured Indebtedness.

The Company may satisfy the foregoing obligations with respect to any Net Available Cash from an Asset Disposition by making an Asset Disposition Offer with respect to such Net Available Cash prior to the expiration of the relevant three hundred and sixty-five (365) days (or such longer period provided above) (the “**Asset Disposition Offer Period**”) with respect to all or part of the Net Available Cash (the “**Advance Portion**”) in advance of being required to do so by the Indenture (an “**Advance Offer**”).

If the aggregate principal amount (or accreted value, if applicable) of Notes and other Senior Secured Indebtedness, as the case may be, surrendered by such holders thereof exceeds the amount offered in the Asset Disposition Offer (or in the case of an Advance Offer, the Advance Portion), the Company shall prepay, repay

or purchase the Notes and such Senior Secured Indebtedness, as the case may be, on a *pro rata* basis based on the aggregate principal amount (or accreted value, if applicable) of the Notes or such Senior Secured Indebtedness, as the case may be, tendered with adjustments as necessary so that no Notes or Senior Secured Indebtedness, as the case may be, will be repurchased in part in an unauthorized denomination. Upon completion of any such Asset Disposition Offer (or Advance Offer), the amount of Excess Proceeds that resulted in the requirement to make an Asset Disposition Offer shall be reset to zero (0) (regardless of whether there are any remaining Excess Proceeds upon such completion). Upon consummation or expiration of any Asset Disposition Offer, any remaining Net Available Cash shall not be deemed Excess Proceeds and the Company may use such Net Available Cash for any purpose permitted by the Indenture.

To the extent that the aggregate amount (or accreted value, if applicable) of Notes and Senior Secured Indebtedness, as the case may be, tendered pursuant to an Asset Disposition Offer is less than the amount offered in the Asset Disposition Offer (or, in the case of an Advance Offer, the Advance Portion), the Company may use any remaining Excess Proceeds (or in the case of an Advance Offer, the Advance Portion) for any purposes not otherwise prohibited under the Indenture.

An Asset Disposition Offer or Advance Offer may be made at the same time as consents are solicited with respect to an amendment, supplement or waiver of the Indenture, the Notes and/or the Note Guarantees (but the Asset Disposition Offer or Advance Offer may not condition tenders on the delivery of such consents).

Pending the final application of the amount of any Net Available Cash pursuant to this covenant, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness, or otherwise use such Net Available Cash in any manner permitted by the Indenture.

The Company will comply with the requirements of Rule 14-e1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws or regulations are applicable in connection with the repurchase of the Notes pursuant to an Asset Disposition Offer or an Advance Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof.

The provisions under the Indenture related to the Company's obligation to make an offer to repurchase the Notes as a result of an Asset Disposition may be waived or modified with the written consent of the Holders of a majority in principal amount of all the then outstanding Notes.

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 amount into its Euro Equivalent amount determined as of a date selected by the Company that is within the Asset Disposition Offer Period.

The Revolving Facility Agreement may prohibit or limit, and future credit agreements or other agreements to which the Company becomes a party may prohibit or limit, the Company from purchasing any Notes pursuant to this covenant. In the event the Company is prohibited from purchasing the Notes, the Company could seek the consent of its lenders to the purchase of the Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain such consent or repay such borrowings, it will remain prohibited from purchasing the Notes. In such case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Limitation on Affiliate Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (any such transaction or series of related transactions being an "**Affiliate Transaction**") involving aggregate value in excess of the greater of (x) €10.9 million and (y) an amount equal to ten (10) per cent. of LTM EBITDA unless:

- (i) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company 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
- (ii) in the event such Affiliate Transaction involves an aggregate value in excess of the greater of (x) €16.4 million and (y) an amount equal to fifteen (15) per cent. of LTM EBITDA, the terms of such Affiliate Transaction have been approved by a majority of the members of the Board of Directors of the Company; *provided* that any Affiliate Transaction shall also be deemed to have satisfied the requirements

set forth in this clause (ii) if such Affiliate Transaction is approved by a majority of the Disinterested Directors of the Company, if any.

The provisions of the preceding paragraph will not apply to:

- (i) any Restricted Payment permitted to be made pursuant to the covenant described under “*Limitation on Restricted Payments*” or any Permitted Investment;
- (ii) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans, transaction bonuses or transaction-related securities repurchase plans or similar employee benefits or consultants’ plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;
- (iii) any Management Advances and any waiver or transaction with respect thereto;
- (iv) any:
 - (A) transaction between or among the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries; and
 - (B) merger, amalgamation or consolidation with any Parent Entity; *provided* that such Parent Entity shall have no material liabilities and no material assets other than cash, Cash Equivalent Investments and the Capital Stock of the Company and such merger, amalgamation or consolidation is otherwise permitted under the Indenture;
- (v) the payment of compensation, fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, contractors, consultants, distributors or employees of the Company, any Parent Entity or any Restricted Subsidiary (whether directly or indirectly and including through any Controlled Investment Affiliate of such directors, officers, contractors, consultants, distributors or employees);
- (vi) the entry into and performance of obligations of the Company or any of the Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Arcaplanet Acquisition Closing Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders (taken as a whole) in any material respect;
- (vii) any transaction effected as part of a Qualified Securitization Financing or Receivables Facility, any disposition or repurchase of Securitization Assets, Receivables Assets or related assets in connection with any Qualified Securitization Financing or Receivables Facility;
- (viii) transactions with customers, clients, joint venture partners, suppliers, contractors, distributors or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Company or the senior management of the Company or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (ix) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity, which would constitute an Affiliate Transaction solely:
 - (A) because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in, or otherwise controls such Affiliate, Associate or similar entity; or

- (B) due to the fact that a director of such person is also a director of the Company or any direct or indirect Parent Entity of the Company (*provided* that such director abstains from voting as a director of the Company or such direct or indirect Parent Entity of the Company, as the case may be, on any matter involving such other person);
- (x) any:
 - (A) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preferred Stock) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding and the granting of registration and other customary rights (and the performance of the related obligations) in connection therewith or any contribution to capital of the Company or any Restricted Subsidiary; and
 - (B) amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable; *provided* that such Subordinated Shareholder Funding, as amended or otherwise modified, will continue to satisfy the requirements described in the definition of Subordinated Shareholder Funding;
- (xi) any:
 - (A) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly), including to its affiliates or its designees, of annual management, consulting, monitoring, refinancing, transaction, subsequent transaction exit fees, advisory fees and related costs and reasonable expenses and indemnities in connection therewith and any termination fees (including any such cash lump sum or present value fee upon the consummation of a corporate event, including an Initial Public Offering); and
 - (B) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital markets transactions, acquisitions or divestitures; and
 - (C) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly), including to its affiliates or its designees, of fees, costs and expenses reflected in the offering memorandum,

which are, in the case of each of sub-clauses (A) and (B) only, approved by a majority of the Board of Directors of the Company in good faith;

- (xii) payment to any Permitted Holder of all out-of-pocket expenses incurred by such Permitted Holder in connection with its direct or indirect investment in the Company and its Subsidiaries;
- (xiii) the Transactions and the payment of all costs and expenses (including all legal, accounting and other professional fees and expenses) related to the Transactions;
- (xiv) transactions in which the Company or any Restricted Subsidiary, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that either (x) such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or (y) that such transaction meets the requirements of clause (i) of the first paragraph of this covenant;
- (xv) the existence of, or the performance by the Company or any Restricted Subsidiary of its obligations under the terms of, any equityholders agreement (including any registration rights agreement or purchase agreements related thereto), to which it is party as of the Arcaplanet Acquisition Closing Date and any similar agreement that it may enter into thereafter; *provided* that the existence of, or the performance by the Company or any Restricted Subsidiary of its obligations under any future amendment to the equityholders' agreement or under any similar agreement entered into after the Arcaplanet Acquisition Closing Date will only be permitted under this clause to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous to the Holders (taken as a whole) in any material respect as determined in good faith by the Company;
- (xvi) any purchases by the Company's Affiliates of Indebtedness or Disqualified Stock of the Company or any of the Restricted Subsidiaries, the majority of which Indebtedness or Disqualified Stock is

purchased by persons who are not the Company's Affiliates; *provided* that such purchases by the Company's Affiliates are on the same terms as such purchases by such persons who are not the Company's Affiliates;

(xvii) any:

- (A) Investments by Affiliates in securities of the Company or any of the Restricted Subsidiaries (and payment of reasonable out-of-pocket expenses Incurred by such Affiliates in connection therewith), so long as the Investment is being offered by the Company or such Restricted Subsidiary generally to other non-affiliated third party investors on the same or more favorable terms; and
- (B) payments to Affiliates in respect of securities of the Company or any of the Restricted Subsidiaries contemplated in sub-clause (A) above or that were acquired from persons other than the Company and the Restricted Subsidiaries, in each case, in accordance with the terms of such securities;

(xviii) payments by any Parent Entity, the Company and/or the Restricted Subsidiaries pursuant to any tax sharing agreements or other equity agreements in respect of Related Taxes among any such Parent Entity, the Company and/or the Restricted Subsidiaries on customary terms to the extent attributable to the ownership or operation of the Company and its Subsidiaries;

(xix) payments, Indebtedness and Disqualified Stock (and cancellation of any thereof) of the Company and the Restricted Subsidiaries and Preferred Stock (and cancellation of any thereof) of any Restricted Subsidiary to any future, current or former employee, director, officer, contractor or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Company, any of its Subsidiaries or any of its Parent Entities pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement; and any employment agreements, stock option plans and other compensatory arrangements (and any successor plans thereto) and any supplemental executive retirement benefit plans or arrangements with any such employees, directors, officers, contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) that are, in each case, approved by the Company in good faith;

(xx) employment and severance arrangements between the Company or the Restricted Subsidiaries and their respective officers, directors, contractors, consultants, distributors and employees in the ordinary course of business or entered into in connection with or as a result of the Transactions;

(xxi) any transition services arrangement, supply arrangement or similar arrangement entered into in connection with or in contemplation of the disposition of assets or Capital Stock in any Restricted Subsidiary permitted under the covenant described under "*Limitation on Sales of Assets and Subsidiary Stock*" or entered into with any Business Successor, in each case, that the Company determines in good faith is either fair to the Company or otherwise on customary terms for such type of arrangements in connection with similar transactions;

(xxii) transactions entered into by an Unrestricted Subsidiary with an Affiliate prior to the day such Unrestricted Subsidiary is redesignated as a Restricted Subsidiary as described under "*Designation of Restricted and Unrestricted Subsidiaries*" and pledges of Capital Stock of Unrestricted Subsidiaries;

(xxiii) any lease entered into between the Company or any Restricted Subsidiary, as lessee, and any Affiliate of the Company that is not a Restricted Subsidiary, as lessor, which is approved by a majority of the members of the Board of Directors of the Company;

(xxiv) intellectual property licenses in the ordinary course of business;

(xxv) 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 regards to any existing or future joint venture, in the ordinary course of business (including any cash management activities related thereto);

(xxvi) any participation in a public tender or exchange offer for securities or debt instruments issued by the Company or any of its Restricted Subsidiaries that provides for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer;

- (xxvii) the entry into, and performance of obligations and related services under, any registration rights or other listing agreement;
- (xxviii) the payment of costs and expenses related to registration rights and customary indemnities provided to shareholders under any shareholder agreement; and
- (xxix) any Permitted Tax Restructuring or Permitted Transaction.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Company 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:

- (i) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary;
- (ii) make any loans or advances to the Company or any Restricted Subsidiary; or
- (iii) sell, lease or transfer any of its property or assets to the Company or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (i) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Facility), (b) the Intercreditor Agreement and any Additional Intercreditor Agreement and (c) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;
- (ii) any encumbrance or restriction pursuant to the Indenture, the Notes, the Note Guarantees, or the Security Documents;
- (iii) any encumbrance or restriction pursuant to applicable law, rule, regulation or order;
- (iv) 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 Company or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Company 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 Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary or entered into in contemplation of or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause, if another Person is the Successor Company (as defined below), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;
- (v) any encumbrance, restriction or condition: (A) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract or agreement, or the assignment or transfer of any lease, license or other contract or agreement; (B) contained in mortgages, pledges, charges or other security agreements permitted under this Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under this Indenture to the extent such encumbrances or restrictions restrict the transfer or encumbrance of the property or assets subject to such mortgages, pledges, charges or other security agreements; (C) contained in any trading, netting, operating, construction, service, supply, purchase, sale or other agreement, to which the Company or any of the Restricted Subsidiaries is a party entered into in the ordinary course of business or consistent with past practice; *provided* that such agreement prohibits the encumbrance of solely the property or assets of the Company or such Restricted Subsidiary that

are the subject to such agreement, the payment rights arising thereunder or the proceeds thereof and does not extend to any other asset or property of the Company or such Restricted Subsidiary or the assets or property of another Restricted Subsidiary; or (D) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

- (vi) 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;
- (vii) any encumbrance or restriction imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of the Company or any Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (viii) customary provisions in leases, licenses, shareholder agreements, joint venture agreements and other similar agreements, organizational documents and instruments;
- (ix) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, licensing requirement or order, or required by any regulatory authority;
- (x) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business or consistent with past practice;
- (xi) any encumbrance or restriction pursuant to Hedging Obligations;
- (xii) restrictions created in connection with any Qualified Securitization Financing or Receivables Facility that, in the good faith determination of the Company, are necessary or advisable to effect such Securitization Facility or Receivables Facility;
- (xiii) 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 covenant described under “*Limitation on Indebtedness*,” if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders (taken as a whole) than (i) the encumbrances and restrictions contained in (A) the Revolving Facility, together with the Transaction Security Documents associated therewith, or the Indenture, together with the Security Documents associated therewith, and (B) the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Company) and where, in the case of this sub-clause (ii), either (x) the Company determines at the time of entry into such agreement or instrument that such encumbrances or restrictions will not adversely affect, in any material respect, the Company’s ability to make principal or interest payments on the Notes or (y) such encumbrance or restriction applies only during the continuance of a default relating to such agreement or instrument, or (b) constituting an Additional Intercreditor Agreement;
- (xiv) any encumbrance or restriction existing by reason of any lien permitted under the covenant described under “*Limitation on Liens*,” or
- (xv) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clauses (i) to (xiv) of this paragraph or this clause (xv) (an “**Initial Agreement**”) or contained in any amendment, supplement or other modification to an agreement referred to in clauses (i) to (xiv) of this paragraph or this clause (xv); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Company).

Designation of Restricted and Unrestricted Subsidiaries

The Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by the Company and the Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments pursuant

to the covenant described under “—*Limitation on Restricted Payments*” or under one or more clauses of the definition of “Permitted Payments” or “Permitted Investments,” as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee on the date of such designation by delivering to the Trustee an Officer’s Certificate certifying that such designation complies with the preceding conditions and was permitted by the covenant described under “—*Limitation on Restricted Payments*.” If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” the Company will be in default of such covenant.

The Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under “—*Limitation on Indebtedness*” (including pursuant to clause (v) of the second paragraph thereof treating such redesignation as an acquisition for the purpose of such clause), calculated on a *pro forma* basis as if such designation had occurred at the beginning of the Applicable Test Date; and (2) no Event of Default would be in existence following such designation. Any such designation by the Company shall be evidenced to the Trustee by filing with the Trustee an Officer’s Certificate certifying that such designation complies with the preceding conditions.

Reports

So long as any Notes are outstanding, the Company will furnish to the Trustee the following reports following the Issue Date:

- (1) within 120 days (or, in the case of the fiscal year ending December 31, 2021, 150 days) after the end of each fiscal year of the Company, commencing with the fiscal year ending December 31, 2021, annual reports containing: (i) the audited consolidated balance sheet of the Company as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Company 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; (ii) an operating and financial review of the audited financial statements, including a discussion of the consolidated financial condition, results of operations, EBITDA and material changes in liquidity and capital resources of the Company; (iii) unaudited *pro forma* income statement and balance sheet information of the Company, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations (other than the Arcaplanet Acquisition and the Maxi Zoo Contribution) 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) of the first paragraph of this “Reports” covenant); *provided* that such *pro forma* financial information will be provided only to the extent reasonably available; (iv) a brief description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material debt instruments and (v) a summary description of material risk factors and material recent developments; *provided* that the information described in sub-clause (iv) may be provided in the footnotes to the audited financial statements;
- (2) within 60 days (or, in the case of the fiscal quarter ending March 30, 2022, 90 days) after the end of each of the first three fiscal quarters in each fiscal year of the Company, commencing with the quarter ending March 30, 2022, quarterly financial statements containing the following information: (i) the Company’s unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of the Company, 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 reasonably available; (iii) an operating and financial review of the unaudited financial

statements, including a discussion of the consolidated financial condition, results of operations, EBITDA and material changes in liquidity and capital resources of the Company and (iv) material recent developments; and

- (3) promptly after the occurrence of a material event that the Company announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Company and the Restricted Subsidiaries, taken as a whole, or a change in a senior executive officer of the Company or a change in auditors of the Company, a report containing a description of such event.

In addition, the Company 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 U.S. Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not “affiliates” under the U.S. Securities Act.

All financial statement information (excluding, for the avoidance of doubt, the calculations made under any incurrence covenant, which shall be prepared in accordance with the terms of this Indenture) shall be prepared in accordance with the Accounting Principles as in effect on the date of such report or financial statement (or otherwise on the basis of the Accounting Principles 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), (3) and (4) above may, in the event of a change in the relevant Accounting Principles, present earlier periods on a basis that applied to such periods. No report need to include separate financial statements for any Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. GAAP.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Company’s *pro forma* consolidated revenue or LTM EBITDA for the most recent four quarters, for which annual or quarterly financial reports have been delivered to the Trustee.

At any time that any of the Company’s Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Company, 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 Company and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

In the event that (i) the Company 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 Company elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Company) 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 Company will make available to the Trustee such annual reports, information, documents and other reports that the Company is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d).

All reports provided pursuant to this “Reports” covenant shall be in English, or with a certified English translation.

Subject to compliance with the next subsequent paragraph, in the event that, and for so long as, the equity securities of the Company, any current or future company in the Target Group, Maxi Zoo or any Parent Entity or IPO Entity are listed on the Main Market of the London Stock Exchange (or one or more of the equivalent regulated markets of the Amsterdam Stock Exchange, the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, the Milan Stock Exchange, the New York Stock Exchange or the Swiss Stock Exchange or any other listing venue with substantially similar reporting requirements) and the Company, such current or future company in the Target Group, Maxi Zoo or such Parent Entity or IPO Entity is subject to the admission and disclosure standards applicable to issuers of equity securities admitted to trading on the Main Market of the London Stock Exchange (or the equivalent standards applicable to issuers of equity securities admitted to trading on one or more of the equivalent regulated markets of the Amsterdam Stock Exchange, the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, the Milan Stock Exchange, the New York Stock Exchange or the Swiss Stock Exchange or any other listing venue with substantially similar standards), for so long as it elects, the Company will make

available to the Trustee such annual reports, information, documents and other reports that the Company is, or would be, required to file with the London Stock Exchange (or one or more of the equivalent regulated markets of the Amsterdam Stock Exchange, the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, the Milan Stock Exchange, the New York Stock Exchange or the Swiss Stock Exchange or any other listing venue with substantially similar reporting requirements) pursuant to such admission and disclosure standards (or the applicable standards of one or more of the equivalent regulated markets of the Amsterdam Stock Exchange, the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, the Milan Stock Exchange, the New York Stock Exchange or the Swiss Stock Exchange or any other listing venue with substantially similar standards, as applicable). Upon complying with the foregoing requirements, and provided that such requirements require the Company, any current or future company in the Target Group, Maxi Zoo or any Parent Entity or IPO Entity to prepare and file annual reports, information, documents and other reports with the Main Market of the London Stock Exchange, or one or more of the equivalent regulated markets of the Amsterdam Stock Exchange, the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, the Milan Stock Exchange, the New York Stock Exchange or the Swiss Stock Exchange or any other listing venue with substantially similar reporting requirements, as applicable, the Company will be deemed to have complied with the provisions contained in this “Reports” covenant.

At its election, the Company may comply with any requirement to provide reports or financial statements under this “Reports” covenant by providing consolidated financial statements of (x) one of its Restricted Subsidiaries or (y) a direct or indirect Parent Entity, in each case, in lieu of those for the Company, in which case references to the Company in clauses (1), (2) and (3) of the first paragraph of this “Reports” covenant will be deemed to be references to such Restricted Subsidiary or Parent Entity, as applicable; *provided* that if the consolidated financial statements of such Restricted Subsidiary or Parent Entity, as the case may be, are included in such report, a qualitative description of material differences between the consolidated financial statements of such Restricted Subsidiary or Parent Entity, as the case may be, and the Company shall be included for any period after the Issue Date. Upon complying with the requirements set forth in the preceding sentence, the Company will be deemed to have complied with the provisions contained in the preceding paragraphs.

Any reports in respect of (a) periods commencing prior to the first full fiscal quarter period after Arcaplanet Acquisition Closing Date (including in respect of any comparative information) may, upon the election of the Company, include only the standalone financial information of Agrifarma and Maxi Zoo, without any other financial information, after giving *pro forma* effect to the Transactions and (b) any periods may, upon election of the Company, include or exclude standalone financial statements of any unconsolidated subsidiaries.

Impairment of Security Interest

The Company 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 that the Incurrence of Permitted Collateral Liens, or the confirmation or affirmation of security interests in respect of the Collateral, shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company 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 in any of the Collateral that is prohibited by the covenants described under “—*Limitation on Indebtedness*” or “—*Limitation on Liens*”; *provided*, that the Company and its Restricted Subsidiaries may Incur any Lien over any of the Collateral that is not prohibited by the covenants described under “—*Limitation on Indebtedness*” and “—*Limitation on Liens*”, including Permitted Collateral Liens, and the Collateral may be discharged, transferred or released in any circumstances not prohibited by the Indenture or the Security Documents.

Notwithstanding the first paragraph of this covenant, nothing in this covenant shall restrict the discharge, transfer or release of any Collateral or Lien in any circumstance in accordance with the Indenture and the Security Documents. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented, replaced or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) (1) to cure any ambiguity, omission, defect or inconsistency therein; (2) for the purposes of Incurring Permitted Collateral Liens; (3) to add to the Collateral; (4) to make any other change thereto that does not adversely affect the Holders in any material respect; or (5) to amend, extend, renew, restate, supplement, replace or otherwise modify or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) any Security Documents for

the purposes of undertaking a Permitted Reorganization, a Permitted Tax Restructuring, or a transaction not prohibited by the covenant described under “*Merger and Consolidation*”; *provided*, however, that in the case of sub-clauses (4) and (5) above, no Security Document may be amended, extended, renewed, restated, supplemented, replaced or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement supplement, replacement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Company delivers to the Security Agent and the Trustee, either (i) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an Independent Financial Advisor or appraiser or investment bank of international standing, which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, replacement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), (ii) a certificate from the chief financial officer or the Board of Directors of the relevant Person, which confirms the solvency of the person granting any such Lien after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, replacement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), or (iii) an Opinion of Counsel (subject to any qualifications customary for this type of Opinion of Counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, replacement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Document, so amended, extended, renewed, restated, supplemented, replaced, modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) are valid and perfected 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, replacement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject.

In the event that the Company and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such actions without the need for instructions from the Holders.

Limitation on Guarantees of Indebtedness by Restricted Subsidiaries

Subject to the Agreed Security Principles, the Company shall not permit any Restricted Subsidiary, other than a Guarantor or a Securitization Subsidiary, to guarantee the payment of (i) any syndicated Credit Facility or (ii) Public Debt of the Company or any Guarantor in an aggregate principal amount in excess of the greater of (x) €27.3 million and (y) 25% of LTM EBITDA at such time, unless such Restricted Subsidiary within 60 days after the guarantee of such Indebtedness executes and delivers a supplemental indenture to the Indenture providing for a Note Guarantee by such Restricted Subsidiary, except that with respect to a guarantee of Indebtedness of the Company or any Guarantor, if such Indebtedness is by its express terms subordinated in right of payment to the Notes or such Guarantor’s Note Guarantee, any such guarantee by such Restricted Subsidiary with respect to such Indebtedness shall be subordinated in right of payment to such Note Guarantee substantially to the same extent as such Indebtedness is subordinated to the Notes; *provided* that this covenant shall not be applicable to any guarantee of any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary and was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary. The Company may elect, in its sole discretion, to cause any Subsidiary that is not otherwise required to be a Guarantor to become a Guarantor, in which case such Subsidiary shall not be required to comply with the 60-day period described in this paragraph.

At the option of the Company, any Note 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 Note Guarantees granted pursuant to this provision shall be released as set forth under “*Note Guarantees—Guarantee Releases*.” A Note Guarantee of a future Guarantor may also be released at the option of the Company if at the date of such release there is no Indebtedness of such Guarantor outstanding, which was Incurred after the Issue Date and which could not have been Incurred in compliance with this

Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, reasonably requested by, and at the cost of, the Company to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Note Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in See “*Risk Factors—Risks Related to the Notes, the Note Guarantees and the Collateral—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes and the Collateral,*” “*Risk Factors—Risks Related to the Notes, the Note Guarantees and the Collateral—The Issuer is incorporated in Italy, and Italian insolvency laws may not be as favorable to holders of the Notes as insolvency laws in other jurisdictions with which they may be familiar*” and “*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations.*”

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Company, in connection with the Incurrence by the Company or any of its Restricted Subsidiaries of: (i) any Indebtedness secured on Collateral or as otherwise required herein; and (ii) any Refinancing Indebtedness in respect of Indebtedness referred to in sub-clause (i) above, the Company, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an intercreditor agreement (an “**Additional Intercreditor Agreement**”) or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders (taken as a whole)), including substantially the same terms with respect to release of Note Guarantees and priority and release of the Security Interests, *provided* that: (A) such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or, in the reasonable opinion of the Trustee or the Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Indenture, any Additional Intercreditor Agreement or the Intercreditor Agreement; (B) if more than one such intercreditor agreement is outstanding at any time, the correlative terms of such intercreditor agreements must not conflict; and (C) regardless of the number of Intercreditor Agreements or Additional Intercreditor agreements, only one payment blockage notice may be served in any period of 360 consecutive days or in respect of the same event or circumstance and any such payment blockages may not be in effect for more than 179 days in the aggregate during any consecutive 360-day period.

The Indenture will also provide that, at the direction of the Company and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (i) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement; (ii) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Company 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 to the Notes); (iii) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement; (iv) further secure the Notes (including Additional Notes); (v) make provision for equal and ratable pledges of the Collateral to secure Additional Notes; (vi) implement any Permitted Collateral Liens; (vii) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof; or (viii) make any other change to any such agreement that does not adversely affect the Holders (taken as a whole) in any material respect, making all necessary provisions to ensure that the Notes and the Note Guarantees are secured by first-priority Liens over the Collateral. In formulating its decisions on such matters, the Trustee and the Security Agent, if applicable, shall be entitled to require and rely absolutely on such evidence as it deems appropriate, including Officer’s Certificates and Opinions of Counsel.

The Indenture will also provide that the Company shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement or Additional Intercreditor Agreement, other than: (i) in accordance with the second paragraph of this covenant; or (ii) with the consent of the requisite majority of Holders, except as otherwise permitted below under “*—Amendments and Waivers,*” and the Company 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 the Security Agent or, in the reasonable opinion of the Trustee or the Security Agent, adversely affect their respective rights, duties, liabilities or immunities under this Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture will also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the requisite majority of Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby, *provided* that such transaction would comply with the covenant described under “*Limitation on Restricted Payments*.”

The Indenture will also 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.

Financial Calculations

When calculating the satisfaction of or availability under any Applicable Metric in the Indenture in connection with any Applicable Transaction, the date of determination of such Applicable Metric shall, at the option of the Company, be any Applicable Test Date. If the Company elects to determine any Applicable Metric as of any Applicable Test Date, it shall give *pro forma* effect to any other Applicable Transactions that have occurred up to (and including) such Applicable Test Date; *provided* that the *pro forma* calculation may exclude any non-recurring fees, costs and expenses attributable to any Applicable Transaction.

If compliance with an Applicable Metric is established in accordance with the preceding paragraph, such Applicable Metric shall be deemed to have been complied with (or satisfied) for all purposes; *provided* that (a) the Company may elect, in its sole discretion, to recalculate any Applicable Metric on the basis of a more recent Applicable Test Date, in which case, such date of redetermination shall thereafter be deemed to be the relevant Applicable Test Date for purposes of such Applicable Metrics; and (b) save as contemplated in clause (a) above, compliance with any Applicable Metric shall not be determined or tested at any time after the relevant Applicable Test Date for such transaction and any actions or transactions related thereto.

If any Applicable Metric for which compliance was determined or tested as of an Applicable Test Date would at any time after the Applicable Test Date have been exceeded or otherwise failed to have been complied with as a result of fluctuations in such Applicable Metric (or any other Applicable Metric), such Applicable Metric will not be deemed to have been exceeded or failed to have been complied with as a result of such fluctuations.

If any related requirements and conditions (including as to the absence of any continuing Default or Event of Default) for which compliance or satisfaction was determined or tested as of the Applicable Test Date would at any time after the Applicable Test Date not have been complied with or satisfied (including due to the occurrence or continuation of a Default or an Event of Default), such requirements and conditions will not be deemed to have been failed to be complied with or satisfied (and such Default or Event of Default shall be deemed not to have occurred or be continuing).

Subject to clause (viii) of the third paragraph of the covenant described under “*Limitation on Indebtedness*”, in calculating the availability under any Applicable Metric in connection with any action or transaction unrelated to the Applicable Transaction following the relevant Applicable Test Date and prior to the earlier of the date on which such Applicable Transaction is consummated or the Company determines (in its sole discretion) that such Applicable Transaction will not be consummated, any such Applicable Metric shall be determined or tested giving *pro forma* effect to such Applicable Transaction.

If an item of Indebtedness (or any portion thereof) is committed, Incurred or issued, any Lien is committed or Incurred or any other transaction is undertaken or any Applicable Metric is tested in reliance on a ratio-based basket based on the Fixed Charge Coverage Ratio, the Senior Secured Net Leverage Ratio, the Total Secured Net Leverage Ratio or the Total Net Leverage Ratio or any other ratio based Applicable Metric, such ratios shall be calculated without regard to the Incurrence of any Indebtedness to finance the working capital needs of the Company and its Restricted Subsidiaries under any revolving facility, letter of credit facility or bank guarantee facility and/or other debt, which is available to be re-drawn (including under a Revolving Facility or any ancillary facility under the Revolving Facility Agreement) and, for the avoidance of doubt, subject to paragraph (viii) of the third paragraph of the covenant described under “*Limitation on Indebtedness*” any undrawn commitments for Indebtedness (including under a Revolving Facility) shall be disregarded for the purposes of testing the Applicable Metric.

For purposes of determining compliance with any (A) euro-denominated Applicable Metric, the Euro Equivalent of amounts denominated in a foreign currency shall be calculated using a rate of exchange selected by the Company (acting reasonably and in good faith) on the Applicable Test Date (including, for the avoidance of doubt, the rate of any foreign exchange transaction entered into by the Group in relation to the

Applicable Transaction or any rate referred to in paragraph (C) below); or (B) any other Applicable Metric (including in respect of any calculation of any financial covenant or ratio under the Note Documents), the euro-equivalent of amounts denominated in a foreign currency shall be calculated, at the Company's option, using any of (i) any applicable weighted average spot conversion rates over the relevant Testing Period; (ii) any applicable conversion rates used in any relevant financial statements or management accounts; or (iii) any applicable conversion rate selected by the Company (acting reasonably and in good faith) on the relevant date of determination (including the Applicable Test Date, if applicable); or (iv) any applicable conversion rate under any foreign exchange hedging arrangement entered into by any member of the Group, and, in each case, no Default, Event of Default or any breach of representation or warranty or undertaking shall arise merely as a result of a subsequent change in the euro equivalent amount of any relevant amount due to fluctuations in exchange rates.

Without prejudice to the immediately preceding paragraph, the Company may, from time to time, by notice to the Trustee, redenominate any Applicable Metric denominated in a particular currency into euro or U.S. Dollar (as it may elect) by reference to any rate referred to in clause (B) of the immediately preceding paragraph and, on and from the date of such notice, such Applicable Metric shall for all purposes be construed as being denominated in such currency specified by the Company in the amount determined by the Company in accordance with this paragraph.

Notwithstanding anything to the contrary (including anything in the financial definitions set out in this "Description of the Notes"), when calculating any Applicable Metric, the financial definitions or component thereof, the Company shall be permitted to (A) exclude all or any part of any expenditure or other negative item (and/or the impact thereof) directly or indirectly relating to or resulting from (i) the Transactions, (ii) any other acquisition, Investment or other joint venture permitted by the Indenture or the impact from purchase price accounting, (iii) start-up costs for new businesses and branding or re-branding of existing businesses, (iv) Restructuring Costs; (v) research and development expenditure (and the capitalization thereof); and/or (vi) the implementation of IFRS 15 (Revenue from Contracts with Customers) and/or IFRS 16 (Leases) and, in each case, any successor standard thereto (or any equivalent measure under the Accounting Principles) or any other changes in the applicable Accounting Principles, *provided* that the implementation of IFRS 16 (Leases) (or any equivalent measure under the Accounting Principles) is either excluded or included consistently in both Indebtedness and Consolidated EBITDA in any single such calculation; and/or (B) include any addbacks (without further verification or diligence) for adjustments (including anticipated Synergies) or costs or expenses (i) of a type reflected in this offering memorandum and/or any base case model or quality of earnings report relating to an Investment or acquisition permitted under the Indenture prepared by an independent third party and/or (ii) taken into account in determining (x) consolidated EBITDA or (y) the financing EBITDA to be used in connection with financing for an Investment or acquisition permitted under the Indenture.

If any Applicable Metric is determined by reference to the greater of a fixed amount (the "**numerical permission**") and a percentage of LTM EBITDA (the "**grower permission**") and the grower permission of the Applicable Metric exceeds the applicable numerical permission at any time as a result of an acquisition or Investment that is permitted under the Indenture, the numerical permission shall be deemed to be increased to the highest amount of the grower permission reached from time to time as a result of any such acquisitions and/or investments and shall not subsequently be reduced as a result of any decrease in the grower permission.

Subject to the limitations imposed under clause (ii) of the third paragraph of the covenant described under "*Limitation on Indebtedness*," if a proposed action, matter, transaction or amount (or a portion thereof) is incurred or entered into pursuant to a fixed permission and at a later time would subsequently be permitted under a ratio-based permission, unless otherwise elected by the Company, such action, matter, transaction or amount (or a portion thereof) shall automatically be reclassified to such ratio-based permission. For any relevant Applicable Metric set by reference to a fiscal year, a calendar year, a Relevant Period, a four-quarter period, a twelve-month period or any other similar annual period (each an "**Annual Period**"):

- (i) at the option of the Company, 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 Group 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.

Merger and Consolidation

The Company

The Company will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all its assets, in one transaction or a series of related transactions, to any person, unless:

- (i) the resulting, surviving or transferee person (the “**Successor Company**”) will be a person organized and existing under the laws of Italy, England, Luxembourg, United States, a Member State of the European Union (or any other jurisdiction approved by all of the Holders) and the Successor Company (if not the Company) will expressly assume, by way of supplemental indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;
- (ii) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the applicable Successor Company or any Subsidiary of the applicable Successor Company as a result of such transaction as having been Incurred by the applicable Successor Company or such Subsidiary at the time of such transaction), no Event of Default shall have occurred and be continuing and:
 - (A) the Company or the Successor Company 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 lower, or the Total Net Leverage Ratio would not be higher, than it was immediately prior to giving effect to such transaction;
- (iii) the Company or the Successor Company, as the case may be, shall have delivered to the Trustee an Officer’s Certificate to the effect that such consolidation, merger or transfer and such supplemental indenture comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture, the Intercreditor Agreement and the Security Documents, as applicable, are legal and binding agreements enforceable against 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; and
- (iv) the Holders (or the Security Agent on their behalf) will continue to have the same or substantially equivalent (ignoring for the purposes of assessing such equivalency any limitations required in accordance with the Agreed Security Principles or hardening periods (or any similar or equivalent concept)) guarantees and security over the same or substantially equivalent assets and over the shares (or other interests) in the Company or the Successor Company, save to the extent such assets or shares (or other interests) cease to exist (*provided* that if the shares (or other interests) in the Company cease to exist, security will be granted (subject to the Agreed Security Principles) over the shares (or other interests) in the Successor Company).

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Notes and the Indenture.

Guarantors

No Guarantor may:

- (i) consolidate with or merge with or into any person;
- (ii) sell, assign, convey, transfer, lease or dispose of, all or substantially all its assets, in one transaction or a series of related transactions, to any person; or
- (iii) permit any person to merge with or into such Guarantor, unless:
 - (A) the other person is the Company or any Restricted Subsidiary that is a Guarantor (or becomes a Guarantor substantially concurrently with the transaction); or
 - (B) either (x) the Company or a Guarantor is the continuing person or (y) the resulting, surviving or

transferee person expressly assumes all of the obligations of the Guarantor under the Indenture and all obligations of the Company under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable, and immediately after giving effect to the transaction, no Default is continuing; or

- (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture.

General

The provisions set forth in this covenant “*Merger and Consolidation*” shall not restrict (and shall not apply to):

- (i) any Restricted Subsidiary that is not the Company or a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Company, a Guarantor or any other Restricted Subsidiary that is not the Company or a Guarantor;
- (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Company or a Guarantor;
- (iii) any consolidation or merger of the Company into any Guarantor; *provided* that, if the Company is not the surviving entity of such merger or consolidation:
 - (A) the relevant Guarantor will assume the obligations of the Company under the Notes, the Indenture, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (i), (iii) and (iv) of the covenant described under “*Merger and Consolidation—Company*” above shall apply to such transaction; and
 - (B) to the extent that any Collateral previously granted over the shares in the capital of the relevant Guarantor would not, in accordance with applicable law, constitute a Lien over the shares in the capital of the surviving entity, the direct Parent Holding Company of the surviving entity shall, subject to the Agreed Security Principles, grant Collateral in the form of Security Interests over the shares in the capital of the surviving entity on substantially equivalent terms to any Security Interests granted over the shares in the capital of such predecessor Guarantor immediately prior to such merger or consolidation;
- (iv) the Company 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* that, in the case of a consolidation, merger or combination of:
 - (A) the Company into or with an Affiliate that is not a Guarantor, clauses (i), (ii), (iii) and (iv) of the covenant described under “*Merger and Consolidation—Company*” shall apply to such transaction; and
 - (B) any Guarantor into or with an Affiliate, sub-clause (iii) above shall apply to such transaction; or
- (iv) the Transactions or any Permitted Transaction.

Other Merger and Consolidation Terms

A Permitted Specified Asset Disposition shall not be deemed to be the sale, assignment, conveyance, transfer, lease or disposal of all or substantially all of the properties and assets of the Company or one or more Subsidiaries of the Company, and such Permitted Specified Asset Disposition shall not be subject to this “*Merger and Consolidation*” covenant.

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.

Notwithstanding any other provision of this covenant, this “*Merger and Consolidation*” covenant will not prohibit or restrict to the Transactions or the creation of a new Subsidiary as a Restricted Subsidiary.

Each holder of the Notes, by accepting a Note will be deemed to agree, for the purposes of Article 2503-*bis* (*et seq.*) of the Italian Civil Code, to the consummation of the Post Closing Mergers and, in the event that the Target is the successor company of the Post Closing Mergers, the assumption by Target of all obligations of

the Company in respect of the Notes, the Indenture, the Intercreditor Agreement and the relevant Security Documents in accordance with the terms of the Indenture upon completion of the Post Closing Mergers.

Events of Default

Subject to the two succeeding paragraphs, each of the following is an Event of Default under the Indenture:

- (a) default in any payment of interest on any Note when due and payable, continued for thirty (30) days;
- (b) default in the payment of the principal amount of or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (c) failure by the Company or any Guarantor to comply for sixty (60) days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Notes with any agreement or obligation contained in the Indenture;
- (d) the occurrence of any default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any Significant Subsidiary or the payment of which is guaranteed by the Company or any Significant Subsidiary, in each case other than Indebtedness owed to the Company or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date hereof, which default:
 - (i) is caused by a failure to pay principal of such Indebtedness, at its stated final maturity (after giving effect to any applicable grace periods) provided in such Indebtedness (a “**payment default**”); or
 - (ii) results in the acceleration of such Indebtedness prior to its stated final maturity (the “**cross-acceleration provision**”),

and, in each case, the aggregate principal amount of all Indebtedness subject to such payment defaults or accelerations (after giving effect to any applicable grace periods), is in excess of the greater of (x) €27.3 million and (y) an amount equal to twenty-

five (25) per cent. of LTM EBITDA;

- (e) certain events of bankruptcy, insolvency or court protection of the Company or a Significant Subsidiary (the “**bankruptcy provisions**”) which, in each case, are sanctioned by a court and become unconditional;
- (f) failure by the Company or a Significant Subsidiary to pay final judgments aggregating in excess of the greater of (x) €27.3 million and (y) an amount equal to twenty-five (25) per cent. of LTM EBITDA, other than any judgments covered by indemnities provided by, or insurance policies issued by, reputable and creditworthy companies, which final judgments remain unpaid, undischarged and unstayed for a period of more than sixty (60) days (after receipt of notice from the Trustee) after such judgment becomes final, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed (the “**judgment default provision**”);
- (g) any Security Interest under the Security Documents or the Escrow Charge having a fair market value in excess of €25.0 million shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Escrow Charge, the Escrow Agreement, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such Security Interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents, the Escrow Charge or the Escrow Agreement or any such Security Interest created thereunder shall be declared invalid or unenforceable or the Company or any Restricted Subsidiary shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days (the “**security default provisions**”);
- (h) except as permitted under the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement (including with respect to any limitations), any Note Guarantee of any one or more Guarantors that is a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any one or more Guarantors that is a Significant Subsidiary denies or disaffirms its obligations under its Note Guarantee (the “**guarantee default provisions**”); and

- (i) the failure by the Company to consummate the Special Mandatory Redemption to the extent required, as described under “*Escrow of Proceeds; Special Mandatory Redemption.*”

However, a Default under clauses (d) or (f) of the first paragraph above will not constitute an Event of Default unless (i) the Trustee or the Holders of at least 30% in aggregate principal amount of the outstanding Notes have notified the Company of the Default and (ii) the Company has not cured such Default within sixty (60) days after receipt of such notice, *provided* that a notice of Default may not be given with respect to any action taken and reported to the Trustee, more than two years prior to such notice of Default. Notwithstanding any other term of the Note Documents, no Permitted Transaction shall (or shall be deemed to) constitute, or result in (whether directly or indirectly), a Default or an Event of Default, and each such event, transaction or arrangement shall be expressly permitted under the terms of the Note Documents.

If an Event of Default (other than an Event of Default described in clause (e) of the first paragraph of this section “*Events of Default*”) occurs and is continuing, the Trustee by written notice to the Company, or the Holders of at least 30% in principal amount of the outstanding Notes by written notice to the Company and the Trustee, may, and the Trustee (subject to certain conditions) at the request of such Holders shall, declare the principal of and accrued and unpaid interest, if any, on all the Notes to be due and payable. Upon such a declaration, such principal and accrued and unpaid interest, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (d) has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the default or event of default or payment default triggering such Event of Default pursuant to such clause (d) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, in each case, within thirty (30) days after the declaration of acceleration with respect thereto and the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction.

If an Event of Default described in clause (e) of the first paragraph of this section “*Events of Default*” occurs and is continuing, the principal of and accrued and unpaid interest, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders may not enforce the Indenture or the Notes, except as provided in the Indenture and may not enforce the Security Documents, except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of at least a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to non-payment of principal, premium, interest or Additional Amounts, if any, on any Note held by a non-consenting Holder, which may only be waived with the consent of Holders of not less than 90% of the aggregate principal amount of the outstanding Notes) and rescind any such acceleration with respect to such Notes and its consequences (including the payment default that resulted from such acceleration) if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

The Indenture will provide that (i) if a Default for a failure to report or failure to deliver a required certificate in connection with another default (the “**Initial Default**”) occurs, then at the time such Initial Default is cured, such Default for a failure to report or failure to deliver a required certificate in connection with another default that resulted solely because of that Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant titled “—*Certain Covenants—Reports*” or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or such notice or certificate, as applicable, even though such delivery is not within the period specified in the Indenture.

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 in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;
- (2) Holders of at least 30% in principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

- (3) such Holders have offered in writing and, if requested, provided to the Trustee security and/or indemnity satisfactory to the Trustee in its sole discretion against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security and/or indemnity; and
- (5) the Holders of at least 30% in principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of at least 30% in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, of which a responsible officer of the Trustee has received written notice, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines (after consultation with counsel) is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security satisfactory to the Trustee in its sole discretion against all fees, losses, liabilities and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Company, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Company. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee in good faith determines that withholding notice is in the interests of the Holders.

The Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company 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 Company is taking or proposes to take in respect thereof.

Amendments and Waivers

Except as provided in the next two succeeding paragraphs and subject to compliance with the provisions described in "*—Meetings of Holders of Notes*" below, the Indenture and the other Note Documents may be amended, supplemented or otherwise modified 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, such Notes) and, subject to certain exceptions, any existing Default or Event of Default (other than a Default or Event of Default in the payment of principal or premium, Additional Amounts, if any, or interest on any Note (including in connection with an offer to purchase), except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of the Indenture and the other Note Documents may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes).

However, without the consent of Holders holding not less than 90% (or, in the case of clause (7) of this paragraph, 80%) of the then outstanding principal amount of the Notes, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

- (1) reduce the stated rate of or extend the stated time for payment of interest on any such Note (other than provisions relating to a Change of Control and Asset Dispositions);
- (2) reduce the principal of or extend the Stated Maturity of any such Note (other than provisions relating to a Change of Control and Asset Dispositions);
- (3) reduce the premium payable upon the redemption of any such Note or change the time, at which any such Note may be redeemed, in each case as described under "*Optional Redemption*" and "*Redemption for Taxation Reasons*";
- (4) make any such Note payable in currency other than that stated in such Note;

- (5) impair the right of any Holder to institute suit for the enforcement of any payment of principal of, or interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor;
- (6) make any change in the provisions of the Indenture described under "*Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder, unless the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;
- (7) release all or substantially all Security Interests granted for the benefit of the Holders in the Collateral (taken as a whole) or the Escrow Collateral other than in accordance with the terms of the Security Documents, the Escrow Charge, the Escrow Agreement, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Indenture; *provided* that, for the avoidance of doubt and without prejudice to the provisions governing a Change of Control, the release of less than all or substantially all Security Interests granted for the benefit of the Holders in the Collateral (taken as a whole) shall only require the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes);
- (8) waive a Default or Event of Default with respect to the non-payment of principal, premium or interest or Additional Amounts, if any (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);
- (9) release any Guarantor from any of its obligations under its Note Guarantee or this Indenture, except in accordance with the terms of this Indenture and the Intercreditor Agreement; or
- (10) reduce the principal amount of Notes whose holders must consent to any amendment, waiver or modification or make any other change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Company, the Trustee and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

- (1) cure any ambiguity, omission, mistake, defect, error or inconsistency or reduce the minimum denomination of the Notes;
- (2) provide for the assumption by a successor Person or a co-issuer of the obligations of the Company or a Guarantor under any Note Document, including, without limitation, in connection with a Permitted Transaction);
- (3) add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Company or any Restricted Subsidiary;
- (4) make any change that would provide any additional rights or benefits to the Trustee or the Holders or make any change (including changing the CUSIP, ISIN, common code or other identifying number on any Notes) that does not adversely affect the rights of the Trustee or any Holder in any material respect;
- (5) make such provisions as necessary (as determined in good faith by the Board of Directors or a member of senior management of the Company) for the issuance of Additional Notes that may be issued in compliance with this Indenture;
- (6) provide for any Restricted Subsidiary to provide a guarantee in accordance with the covenants described under "*Certain Covenants—Limitation on Indebtedness*" or "*Limitation on Guarantees of Indebtedness by Restricted Subsidiaries*," to add Note 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 with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

- (7) evidence and provide for the acceptance and appointment under any Debt Document of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document;
- (8) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a Security Interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Facility Agreement, the Indenture, in any property which is required by the Security Documents to be mortgaged, pledged or hypothecated, or in which a Security Interest is required to be granted to the Security Agent, or to the extent necessary to grant a Security Interest in the Collateral for the benefit of any Person; *provided that* the granting of such Security Interest is not prohibited by the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under “—*Certain Covenants—Impairment of Security Interest*” is complied with;
- (9) conform the text of the Indenture, the Security Documents or the Notes to any provision of this “*Description of the Notes*” to the extent that such provision in this “*Description of the Notes*” was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;
- (10) make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes as permitted by the Indenture, including to facilitate the issuance and administration of Notes; *provided, however,* that (i) compliance with the this Indenture as so amended would not result in Notes being transferred in violation of the U.S. Securities Act or any other applicable securities law and (ii) such amendment does not adversely affect the rights of Holders to transfer Notes in any material respect;
- (11) comply with the rules of any applicable securities depositary;
- (12) facilitate any transaction that complies with the covenants described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” and “—*Merger and Consolidation*”, relating to mergers, consolidations and sales of assets; and
- (13) comply with the covenant described under “—*Certain Covenants—Additional Intercreditor Agreements*”.

For the avoidance of doubt, no amendment to, or deletion of, or actions taken in compliance with, the covenants described under “—*Certain Covenants*” or this section “*Amendments and Waivers*” shall be deemed to impair or affect any rights of Holders to receive payment of principal of, or interest or premium, if any, on the Notes.

In formulating its decisions on such matters, the Trustee and the Security Agent, as applicable, shall be entitled to require and rely absolutely on such evidence as it deems appropriate, including Officer’s Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment, supplement or waiver of any Note Document. It is sufficient if such consent approves the substance thereof. A consent to any amendment, supplement or waiver under the Indenture by any Holder given in connection with a sale or tender of such Holder’s Notes will not be rendered invalid by such sale or tender.

Notwithstanding anything to the contrary in the paragraphs above, in order to effect an amendment authorized by clauses (3) and (6) of the third paragraph of this section “*Amendments and Waivers*” to add a Guarantor under the Indenture, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Company, (ii) such additional Guarantor and (iii) the Trustee. Any other amendments permitted by the Indenture need only be duly authorized and executed by the Company, the Trustee and the Security Agent (to the extent applicable).

The Indenture will not contain a covenant regulating the offer and/or payment of a consent fee to Holders.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company, will be considered as though not outstanding, except that for the purposes of determining whether the Trustee will be protected in relying on any such direction, waiver or consent, only Notes that a responsible officer of the Trustee actually knows are so owned will be so disregarded. For the avoidance of doubt, any Independent Debt Fund shall not be considered to be a Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company.

Defeasance

The Company at any time may terminate all obligations of the Company and the Guarantors under the Note Documents (“**legal defeasance**”) and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Company in connection therewith and obligations concerning issuing temporary Notes, registrations of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Company exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Company at any time may terminate the obligations of the Company and its Restricted Subsidiaries under the covenants described under “—*Certain Covenants*” (other than clauses (i), (iii) and (iv) of “—*Certain Covenants—Merger and Consolidation—The Company*”) and “—*Change of Control*” and the default provisions relating to such covenants described under “—*Events of Default*” above, the operation of the cross-default upon a payment default, the cross acceleration provision, the bankruptcy provisions (other than with respect to the Company), the judgment default provision, the guarantee default provisions and the security default provisions described under “—*Events of Default*” above (“**covenant defeasance**”).

The Company at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Company 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 (c), (d), (e) (with respect only to Significant Subsidiaries), (f) or (g) under “—*Events of Default*” above.

In order to exercise either defeasance option, the Company (i) must irrevocably deposit in trust (the “**defeasance trust**”) with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations, or a combination thereof, for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be; *provided*, that upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any deficit as of the date of redemption (any such amount, the “**Applicable Premium Deficit**”) only required to be deposited with the Trustee on or prior to the date of redemption. Any Applicable Premium Deficit shall be set forth in an Officer’s Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption, and (ii) must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel, subject to customary assumptions and exclusions, to the effect that Holders and beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law since the issuance of the Notes);
- (2) an Officer’s Certificate stating that the deposit was not made by the Company with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Company; and
- (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.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, will be discharged and cease to be of further effect (except as to surviving rights of transfer or exchange of the Notes and rights of the Trustee, as expressly provided for in the Indenture) as to all Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment

was previously made and thereafter the funds have been released to the Company) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee or the Paying Agent in the name, and at the expense, of the Company; (2) the Company has deposited, or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), money in euros or European Government Obligations, or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest and Additional Amounts, if any, 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; *provided* that upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any Applicable Premium Deficit only required to be deposited with the Trustee on or prior to the date of redemption, and any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption; (3) the Company has paid or caused to be paid all other sums payable under the Indenture; (4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each stating 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)).

If requested in writing by the Company to the Trustee and the Paying Agent, the Trustee will distribute any amounts deposited to the Holders prior to Stated Maturity or the redemption date, as the case may be; *provided, however*, that the Holders shall have received at least five Business Days' notice from the Company of such earlier repayment date (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the maturity or redemption date as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts.

Meeting of Holders

All meetings of Holders of the Notes will be held in accordance with applicable Italian laws and regulations in force from time to time and the by-laws of the Company in force from time to time. In addition to and without prejudice to the provisions described above under the caption "*Amendments and Waivers*," in accordance with the provisions set forth under the Italian Civil Code, the Indenture will include provisions for the convening of meetings of the Holders to consider any matter affecting their interests, including, without limitation, the modification, waiver or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. Accordingly, any such provisions contained in the Indenture shall be deemed to be amended, replaced and supplemented to the extent that any Italian laws and regulations dealing with the meetings of the Holders or the relevant provisions in the by-laws of the Company are amended at any time while the Notes remain outstanding. In accordance with Article 2415 of the Italian Civil Code, the meeting of Holders is empowered to resolve upon the following matters: (i) the appointment and revocation of the Noteholders' Representative (as defined below), (ii) any amendment to the terms and conditions of the Notes, (iii) motions for the composition with creditors (*concordato*) of the Company; (iv) establishment of a fund for the expenses necessary for the protection of the common interests of the Holders and the related statements of account; and (v) any other matter of common interest to the Holders.

A meeting may be convened either (i) by the Board of Directors of the Company or (ii) by the Noteholders' Representative at their discretion and, in any event, shall be convened by either of them upon request by holders of at least 5.0% of the aggregate principal amount of the then outstanding Notes. If the board of directors of the Company defaults in convening such a meeting following such request of the Holders, the same shall be convened by the board of statutory auditors of the Company (or other equivalent corporate body) or, in the case of failure, by a decree of the competent court if the default is unjustified upon request by such Holders, in accordance with the provisions of Article 2367, paragraph 2, of the Italian Civil Code. Every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code and the by-laws of the Company in force from time to time.

In accordance with Italian law, such a meeting will be validly held if: (i) in case of a first meeting, there are one or more persons present being or representing Holders holding more than one half of the aggregate principal

amount of the then outstanding Notes, or (ii) in the case of a second meeting or any subsequent meeting, there are one or more persons present being or representing Holders holding more than one third of the aggregate principal amount of the outstanding Notes, *provided* that (x) the quorum shall always be at least one half of the aggregate principal amount of the outstanding Notes for the purposes of considering certain proposals, as set out under Article 2415 paragraph 1, item 2, of the Italian Civil Code (namely, the amendment of the terms and conditions of the Notes) and (y) the Company's by-laws may in each case (to the extent permitted under the applicable Italian law) provide for a higher quorum.

The majority required to pass a resolution at any meeting of the Holders will be (i) in case of a first meeting for voting on any matter, including certain proposals, as set out under Article 2415 paragraph 1, item 2, of the Italian Civil Code (namely, the amendment of the terms and conditions of the Notes), at least one half of the aggregate principal amount of the outstanding Notes; or (ii) in case of a second meeting (x) for voting on any matter other than certain proposals, as set out under Article 2415 paragraph 1, item 2, of the Italian Civil Code (namely, the amendment of the terms and conditions of the Notes), one or more persons holding or representing Holders holding at least two thirds of the aggregate principal amount of the Notes represented at the meeting and (y) for voting on certain proposals, as set out under Article 2415 paragraph 1, item 2, of the Italian Civil Code (namely, the amendment of the terms and conditions of the Notes), one or more persons holding or representing Holders holding at least one half of the aggregate principal amount of the outstanding Notes, unless a different majority is required pursuant to Article 2369 the Italian Civil Code and provided that the Company's by laws may in each case from time to time (to the extent permitted under applicable Italian law) provide for a larger majority.

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 to 80% or 90% (as applicable) of the aggregate principal amount of the outstanding Notes. See “*Risk factors—Risks related to the Notes, the Note Guarantees and the Collateral—The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders.*” Any resolution duly passed at any such meeting shall be binding on all the holders of the Notes, whether or not such holder was present at such meeting or voted to approve such resolution. To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of Holders of the Notes can be challenged by Holders pursuant to Articles 2416, 2377 and 2379 of the Italian Civil Code. The Indenture will provide that the provisions described under this “—*Meeting of Holders*” section 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*” section 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 the Security Agent 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 the Security Agent, as Security Representative.

Moreover, a representative of the Holders (*rappresentante comune*) (the “**Noteholders' Representative**”) may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the Holders in order to, *inter alia*, represent the Holders' interests under the Notes pursuant to Article 2418 of the Italian Civil Code, as well as to give effect to the resolutions passed at a meeting of the Holders. If the Noteholders' Representative is not appointed by a meeting of such Holders, the Noteholders' Representative shall be appointed by a decree of the competent court at the request of one or more Holders or at the request of the Board of Directors of the Company. The Noteholders' Representative shall remain appointed for a maximum period of three financial years but may be reappointed again thereafter and shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Company or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Company under the Note 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

Lucid Trustee Services Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has written notice, the Trustee will perform only such duties as are set forth specifically in such Indenture. During the existence of an Event of Default, of which a responsible officer of the Trustee has received written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty. Furthermore, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder has offered to the Trustee indemnity and/or security satisfactory to the Trustee in its sole discretion against any loss, liability or expense.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee or any Agent will be permitted to engage in other transactions with the Company and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the outstanding Notes, or may resign at any time by giving written notice to the Company 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 Company may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Indenture. In formulating its decisions, the Trustee and the Security Agent, as applicable, shall be entitled to require and rely absolutely on such evidence as it deems appropriate, including Officer's Certificates and Opinions of Counsel.

Notices

If and for so long as Notes are listed on the Exchange and if and to the extent that the rules of the Exchange so require, notices of the Company with respect to the Notes will be sent to the Exchange.

All notices to Holders of Notes will be validly given if electronically delivered or mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. For so long as any Notes are represented by global notes, all notices to Holders will be delivered to Euroclear or Clearstream, as applicable, in accordance with the applicable procedures of Euroclear or Clearstream, delivery of which shall be deemed to satisfy the requirements of this paragraph, which will give such notices to the Holders of book-entry interests. To the extent the mandatory rules and procedures of Euroclear or Clearstream, as applicable, conflict with any such requirements, a notice will be deemed to satisfy the requirements of the Indenture if it complies with the mandatory rules and procedures of Euroclear or Clearstream, as applicable.

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 electronically deliver or 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 electronically delivered or mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given through Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream, as applicable.

Prescription

Claims against the Company or any Guarantor for the payment of principal, premium, if any, or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Company or any Guarantor for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

Euro is the required currency (the “**Required Currency**”) of account and payment for all sums payable by the Company and the Guarantors, if any, under or in connection with the Notes and the Note Guarantees thereof, if any, including damages. Any amount received or recovered in a currency other than the Required Currency, 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 Company, any Guarantor or otherwise by any Holder, any Paying Agent or by the Trustee, in respect of any sum expressed to be due to it from the Company or a Guarantor will only constitute a discharge to the Company or such Guarantor, as applicable, to the extent of the amount of the Required Currency, 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 the amount in that other currency is less than the amount of the Required Currency expressed to be due to the recipient, any Paying Agent or the Trustee under any Note, the Company and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Company and the Guarantors will indemnify the recipient, any Paying Agent 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 any Paying Agent or the Trustee to certify in a manner reasonably satisfactory to the Company (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 Company’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, any Paying Agent or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Note Guarantee, or to the Trustee. Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application will be made to list the Notes on the Exchange and for permission to be granted to deal in the Notes on the Exchange.

Enforceability of Judgments

Since, as of the Issue Date, substantially all of the assets of the Company and its subsidiaries are located outside the United States, any judgment obtained in the United States against the Company or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Company and the Guarantors will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City, County and State of New York, in the United States of America. The Indenture will provide that the Company and each Guarantor will appoint an agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture and the Notes, including any Note 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. For the avoidance of doubt, the governing law of the Indenture and the Notes may be amended with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). The Intercreditor Agreement, the Escrow Charge and the Escrow 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 law of the location of the relevant asset that is part of the Collateral.

Certain Definitions

“*Acceptable Nation*” means Australia, Canada, any member state of the EU, Japan, Switzerland, the UK, the US, or any other state, country or sub-division of a country which has a rating for its short-term unsecured and non credit-enhanced debt obligations of A-1 or higher by S&P or F1 or higher by Fitch or P-1 or higher by Moody’s or by an instrumentality or agency of any such government having an equivalent credit rating.

“*Accounting Principles*” means, at the election of the Company, (1) the Italian laws governing the preparation of financial statements, as interpreted and integrated by the accounting principles established by the *Organismo Italiano di Contabilità* (“**Italian GAAP**”) if the Company’s financial statements are at such time prepared in accordance with such laws or (2) the International Financial Reporting Standards as endorsed from time to time by the International Accounting Standards Board or any variation thereof (“**IFRS**”) if the Company’s financial statements are at such time prepared in accordance with IFRS, in each case, as in effect from time to time on the date of delivery of any applicable financial statements or other financial information and/or calculations (including *pro forma* financial information and/or calculations) or, at the election of the Company, as in effect on the Arcaplanet Acquisition Closing Date, *provided* that (a) all references to accounting standards specifically named in the Indenture shall be deemed to include any successor, replacement, amendment or updated accounting standard under Italian GAAP or IFRS, as applicable, (b) neither Italian GAAP nor IFRS shall be required to include the policies, rules and regulations of the International Accounting Standards Board or any other applicable regulatory or governing body applicable only to public companies, (c) neither Italian GAAP nor IFRS shall be required to be calculated using the same accounting standard across multiple quarters and (d) at any date after the Issue Date, the Company may make an irrevocable election to establish that “Accounting Principles” shall mean Accounting Principles as in effect on a date that is on or prior to the date of such election. The Company shall give notice of any such election made in accordance with this definition to the Trustee.

For the purpose of making any calculation or determination (including the calculation of any restriction, basket, threshold or permission) under the Indenture, all calculations or determinations in the Indenture shall be made without giving effect to any election under IFRS 9 (Financial Instruments) or any successor thereto or comparable accounting principle to value any Indebtedness or other liabilities at “fair value” (as defined therein).

If there occurs a change in Italian GAAP or IFRS, as the case may be, and such change would cause a change in the method of calculation of any term or measure used in the Indenture (an “*Accounting Change*”), then the Company may elect, from time to time, that such term or measure shall be calculated as if such Accounting Change had not occurred.

“*Acquired Indebtedness*” means Indebtedness:

- (a) of a person or any of its Subsidiaries existing at the time such person becomes a Restricted Subsidiary;
- (b) 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
- (c) of a person at the time such person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary,

provided that Acquired Indebtedness shall be deemed to have been Incurred, with respect to:

- (i) clause (a) above, on the date such person becomes a Restricted Subsidiary;
- (ii) clause (b) above, on the date of consummation of such acquisition of assets; and

(iii) clause (c) above, on the date of the relevant merger, consolidation or other combination.

“*Additional Assets*” means:

- (a) any property or assets (other than Capital Stock) used or to be used by the Company, a Restricted Subsidiary or otherwise useful (including Investments in property or assets for potential future use) in a Similar Business (it being understood that capital expenditures on property or assets already used, or to be used, in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);
- (b) the Capital Stock of a person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary; or
- (c) Capital Stock constituting a minority interest in any person that at such time is a Restricted Subsidiary.

“*Affiliate*” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Agent*” means any Registrar, co-Registrar, Transfer Agent, Paying Agent or additional paying agent.

“*Agreed Co-Investor*” means any co-investor, *provided* that:

- (a) such co-investor is a limited partner (or *bona fide* potential limited partner) in one or more of the funds of one or more of the Initial Investors set out in paragraph (a) or (b) of that definition; and
- (b) any direct or indirect voting rights of such co-investor in respect of the Company are directly or indirectly exercisable by an Initial Investor set out in paragraph (a) or (b) of that definition,

together with, in each case, any of their successors, Affiliates, Related Funds or direct or indirect Subsidiaries.

“*Agreed Security Principles*” means the agreed security principles appended to the Indenture.

“*Agrifarma*” means Agrifarma S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy under the registration number 01421010487, which is the sole wholly owned direct subsidiary of the Target.

“*Applicable Metric*” means any financial covenant or financial ratio or Incurrence-based permission, test, basket or threshold in the Indenture (including any financial definition or component thereof and any financial ratio, test, basket or threshold or permission based on the calculation of Consolidated EBITDA, LTM EBITDA, the Senior Secured Net Leverage Ratio, the Total Secured Net Leverage Ratio, the Total Net Leverage Ratio or the Fixed Charge Coverage Ratio), any Default, Event of Default or other relevant breach of the Indenture.

“*Applicable Premium*” means with respect to any Note the greater of:

- (1) 1% of the principal amount of such Note; and
- (2) on any redemption date, the excess (to the extent positive) of:
 - (a) the present value at such redemption date of (A) the redemption price of such Note at October 31, 2024 (such redemption price (expressed in percentage of principal amount) being set forth in the table under “—*Optional Redemption*” with respect to the Notes (excluding accrued and unpaid interest)), *plus* (B) all required interest payments due on such Note to and excluding October 31, 2024 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date (or, if greater than such Bund Rate, zero) *plus* 50 basis points; over
 - (b) the outstanding principal amount of such Note;

in each case, as calculated by the Company or on behalf of the Company by such Person as the Company shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee or the Paying Agent.

“*Applicable Reporting Date*” means, as at any date of determination, at the Company’s election (which election the Company may revoke and re-make at any time and from time to time):

- (a) if no report or financial statements have yet been delivered pursuant to clause (1) or (2) of the first paragraph of the covenant described under “—*Certain Covenants—Reports*” since the Arcaplanet Acquisition Closing Date, the Arcaplanet Acquisition Closing Date;
- (b) the last day of the most recent fiscal quarter in respect of which a report or financial statements have been delivered pursuant to clause (1) or (2) of the first paragraph of the covenant described under “—*Certain Covenants—Reports*,” with such Applicable Metric determined by reference to such report or financial statements, whichever is more recent; or
- (c) the last day of the most recently completed Relevant Period, for which the Group has sufficient available information to be able to determine such Applicable Metric, with such Applicable Metric determined by reference to such available information.

“*Applicable Test Date*” means the Applicable Transaction Date or, at the Company’s election (which election the Company may revoke and re-make at any time and from time to time), the Applicable Reporting Date prior to any Applicable Transaction Date.

“*Applicable Transaction*” means any Investment, acquisition, disposition, sale, merger, joint venture, consolidation or other business combination transaction, Incurrence, Change of Control, assumption, commitment, issuance, repayment, repurchase or refinancing of Indebtedness (including for the avoidance of doubt an additional facility under the Revolving Facility Agreement), Disqualified Stock or Preferred Stock and the use of proceeds thereof, any creation of a Lien, any Restricted Payment, any Affiliate Transaction, any designation of a Restricted Subsidiary or Unrestricted Subsidiary, any Asset Disposition or any other transaction for which an Applicable Metric falls to be determined; *provided* that, if any such transaction (the “*first transaction*”) is being effected in connection with another such transaction (the “*second transaction*”), the second transaction shall also be an Applicable Transaction with respect to the first transaction.

“*Applicable Transaction Date*” means, in relation to any Applicable Transaction, at the Company’s election (which election the Company may revoke and re-make at any time and from time to time):

- (a) the date of any letter, definitive agreement, instrument, put option, scheme of arrangement or similar arrangement in relation to such Applicable Transaction (unilateral, conditional or otherwise);
- (b) the date that any commitment, offer, announcement, communication or declaration (unilateral, conditional, or otherwise) with respect to such Applicable Transaction is made or received;
- (c) the date that any notice, which may be revocable or conditional, of any repayment, repurchase or refinancing of any relevant Indebtedness is given to the holders of such Indebtedness;
- (d) the date of consummation, Incurrence, payment or receipt of payment in respect of the Applicable Transaction;
- (e) any other date determined in accordance with the Indenture; or
- (f) any other date relevant to the Applicable Transaction determined by the Company in good faith.

“*Arcaplanet*” means Agrifarma and its subsidiaries, taken together.

“*Arcaplanet Acquisition*” has the meaning ascribed to such term in this offering memorandum.

“*Arcaplanet Acquisition Closing Date*” means the date of consummation of the Arcaplanet Acquisition.

“*Arcaplanet Purchase Agreement*” means the Purchase Agreement dated June 24, 2021 by and among the Sellers and the Company relating to the Arcaplanet Acquisition.

“*Asset Disposition*” means:

- (a) the voluntary sale, conveyance, transfer or other disposition, whether in a single transaction or a series of related transactions, of property or assets (including by way of a Sale and Leaseback Transaction) of the Company or any of the Restricted Subsidiaries (in each case other than Capital Stock of the Company) (each referred to in this definition as a “*disposition*”); or
- (b) the issuance, sale, transfer or other disposition of Capital Stock of any Restricted Subsidiary (other than Preferred Stock or Disqualified Stock of Restricted Subsidiaries issued in compliance with the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or directors’ qualifying shares and shares issued to foreign nationals as required under applicable law), whether in a single transaction or a series of related transactions,

in each case, other than:

- (i) a disposition by the Company or a Restricted Subsidiary to the Company or a Restricted Subsidiary;
- (ii) a disposition of cash or Cash Equivalent Investments;
- (iii) a disposition of inventory, receivables, trading stock, equipment or other assets (including Settlement Assets) in the ordinary course of business or held for sale or no longer used in the ordinary course of business, including any disposition of disposed, abandoned or discontinued operations;
- (iv) a disposition of obsolete, worn-out, uneconomic, damaged, retired or surplus property, equipment, facilities or other assets or property, equipment or other assets that are no longer economically practical or commercially desirable to maintain or used or useful in the business of the Company and the Restricted Subsidiaries whether now or hereafter owned or leased or acquired in connection with an acquisition or used or useful in the conduct of the business of the Company and the Restricted Subsidiaries (including by ceasing to enforce, allowing the lapse, abandonment or invalidation of or discontinuing the use or maintenance of or putting into the public domain any intellectual property that is, in the reasonable judgment of the Company or the Restricted Subsidiaries, no longer used or useful, or economically practicable to maintain, or in respect of which the Company or any Restricted Subsidiary determines in its reasonable judgment that such action or inaction is desirable);
- (v) transactions permitted pursuant to the covenants described under “—*Certain Covenants—Merger and Consolidation—Company*,” “—*Certain Covenants—Merger and Consolidation—Guarantors*” or a transaction that constitutes a Change of Control;
- (vi) a disposition, issuance, sale or transfer of Capital Stock (A) by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity-based, equity-linked, profit sharing or performance based, incentive or compensation plan approved by the Board of Directors of the Company or (B) relating to directors’ qualifying shares and shares issued to individuals as required by applicable law;
- (vii) 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 Company) not exceeding the greater of (x) €19.1 million and (y) an amount equal to seventeen point five (17.5) per cent. of LTM EBITDA;
- (viii) any Restricted Payment that is permitted to be made, and is made, under the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*” and the making of any Permitted Payment or Permitted Investment;
- (ix) dispositions in connection with Liens permitted by the covenant described under “—*Certain Covenants—Limitation on Liens*”;
- (x) 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 Company or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Company or any Restricted Subsidiary;
- (xi) conveyances, sales, transfers, licenses or sublicenses, lease or assignment or other dispositions of intellectual property rights, software or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business pursuant to a research or development agreement in which the counterparty to such agreement receives a license in the intellectual property or software that result from such agreement;
- (xii) the lease, assignment, license, sublease or sublicense of any real or personal property in the ordinary course of business;
- (xiii) foreclosure, condemnation, forced dispositions, taking by eminent domain or any similar action with respect to any property or other assets;
- (xiv) the sale or discount (with or without recourse, and on customary or commercially reasonable

terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

- (xv) any issuance or sale of Capital Stock in, or Indebtedness or other securities of, an Unrestricted Subsidiary or any other disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary or a Subsidiary that is not a Material Subsidiary (as defined in the Revolving Facility Agreement);
- (xvi) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a person (other than the Company 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;
- (xvii) dispositions of property to the extent:
 - (A) that such property is exchanged for credit against the purchase price of similar replacement property that is promptly purchased;
 - (B) that the proceeds of such disposition are promptly applied to the purchase price of such replacement property (which replacement property is actually promptly purchased); or
 - (C) allowable under Section 1031 of the Internal Revenue Code (or any similar provision under applicable tax law) and constituting any exchange of like property (excluding any boot thereon) for use in a Similar Business;
- (xviii) any disposition of Securitization Assets or Receivables Assets, or participations therein, in connection with any Qualified Securitization Financing or Receivables Facility, or the disposition of an account receivable in connection with the collection or compromise thereof in the ordinary course of business;
- (xix) any disposition pursuant to a Sale and Leaseback Transaction or any other financing transaction with respect to property constructed, acquired, replaced, repaired or improved (including any reconstruction, refurbishment, renovation and/or development of real property) by the Company or any Restricted Subsidiary after the Arcaplanet Acquisition Closing Date, including asset securitizations, permitted by the Indenture;
- (xx) dispositions of Investments in joint ventures or similar entities to the extent required by, or made pursuant to customary buy/sell arrangements between, the parties to such joint venture set forth in joint venture arrangements and similar binding arrangements;
- (xxi) any surrender or waiver of contractual rights or the settlement, release, surrender or waiver of contractual, tort, litigation or other claims of any kind;
- (xxii) the unwinding or termination of any Cash Management Services or Hedging Obligations;
- (xxiii) the disposition of any assets made in connection with the approval of any applicable antitrust authority or otherwise necessary or advisable in the good faith determination of the Company to consummate any acquisition;
- (xxiv) a Permitted Specified Asset Disposition;
- (xxv) a disposition of property or assets if the acquisition of such property or assets was financed with Excluded Contributions and the Net Available Cash from such disposition is used to make a Restricted Payment; and
- (xxvi) any disposition pursuant to (including a disposition which forms part of or results from) a Permitted Transaction;

in each case, *provided* that in the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Disposition and would also be a Permitted Investment or an Investment permitted under the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*” the Company, in its sole discretion, will be entitled to divide and classify such transaction (or a portion thereof) as an Asset

Disposition and/or one or more of the types of Permitted Investments or Investments permitted under the covenant described under “—*Certain Covenants—Limitation on Restricted Payments.*”

“*Associate*” means (i) any person engaged in a Similar Business of which the Company or the Restricted Subsidiaries are the legal and beneficial owners of between twenty (20) per cent. and fifty (50) per cent. of all outstanding Voting Stock and (ii) any joint venture entered into by the Company or any Restricted Subsidiary.

“*Available Amount*” means at any time, an amount equal to, without duplication or double counting (including without double counting amounts which would increase the capacity to make Restricted Payments, Permitted Payments or Permitted Investments pursuant to the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments,*” the sum of:

- (a) Retained Cash (as defined in the Revolving Facility Agreement); *plus*
- (b) the amount of any Equity Contribution made after the Arcaplanet Acquisition Closing Date; *plus*
- (c) Closing Overfunding; *plus*
- (d) IPO Proceeds; *plus*
- (e) Permitted Debt (excluding (i) any intra-Group Indebtedness and (ii) any Indebtedness of a member of the Group outstanding or committed on the Arcaplanet Acquisition Closing Date under the Notes (or any guarantees thereof) that are applied by the Company on the Arcaplanet Acquisition Closing Date towards (x) the payment of cash consideration to the Sellers under the Arcaplanet Purchase Agreement, (y) the refinancing of existing Indebtedness of the Target Group or Maxi Zoo or (z) the payment of costs, fees or expenses in connection with the Transactions); *plus*
- (f) cash and Cash Equivalent Investments held by members of the Group, *provided* that such cash and Cash Equivalent Investments would otherwise have been able to be used at that time to make a Permitted Payment (excluding the Available Amount permission); *plus*
- (g) the aggregate principal amount of any Indebtedness of the Company or any Restricted Subsidiary issued after the Arcaplanet Acquisition Closing Date (other than Indebtedness issued to the Company or a Restricted Subsidiary), which has been converted into or exchanged for equity and/or shareholder loans, together with the fair market value of any Cash Equivalent Investments and the fair market value (as reasonably determined by the Company) of any property or assets received by the Company or such Restricted Subsidiary upon such exchange or conversion, in each case, during the period from and including the day immediately following the Arcaplanet Acquisition Closing Date through and including such time; *plus*
- (h) the aggregate amount of net cash proceeds received by the Company or any Restricted Subsidiary during the period from and including the day immediately following the Arcaplanet Acquisition Closing Date through and including such time in connection with the disposal to a person (other than the Company or any Restricted Subsidiary) of any investment funded made using the Available Amount (in whole or in part); *plus*
- (i) to the extent not already reflected as a return of capital with respect to such investment for purposes of determining the amount of such investment, the aggregate amount of proceeds received by the Company or any Restricted Subsidiary during the period from and including the day immediately following the Arcaplanet Acquisition Closing Date through and including such time in connection with cash returns, cash profits, cash distributions and similar cash amounts (including cash interest and/or principal repayments of loans), in each case, received in respect of any investment made after the Arcaplanet Acquisition Closing Date using the Available Amount (in whole or in part) (in an amount not to exceed the original amount of such investment); *plus*
- (j) an amount equal to the sum of:
 - (1) the amount of any investment made by the Company or any Restricted Subsidiary using the Available Amount in any Unrestricted Subsidiary (in an amount not to exceed the original amount of such investment) that has been re-designated as a Restricted Subsidiary or has been merged, consolidated or amalgamated with or into, or is liquidated, wound up or dissolved into, the Company or any Restricted Subsidiary; and
 - (2) the fair market value (as reasonably determined by the Company) of the property or assets of any Unrestricted Subsidiary that have been transferred, conveyed or otherwise distributed (in an amount

not to exceed the original amount of the investment in such Unrestricted Subsidiary) to the Company or any Restricted Subsidiary,

in each case, during the period from and including the day immediately following the Arcaplanet Acquisition Closing Date through and including such time.

“*Available RP Capacity Amount*” means, at the time of determination,

- (a) an amount equal to the capacity to make Restricted Payments calculated in accordance with clause (C) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*;” *plus*
- (b) the aggregate amount of Permitted Payments that could be made as of that date of determination pursuant to clauses (ix)(C), (x), (xvii)(A), (xxiii), (xxiv), (xxv), (xxvi) and (xxvii) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*;” *minus*
- (c) an amount equal to the aggregate amount of:
 - (i) Restricted Payments made (and not returned or rescinded) by the Company or any Restricted Subsidiary in reliance on the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*;”
 - (ii) Permitted Payments made (and not returned or rescinded) by the Company or any Restricted Subsidiary pursuant to clause (ix)(C), (x), (xvii)(A), (xxiii), (xxiv), (xxv), (xxvi) and (xxvii) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*;” and
 - (iii) Indebtedness Incurred and outstanding pursuant to clause (xx) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*;”

in each case subsequent to the Arcaplanet Acquisition Closing Date; *plus*

- (d) the aggregate principal amount of Indebtedness prepaid prior to or substantially concurrently at such time, solely to the extent such Indebtedness was incurred pursuant to clause (xx) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*.”

“*Board of Directors*” means:

- (a) with respect to the Company or any company or corporation, the board of directors or managers, as applicable, of that company or corporation, or any duly authorized committee thereof;
- (b) with respect to any limited liability company, the sole member, sole manager, board of managers or other governing body, as applicable, of that limited liability company, or any duly authorized committee thereof;
- (c) with respect to any partnership, the board of directors or other governing body of the general partner of that partnership or any duly authorized committee thereof, except if a manager or a board of managers have been appointed in accordance with the constitutional documents of such partnership, in which case clause (a) above shall apply; and
- (d) with respect to any other person, the board or any duly authorized committee of that person serving a similar function.

Whenever any provision 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 or equivalent (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 equivalent) or as a formal board approval (or equivalent)).

“*Bund Rate*” as selected by the Company, 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 have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Company) most nearly equal to the period from the redemption date to October 31, 2024; *provided*, however, that if the period from the redemption date to October 31, 2024, 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 October 31, 2024, is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used; and *provided, further*, that in no case shall the Bund Rate be less than zero.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in (i) Milan, Italy, (ii) London, United Kingdom, or (iii) New York, New York, United States are authorized or required by law to close.

“*Business Successor*” means (i) any former Subsidiary of the Company and (ii) any person that, after the Arcaplanet Acquisition Closing Date, has acquired, merged or consolidated with a Subsidiary of the Company (that results in such Subsidiary ceasing to be a Subsidiary of the Company), or acquired (in one transaction or a series of transactions) all or substantially all of the property and assets or business of a Subsidiary or assets constituting a business unit, line of business or division of a Subsidiary of the Company.

“*Capital Stock*” of any person means any and all shares of, rights to purchase or acquire, warrants, options or depositary receipts for, or other equivalents of, or partnership or other interests in (however designated), equity of such person, including any Preferred Stock, but excluding any debt securities convertible into, or exchangeable for, such equity.

“*Capitalized Lease Obligations*” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of the Accounting Principles. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of the Accounting Principles, 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

- (a) Australian dollars, Canadian dollars, Euros, Japanese Yen, Swiss Francs, UK pounds, U.S. Dollars or any national currency of any member state of the EU or any other foreign currency held by the Company and the Restricted Subsidiaries in the ordinary course of business;
- (b) securities or other direct obligations issued or directly and fully guaranteed or insured by the government of Australia, Canada, Japan, Norway, Switzerland, the UK or the US, the EU or any member state of the EU on the Arcaplanet Acquisition Closing Date or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), with maturities of twenty four (24) months or less from the date of acquisition;
- (c) certificates of deposit, time deposits, euro-dollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one (1) year from the date of acquisition thereof issued by any lender or by any bank or trust company:
 - (i) whose commercial paper is rated at least “A-1” or the equivalent thereof by S&P or at least “F1” or the equivalent thereof by Fitch or at least “P-1” or the equivalent thereof by Moody’s (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization); or
 - (ii) (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;
- (d) repurchase obligations for underlying securities of the types described in clauses (b), (c) and (g) of this definition entered into with any bank meeting the qualifications specified in clause (c) above;
- (e) securities with maturities of one (1) year or less from the date of acquisition backed by standby letters of credit issued by any person referenced in clause (c) above;
- (f) commercial paper and variable or fixed rate notes issued by a bank meeting the qualifications specified in clause (c) above (or by the Parent Entity thereof) maturing within one (1) year after the date of creation thereof or any commercial paper and variable or fixed rate note issued by, or guaranteed by a corporation rated at least “A-1” or higher by S&P or at least “F1” or the equivalent thereof by Fitch or “P-1” or

higher by Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization selected by the Company) maturing within one (1) year after the date of creation thereof;

- (g) interests in any investment company, money market, enhanced high yield fund or other investment fund, which invests ninety (90) per cent. or more of its assets in instruments of the types specified in clauses (a) through (f) above; and
- (h) for purposes of clause (ii) of the definition of "Asset Disposition", the marketable securities portfolio owned by the Company and its Subsidiaries on the Arcaplanet Acquisition Closing Date.

"Cash Equivalent Investments" means, at any time when held by a member of the Group, the Target Group or Maxi Zoo (as applicable), any Cash Equivalents, Temporary Cash Investments or Investment Grade Securities and (without double counting):

- (a) debt securities or other investments in marketable debt obligations issued or guaranteed by an Acceptable Nation or any agency thereof and having not more than one (1) year to final maturity;
- (b) certificates of deposit maturing within one (1) year after the relevant date of calculation and issued by any lender party to a Credit Facility or by any bank or trust company:
 - (i) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "F1" or the equivalent thereof by Fitch or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization); or
 - (ii) (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;
- (c) any investment in marketable debt obligations issued or guaranteed by any government of any Acceptable Nation, maturing within one (1) year after the relevant date of calculation and not convertible or exchangeable to any other security;
- (d) commercial paper not convertible or exchangeable to any other security:
 - (i) for which a recognized trading market exists;
 - (ii) which matures within one (1) year after the relevant date of calculation; and
 - (iii) which has a credit rating of either "A-1" or higher by S&P or "F1" or higher by Fitch or "P-1" or higher by Moody's, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its short term unsecured and non-credit enhanced debt obligations, an equivalent rating;
- (e) bills of exchange issued in any Acceptable Nation or, in each case, any agency thereof and eligible for rediscount at the relevant central bank and accepted by a bank (or their dematerialized equivalent);
- (f) any investment which:
 - (i) is an investment in money market funds:
 - (A) with a credit rating of either "A-1" or higher by S&P or "F1" or higher by Fitch or "P-1" or higher by Moody's; or
 - (B) which invests substantially all their assets in securities of the types described in clauses (a) to (e) above;
 - (ii) is any other money market investment (including repurchase agreements) and substantially all of the assets or collateral in respect of that investment have a credit rating of either "A-1" or higher by S&P or "F1" or higher by Fitch or "P-1" or higher by Moody's; or
 - (iii) can be turned into cash on not more than thirty (30) days' notice,

in each case, to which any member of the Group, member of the Target Group or Maxi Zoo (as applicable) is alone (or together with other members of the Group or Target Group (as applicable)) beneficially entitled at that time and which is not issued or guaranteed by any member of the Group or Target Group or Maxi Zoo (as applicable) or subject to any Lien (other than a Permitted Lien).

“*Cash Management Services*” means any of the following: automated clearing house transactions, treasury, depository, credit or debit card, purchasing card, stored value card, electronic fund transfer services, daylight or overnight draft facilities and/or cash management services, including controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts and merchant services or other cash management arrangements in the ordinary course of business.

“*Change of Control*” means:

- (1) the Company becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, being or becoming the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act as in effect on the Issue Date) of more than 50% of the total voting power of the Voting Stock of the Company other than in connection with any transaction or series of transactions in which the Company shall become the Wholly Owned Subsidiary of a Parent Entity so long as no Person or group, as noted above, other than a Permitted Holder, holds more than 50% of the total voting power of the Voting Stock of such Parent Entity;
- (2) the Company ceasing to directly own 100% of the total issued share capital (excluding qualifying management and director shares and shares required by law to be owned by third parties) of the Target (or any successor entity);
- (3) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and the Restricted Subsidiaries taken as a whole to a Person, other than the Company or any of the Restricted Subsidiaries or one or more Permitted Holders; *provided* that a Permitted Specified Asset Disposition shall not be deemed to be a sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and the Restricted Subsidiaries taken as a whole.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Company becoming a direct or indirect Wholly Owned Subsidiary of a holding company if (A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Company’s Voting Stock immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company, (b) the right to acquire Voting Stock (so long as such Person does not have the right to direct the voting of the Voting Stock subject to such right) or any veto power in connection with the acquisition or disposition of Voting Stock will not cause a party to be a beneficial owner and (c) a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

“*Clearstream*” means Clearstream Banking, S.A., or any successor securities clearing agency.

“*Closing Overfunding*” means the aggregate amount invested in the Company by way of Equity Contribution on or around the Arcaplanet Acquisition Closing Date, *plus* (without double-counting) the amount of cash on the balance sheet of the Group (including the Target Group and Maxi Zoo) as at the Arcaplanet Acquisition Closing Date (other than, for the avoidance of doubt, any cash attributable (as determined by the Company (acting reasonably)) to amounts invested in the Company by way of Equity Contribution or any Indebtedness that are applied by the Company on the Arcaplanet Acquisition Closing Date towards (i) the payment of cash consideration to the Sellers under the Arcaplanet Purchase Agreement, (ii) the refinancing of existing Indebtedness of the Target Group or Maxi Zoo or (iii) the payment of costs, fees or expenses in connection with the Transactions).

“*Consolidated Depreciation and Amortization Expense*” means with respect to any person for any period, the total amount of depreciation and amortization expense, including amortization or write-off of:

- (a) intangibles and non-cash organization costs;
- (b) deferred financing fees or costs; and
- (c) capitalized expenditures, customer acquisition costs and incentive payments, conversion costs and

contract acquisition costs, the amortization of original issue discount resulting from the issuance of Indebtedness at less than par and amortization of favorable or unfavorable lease assets or liabilities,

of such person and the Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with the Accounting Principles and any write down of assets or asset value carried on the balance sheet.

“*Consolidated EBITDA*” means, with respect to any person for any period, the Consolidated Net Income of such person for such period:

(a) increased (without duplication) by:

(i) provision for taxes based on income or profits, revenue or capital, including federal, state, provincial, territorial, local, foreign, unitary, excise, property, franchise and similar taxes and foreign withholding and similar taxes of such person paid or accrued during such period, including any penalties and interest relating to any tax examinations (including any additions to such taxes, and any penalties and interest with respect thereto), deducted (and not added back) in computing Consolidated Net Income; plus

(ii) Fixed Charges of such person for such period, including:

(A) net losses on any Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate, currency or commodities risk;

(B) bank fees and other financing fees; and

(C) costs of surety bonds in connection with financing activities, plus amounts excluded from the definition of “Consolidated Interest Expense” pursuant to clauses (a)(A) through (a)(I) thereof,

in each case to the extent the same were deducted (and not added back) in calculating such Consolidated Net Income; *plus*

(iii) Consolidated Depreciation and Amortization Expense of such person for such period to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*

(iv) any:

(A) Transaction Expenses; and

(B) any fees, costs, expenses or charges (other than Consolidated Depreciation and Amortization Expense) related to any actual, proposed or contemplated Equity Offering (including any expense relating to enhanced accounting functions or other transactions costs associated with becoming a public company), Permitted Investment, acquisition, disposition, recapitalization or the Incurrence of Indebtedness permitted to be Incurred by the Indenture (including a refinancing thereof) (whether or not successful),

in each case including such fees, expenses or charges (including rating agency fees and related expenses) related to the Revolving Facility, the Notes, any other Credit Facility, any Receivables Facility, any Securitization Facility, any other Indebtedness permitted to be Incurred under the Indenture or any Equity Offering and any amendment, waiver or other modification of any of the foregoing, in each case, whether or not consummated, to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*

(v) the amount of any:

(A) restructuring charge, accrual or reserve (and adjustments to existing reserves), transaction or integration cost or other business optimization expense or cost (including charges directly related to the implementation of cost-savings initiatives) that is deducted (and not added back) in such period in computing Consolidated Net Income, including any one-time costs incurred in connection with acquisitions or divestitures after the Arcaplanet Acquisition Closing Date, including those related to any severance, retention, signing bonuses, relocation, recruiting and other employee related costs, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement

employment benefit plans (including any settlement of pension liabilities), operational and technology systems development and establishment costs, future lease commitments and costs related to the opening, pre-opening, abandonment, disposal, discontinuation and closure and/or consolidation of facilities and to exiting lines of business and consulting fees incurred with any of the foregoing; and

- (B) fees, costs and expenses associated with acquisition related litigation and settlements thereof; *plus*
- (vi) any other non-cash charges, write-downs, expenses, losses or items reducing Consolidated Net Income for such period including any impairment charges or the impact of purchase accounting; *provided* that if any such non-cash charge, write-down or item to the extent it represents an accrual or reserve for a cash expenditure for a future period then the cash payment in such future period shall be subtracted from Consolidated EBITDA when paid or other items classified by the Company as special items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period); *plus*
- (vii) the amount of board of director fees, management, monitoring, advisory, consulting, refinancing, subsequent transaction, advisory and exit fees (including termination fees) and related indemnities and expenses paid or accrued in such period to any member of the Board of Directors of the Company, any Permitted Holder or any Affiliate of a Permitted Holder to the extent permitted under the covenant described under the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*,” *plus*
- (viii) the “run rate” adjustment required to give effect to synergies, cost savings, operating expense reductions, revenue increases, operating improvements, restructuring charges and expenses, contracted pricing or other similar adjustments or initiatives (together, being “*Synergies*”) that have been realized (in full or in part) for some, but not all, of such period and that are related to any acquisition, disposition, divestiture, restructuring, new or revised contract, information and technology systems establishment, modernization or modification or the implementation of any operating improvements, efficiency or cost savings initiative or any other similar adjustments or initiatives, as applicable, as if such Synergies had been realized from the first day of such period and during the entirety of such period; net of the amount of actual benefits realized during such period from such actions; *provided* that the Company in good faith expects that all steps for realizing such Synergies have been taken on, or will be taken within twenty-four (24) months following, the date of determination; *provided further* that (without prejudice or limitation to the other adjustments permitted by this definition of “Consolidated EBITDA”) such adjustments for Synergies shall not exceed an amount equal to twenty-five (25) per cent. of Consolidated EBITDA for the Relevant Period after giving effect to (x) adjustments permitted by the provisions under the heading “*Financial Calculations*”, (y) all other adjustments permitted by this definition of “Consolidated EBITDA” and (z) the other provisions of the Indenture (other than, in the case of clauses (x) and (z), adjustments in respect of this clause (ix)); *plus*
- (ix) the *pro forma* adjustment (whether on a “run rate” basis or otherwise) for Synergies that are expected (in good faith) to be realized as a result of actions taken, commenced or committed (unilaterally, conditionally or otherwise) to be taken in relation to any acquisition, disposition, divestiture, restructuring, new or revised contract pricing, information and technology systems establishment, modernization or modification or the implementation of any operating improvements, efficiency or cost savings initiative or any other similar adjustments or initiatives (for the avoidance of doubt, whether or not any action has been taken in relation to the same), calculated on a *pro forma* basis as if such Synergies had been realized from the first day of such period and during the entirety of such period; *plus*
- (x) the amount of loss or discount on sale of Securitization Assets, Receivables Assets and related assets to the Securitization Subsidiary in connection with a Qualified Securitization Financing or Receivables Facility; *plus*
- (xi) any costs or expense incurred by the Company or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement, any severance agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital

of the Company or Net Cash Proceeds of an issuance of Capital Stock (other than Disqualified Stock) of the Company; *plus*

- (xii) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to clause (b) below for any previous period and not added back; *plus*
 - (xiii) any net loss included in the Consolidated Net Income attributable to non-controlling interests; *plus*
 - (xiv) realized foreign exchange losses resulting from the impact of foreign currency changes on the valuation of assets or liabilities on the balance sheet of the Company and its Restricted Subsidiaries; *plus*
 - (xv) net realized losses from Hedging Obligations or embedded derivatives; *plus*
 - (xvi) the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Subsidiary and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto; *plus*
 - (xvii) with respect to any joint venture, an amount equal to the proportion of those items described in sub-clauses (i) and (iii) above relating to such joint venture corresponding to the Company's and the Restricted Subsidiaries' proportionate share of such joint venture's Consolidated Net Income (determined as if such joint venture were a Restricted Subsidiary) to the extent the same was deducted (and not added back) in calculating Consolidated Net Income; *plus*
 - (xviii) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments; *plus*
 - (xix) any net pension or other post-employment benefit costs representing amortization of unrecognized prior service costs, actuarial losses, including amortization of such amounts arising in prior periods, amortization of the unrecognized net obligation (and loss or cost), and any other items of a similar nature; *plus*
 - (xx) the amount of expenses relating to payments made to option holders of the Company or any Parent Entity in connection with, or as a result of, any distribution being made to equityholders of such person or its Parent Entities, which payments are being made to compensate such option holders as though they were equityholders at the time of, and entitled to share in, such distribution, in each case to the extent permitted under the Indenture; *plus*
 - (xxi) to the extent not already otherwise included herein, adjustments and add-backs (including anticipated synergies) for costs or expenses (or, in each case, similar items) made in calculating "Pro Forma Adjusted EBITDA" (or any similar or equivalent term) as contained in this offering memorandum to the extent such adjustments continue to be applicable during the period in which Consolidated EBITDA is being calculated and other adjustments of a similar nature to the foregoing; *plus*
 - (xxii) earn out obligations Incurred in connection with any permitted acquisition or other Investment permitted under the Indenture and paid or accrued during such period; *plus*
 - (xxiii) losses, charges and expenses related to the pre-opening and opening of new facilities, and start-up period prior to opening, that are operated, or to be operated, by the Company or any Restricted Subsidiary; *plus*
 - (xxiv) any other items classified by the Company as extraordinary, one-off, one-time, exceptional, unusual or nonrecurring items decreasing Consolidated Net Income of such person for such period; and
- (b) decreased (without duplication) by non-cash gains increasing Consolidated Net Income of such person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period.

"Consolidated Interest Expense" means, with respect to any person for any period, without duplication, the sum of:

- (a) consolidated interest expense of such person and its Restricted Subsidiaries for such period (in each case, determined on the basis of the Accounting Principles), to the extent such expense was deducted (and not added back) in computing Consolidated Net Income, including:
 - (i) amortization of original issue discount or premium resulting from the issuance of Indebtedness at less than par;
 - (ii) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers' acceptances;
 - (iii) non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of any Hedging Obligations or other derivative instruments pursuant to the Accounting Principles);
 - (iv) the interest component of Capitalized Lease Obligations;
 - (v) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness; and
 - (vi) interest actually paid by the Company or any Restricted Subsidiary under any guarantee of Indebtedness or other obligation of any other person,
 and excluding:
 - (A) Securitization Fees;
 - (B) interest and other fees in respect of Receivables Facilities;
 - (C) penalties and interest relating to taxes;
 - (D) any additional cash interest owing pursuant to any registration rights agreement;
 - (E) accretion or accrual of discounted liabilities other than Indebtedness;
 - (F) any expense resulting from the discounting of any Indebtedness in connection with the application of recapitalization accounting or purchase accounting in connection with the Transactions or any acquisition;
 - (G) amortization or write-off of deferred financing fees, debt issuance costs, debt discount or premium, terminated Hedging Obligations and other commissions, financing fees and expenses and original issue discount with respect to any Indebtedness the Incurrence of which is permitted by the covenant described under "*Certain Covenants—Limitation on Indebtedness*" and, adjusted to the extent included, to exclude any refunds or similar credits received in connection with the purchasing or procurement of goods or services under any purchasing card or similar program;
 - (H) any expensing of bridge, commitment and other financing fees; and
 - (I) interest with respect to Indebtedness of any parent of such person appearing upon the balance sheet of such person solely by reason of push-down accounting under the Accounting Principles; *plus*
- (b) consolidated interest expense of any Parent Entity to the extent such interest expense was funded with the proceeds of dividends, distributions or other payments to any Parent Entity pursuant to sub-clause (i)(C) of the first paragraph of the covenant described under "*Limitation on Restricted Payments*;" *plus*
- (c) consolidated capitalized interest of such person and its Restricted Subsidiaries for such period, whether paid or accrued (but excluding any interest capitalized, accrued, accreted or paid in respect of Subordinated Shareholder Funding); *less*
- (d) interest income for such period,

provided that, for purposes of this definition, interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by such person to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with the Accounting Principles.

"*Consolidated Net Income*" means, with respect to any person for any period, the net income (loss) of such person and its Subsidiaries that are Restricted Subsidiaries for such period determined on a consolidated basis on the basis of the Accounting Principles; *provided* that there will not be included in such Consolidated Net Income:

- (a) any net income (loss) of any person, if such person is not a Restricted Subsidiary (including any net income (loss) from Investments recorded in such person under the equity method of accounting), except that the Company'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 Equivalent Investments actually distributed or that (as reasonably determined by an Officer of the Company) could have been distributed by such person during such period to the Company 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 (b) below); *provided* that, for the purposes of clause (C) of the first paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments*" such dividend, other distribution or return on investment does not reduce the amount of Investments outstanding under the definition of Permitted Investments;
- (b) any gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized upon the sale or other disposition of any asset (including pursuant to any Sale and Leaseback Transaction) or disposed or discontinued operations of the Company or any Restricted Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Company);
- (c) any extraordinary, exceptional, one-off, one-time, unusual or nonrecurring gain, loss, charge or expense, including Transaction Expenses or any charges, expenses or reserves in respect of any restructuring, redundancy or severance expense or relocation costs, one-time compensation charges, integration and facilities' opening costs and other business optimization expenses and operating improvements (including related to new product introductions and the build-out, renovation and expansion of facilities), systems development and establishment costs, accruals or reserves (including restructuring and integration costs related to acquisitions after the Arcaplanet Acquisition Closing Date and adjustments to existing reserves), whether or not classified as restructuring expense on the consolidated financial statements, signing costs, retention or completion bonuses, transition costs, losses related to closure/consolidation or disruption of facilities, losses associated with temporary decreases in work volume and expenses related to maintaining underutilized personnel and facilities (to the extent such disruption of facilities, temporary decreases in work volume and/or underutilised personnel and facilities are the result of an extraordinary, exceptional, one-off, one-time, unusual or nonrecurring event or circumstance), losses arising from any natural disasters, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employee benefit plans (including any settlement of pension liabilities), litigation or any asset impairment charges or natural disasters (including fire, flood and storm and related events), contract terminations and professional and consulting fees incurred with any of the foregoing;
- (d) the cumulative effect of a change in law, regulation or accounting principles;
- (e) any:
 - (i) non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions or on the re-valuation of any benefit plan obligation; and
 - (ii) income (loss) attributable to deferred compensation plans or trusts;
- (f) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;
- (g) any unrealized gains or losses in respect of any Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of any Hedging Obligations;
- (h) any fees, charges and expenses (including any transaction or retention bonus or similar payment) incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, reorganization, restructuring, disposition of assets or securities, issuance or repayment or redemption 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 Arcaplanet Acquisition Closing Date and any such transaction undertaken but not completed) and any charges or non-recurring merger costs incurred during such period as a result of any such transaction, in each case whether or not successful;

- (i) any unrealized or realized foreign currency translation increases or decreases or transaction gains or losses in respect of Indebtedness of any person denominated in a currency other than the functional currency of such person, and any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary and any unrealized or realized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;
- (j) any unrealized or realized gain or loss due solely to fluctuations in currency values and the related tax effects, determined in accordance with the Accounting Principles;
- (k) any recapitalization accounting or purchase accounting effects, including, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by the Accounting Principles and related authoritative pronouncements (including the effects of such adjustments pushed down to the Company and the Restricted Subsidiaries), as a result of any consummated acquisition (including the Transaction), or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);
- (l) any impairment charge, write-off or write-down, including impairment charges, write-offs or write-downs related to intangible assets, long-lived assets, goodwill, investments in debt or equity securities (including any losses with respect to the foregoing in bankruptcy, insolvency or similar proceedings) and the amortization of intangibles arising pursuant to the Accounting Principles;
- (m) any effect of income (loss) from the early extinguishment or cancellation of Indebtedness or any Hedging Obligations or other derivative instruments;
- (n) accruals and reserves that are established or adjusted (including any adjustment of estimated pay-outs on existing earn-outs) that are so required to be established as a result of the Transactions in accordance with the Accounting Principles, or changes as a result of adoption or modification of accounting policies;
- (o) any costs associated with the Transactions;
- (p) any non-cash expenses, accruals or reserves related to adjustments to historical tax exposures and any deferred tax expense associated with tax deductions or net operating losses arising as a result of the Transactions, or the release of any valuation allowances related to such item;
- (q) any:
 - (i) payments to third parties in respect of research and development, including amounts paid upon signing, success, completion and other milestones and other progress payments, to the extent expensed; and
 - (ii) effects of adjustments to accruals and reserves during a period relating to any change in the methodology of calculating reserves for returns, rebates and other chargebacks (including government program rebates);
- (r) any net gain (or loss) from disposed, abandoned or discontinued operations and any net gain (or loss) on disposal of disposed, discontinued or abandoned operations; and
- (s) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding,

provided that, in addition, to the extent not already included in the Consolidated Net Income of such person and its Subsidiaries that are Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include:

- (A) any expenses and charges that are reimbursed by indemnification or other reimbursement provisions in connection with any investment or any sale, conveyance, transfer or other disposition of assets permitted hereunder, or, so long as the Company has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed and only to the extent that such amount is:
 - (i) not denied by the applicable payor in writing within one hundred and eighty (180) days; and
 - (ii) in fact reimbursed within three hundred and sixty five (365) days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within three hundred and sixty five (365) days); and

(B) to the extent covered by insurance (including business interruption insurance) and actually reimbursed, or, so long as the Company has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is:

- (i) not denied by the applicable carrier in writing within one hundred and eighty (180) days; and
- (ii) in fact reimbursed within three hundred and sixty five (365) days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within three hundred and sixty five (365) days), expenses with respect to liability or casualty events or business interruption.

“*Contingent Obligations*” means, with respect to any person, any obligation of such person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (primary obligations) of any other person (the “*primary obligor*”), including any obligation of such person, whether or not contingent:

- (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (b) to advance or supply funds:
 - (i) for the purchase or payment of any such primary obligation; or
 - (ii) 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
- (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“*Controlled Investment Affiliate*” means, as to any person, any other person, which directly or indirectly is in control of, is controlled by, or is under common control with such person and is organized by such person (or any person controlling such person) primarily for making direct or indirect equity or debt investments in the Company and/or other companies.

“*Credit Facility*” means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures, instruments or other arrangements (including the Revolving Facility or commercial paper facilities and overdraft facilities) with banks, other financial institutions, funds, governmental or quasi-governmental agencies or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the Original Revolving 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 (i) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (ii) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (iii) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

“*Currency Equivalent*” means, with respect to any monetary amount in a currency (the “*second currency*”) other than a specified currency (the “*first currency*”), at any time for determination thereof, the amount of the first currency obtained by converting the amount of the second currency into the first currency at the spot rate for the purchase of the first currency with the second currency as published in The Wall Street Journal in the “*Exchange Rates*” column under the heading “*Currency Trading*” (or, if The Wall Street Journal is no longer published, or if such information is no longer available in The Wall Street Journal, such source as may be selected in good faith by the Board of Directors or an Officer of the Company), on the date two Business Days prior to such determination.

“*Debt Documents*” has the meaning assigned to such term in the Intercreditor Agreement.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default; *provided* that any Default that results solely from the taking of an action that would have been permitted but for the continuation of a previous Default will be deemed to be cured if such previous Default is cured prior to becoming an Event of Default.

“*Designated Non-Cash Consideration*” means the fair market value of non-cash consideration received by the Company or a Restricted Subsidiary 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 Equivalent Investments received in connection with a subsequent sale, redemption or repurchase of or collection or payment on such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in exchange for consideration in the form of Cash Equivalent Investments in compliance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*”

“*Designated Preferred Stock*” means Preferred Stock of the Company or a Parent Entity (other than Disqualified Stock) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and that is designated as “Designated Preferred Stock” pursuant to an Officer’s Certificate of the Company at or prior to the issuance thereof.

“*Disinterested Director*” means, with respect to any Affiliate Transaction, a member of the Board of Directors having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors shall be deemed not to have such a financial interest by reason of such member’s holding Capital Stock of the Company or any options, warrants or other rights in respect of such Capital Stock.

“*Disqualified Stock*” means, with respect to any person, any Capital Stock of such person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

- (a) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise; or
- (b) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case, on or prior to the earlier of:

- (i) the Stated Maturity of the Notes or
- (ii) the date on which there are no Notes outstanding;

provided that:

- (A) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; and
- (B) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) or upon exercise of a put/call arrangement in respect of a Permitted Investment shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant person with the covenant described under “—*Certain Covenants—Limitation on Restricted Payments,*”

provided further that if such Capital Stock is issued to any future, current or former employee, director, officer, contractor or consultant (or their respective Controlled Investment Affiliates (excluding the Permitted Holders (but not excluding any future, current or former employee, director, officer, contractor or consultant) or Immediate Family Members), of the Company, any of its Subsidiaries, any Parent Entity or any other entity in which the Company or a Restricted Subsidiary has an Investment and is designated in good faith as an “*affiliate*” by the Board of Directors (or the compensation committee thereof) or any other plan for the

benefit of current, former or future employees (or their respective Controlled Investment Affiliates or Immediate Family Members)) of the Company or its Subsidiaries or by any such plan to such employees (or their respective Controlled Investment Affiliates or Immediate Family Members), such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Company or its Subsidiaries in order to satisfy applicable statutory, contractual or regulatory obligations.

“dollar,” “U.S. Dollar,” “US\$” or “\$” means the lawful currency of the United States of America.

“*Equity Contribution*” means the portion of the funding for the Transactions to be provided to the Company through intermediate holding companies by way of an equity contribution, including any subscription for shares issued by, and any capital contributions (including by way of premium and/or contribution to the capital reserves and on a cash or cashless basis) to, the Company via Midco (but excluding the proceeds of any Indebtedness of a Parent Entity (x) which is guaranteed by any member of the Group, and (y) in respect of which dividends or distributions on the Company’s Capital Stock are permitted to be paid from cash in the Group pursuant to sub-clause (i)(C) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”).

“*Equity Offering*” means:

- (a) a sale of Capital Stock of the Company (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the U.S. Securities Act or any similar offering in other jurisdictions); or
- (b) the sale of Capital Stock or other securities by any person, the proceeds of which are contributed to the equity of the Company or any of the Restricted Subsidiaries by any Parent Entity in any form other than Indebtedness, Excluded Contributions or a Parent Debt Contribution.

“*Escrow Account*” means the escrow account into which the Initial Purchasers will deposit the gross proceeds of the Notes sold on the Issue Date, which will be in the name of, and controlled by, the Escrow Agent.

“*Escrow Agent*” means Lucid Agency Services Limited.

“*Escrow Charge*” means one or more escrow account charges dated the Issue Date between the Company, the Trustee and the Escrow Agent, pursuant to which the Company will grant first-priority security interests in its beneficial interest in the Escrow Account and the Escrowed Property in favor of the Trustee for its own benefit and the benefit of the Holders of the Notes.

“*Escrowed Property*” means, collectively, the initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account in connection with the Notes (*less* any property and/or funds paid in accordance with the Escrow Agreement, such as ordinary course charges and fees paid to the bank holding the Escrow Accounts).

“euro” or “€” means the single currency of participating member states of the economic and monetary union as contemplated in the Treaty on European Union.

“*Euroclear*” means Euroclear Bank SA/NV or any successor securities clearing agency.

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Company or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the “*Currency Rates*” section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Company) on the date of such determination.

“*European Government Obligations*” means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

“*European Monetary Union*” means the European Monetary Union of the Treaty Establishing the European Community.

“*European Union*” means all members of the European Union as of December 31, 2018 (including for the avoidance of doubt the United Kingdom).

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Excluded Contribution*” means Net Cash Proceeds or property or assets received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock) of the Company after the Arcaplanet Acquisition Closing Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of their employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preferred Stock) or Subordinated Shareholder Funding of the Company, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Company.

“*fair market value*” wherever such term is used (except as otherwise specifically provided in the Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or Board of Directors in good faith.

“*Finance Documents*” has the meaning assigned to such term in the Intercreditor Agreement.

“*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 the ratio of LTM EBITDA to the Fixed Charges of the Group as at the Applicable Reporting Date for the Relevant Period ending on such Applicable Reporting Date (the “*reference period*”), provided that, for purposes of calculating the Fixed Charge Coverage Ratio, Fixed Charges may, at the Company’s option, exclude any interest expenses related to leases incurred during the reference period. In the event that the Company or any Restricted Subsidiary Incurs, assumes, guarantees, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or has caused any Reserved Indebtedness Amount to be deemed to be Incurred during the reference period or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the reference period but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “*Fixed Charge Coverage Ratio Calculation Date*”), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, deemed Incurrence, assumption, guarantee, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the reference period; provided that the *pro forma* calculation shall not give effect to:

- (a) any Fixed Charges attributable to Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than Indebtedness Incurred in reliance upon the Fixed Charge Coverage Ratio pursuant to clause (i)(E) or (v)(B) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”);
- (b) any Fixed Charges attributable to Indebtedness Incurred pursuant to clause (iv)(A) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” or
- (c) any Fixed Charges attributable to any Indebtedness discharged on such determination date of any Indebtedness to the extent that such discharge results from the application of the proceeds of Indebtedness Incurred on the determination date pursuant to the provisions described in the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than Indebtedness Incurred in reliance upon the Fixed Charge Coverage Ratio pursuant to clause (i)(E) or (v)(B) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”).

For purposes of making the computation referred to above, any acquisition or disposition that has been made by the Company or any of the Restricted Subsidiaries, during the reference period or subsequent to the reference period shall be calculated on a *pro forma* basis assuming that such acquisition or disposition (and the change in any associated fixed charge obligations and the change in LTM EBITDA resulting therefrom) had occurred on the first day of the reference period.

If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire reference period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by an Officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with the Accounting Principles. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed with a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the reference 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 Company may designate.

For the purposes of this definition, “*Consolidated Interest Expense*” will be calculated using an assumed interest rate based on the indicative interest margin contained in any financing commitment documentation with respect to such Indebtedness or, if no such indicative interest margin exists, as reasonably determined by the Company in good faith.

All Applicable Metrics described in this definition will be calculated as set forth in the section “*Financial Calculations*” above.

“*Fixed Charges*” means, with respect to any person for any period, the sum of:

- (a) Consolidated Interest Expense of such person for such period;
- (b) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock of any Restricted Subsidiary of such person during such period; and
- (c) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period.

“*Fressnapf*” means Fressnapf Beteiligungs GmbH and/or any of its Affiliates.

“*guarantee*” means, any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Indebtedness of any other person, including any such obligation, direct or indirect, contingent or otherwise, of such person:

- (a) 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
- (b) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided that the term “*guarantee*” will not include:

- (i) endorsements for collection or deposit in the ordinary course of business; and
- (ii) standard contractual indemnities or product warranties provided in the ordinary course of business,

and *provided further* that the amount of any guarantee shall be deemed to be the lower of:

- (A) an amount equal to the stated or determinable amount of the primary obligation in respect of which such guarantee is made; and
- (B) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such guarantee or, if such guarantee is not an unconditional guarantee of the entire amount of the primary obligation and such maximum amount is not stated or determinable, the amount of such guaranteeing person’s maximum reasonably anticipated liability in respect thereof as determined by such person in good faith.

The term “*guarantee*” used as a verb has a corresponding meaning.

“*Guarantor*” means each Restricted Subsidiary that guarantees the Notes until such Note Guarantee is released in accordance with the terms of the Indenture.

“*Hedging Obligations*” means, with respect to any person, the obligations of such person under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, commodity swap agreement, interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate hedge agreement, commodity cap agreement, commodity collar agreement, commodity purchase agreement, commodity futures or forward agreement, commodity option agreement, commodities derivative agreement, foreign exchange contracts, currency swap agreement, currency futures agreement, currency option agreement, currency derivatives or similar agreement providing for the transfer or mitigation of interest rate, commodity price or currency risks either generally or under specific contingencies.

“*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.

“*Immediate Family Members*” means, with respect to any individual, such individual’s child, stepchild, grandchild or more remote descendant, parent, stepparent, grandparent, spouse, former spouse, qualified domestic partner, sibling, mother-in-law, father-in-law, son-in-law and daughter-in-law (including adoptive relationships) and any trust, partnership or other bona fide estate-planning vehicle the only beneficiaries of which are any of the foregoing individuals or any private foundation or fund that is controlled by any of the foregoing individuals or any donor-advised fund of which any such individual is the donor.

“*Incur*” means issue, create, assume, enter into any guarantee of, incur, extend or otherwise become liable for; *provided* that any Indebtedness or Capital Stock of a person existing at the time such person becomes a Restricted Subsidiary (whether by merger, amalgamation, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms “*Incurred*” and “*Incurrence*” have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be “*Incurred*” at the time any funds are borrowed thereunder, subject to the definition of Reserved Indebtedness Amount and related provisions.

“*Indebtedness*” means, with respect to any person on any date of determination (without duplication):

- (a) the principal of indebtedness of such person for borrowed money;
- (b) the principal of obligations of such person evidenced by bonds, debentures, notes or other similar instruments;
- (c) all reimbursement obligations of such person in respect of letters of credit, bankers’ acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within thirty (30) days of Incurrence);
- (d) the principal component of all obligations of such person to pay the deferred and unpaid purchase price of property (except trade payables or similar obligations, including accrued expenses owed, to a trade creditor), which purchase price is due more than one (1) year after the date of placing such property in service or taking final delivery and title thereto;
- (e) Capitalized Lease Obligations of such person;
- (f) 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);
- (g) the principal component of all Indebtedness of other persons secured by a Lien on any asset of such person, whether or not such Indebtedness is assumed by such person; *provided* that the amount of such Indebtedness will be the lesser of (x) the fair market value of such asset at such date of determination (as determined in good faith by the Company) and (y) the amount of such Indebtedness of such other persons;
- (h) guarantees by such person of the principal component of Indebtedness of the type referred to in clauses (a), (b), (c), (d) and (e) above and clause (i) below of other persons to the extent guaranteed by such person; and
- (i) to the extent not otherwise included in this definition, net obligations of such person under Hedging Obligations (the amount of any such obligations to be equal at any time to the net payments under such

agreement or arrangement giving rise to such obligation that would be payable by such person at the termination of such agreement or arrangement) with respect to clauses (a), (b), (d) and (e) above, if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such person prepared in accordance with the Accounting Principles.

The amount of any Indebtedness outstanding as of any date shall be (A) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (B) the principal amount of Indebtedness, or liquidation preference thereof, in the case of any other Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (i) Contingent Obligations Incurred in the ordinary course of business;
- (ii) all contingent liabilities under a guarantee, indemnity, bond, standby or documentary letter of credit or other similar instruments unless and until a valid demand for reimbursement has been made under such instrument and remains unpaid for thirty (30) days;
- (iii) Cash Management Services;
- (iv) any prepayments of deposits received from clients or customers in the ordinary course of business;
- (v) obligations under any license, permit or other approval (or guarantees given in respect of such obligations) incurred prior to the Arcaplanet Acquisition Closing Date or in the ordinary course of business;
- (vi) in connection with the purchase by the Company or any Restricted Subsidiary of any business or any other permitted acquisition, (x) any post-closing payment adjustments to which the seller or investor may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided that*, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner or (y) any obligation or requirement to pay the consideration pursuant to any put/call arrangement in respect of an acquisition or other Investment constituting (in each case) a Permitted Investment for as long as the relevant part of such put/call arrangement is not exercised;
- (vii) 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;
- (viii) obligations under or in respect of Qualified Securitization Financings or Receivables Facilities;
- (ix) Indebtedness of any Parent Entity appearing on the balance sheet of the Company solely by reason of push down accounting under the Accounting Principles;
- (x) Capital Stock (other than Disqualified Stock of the Company and Preferred Stock of a Restricted Subsidiary);
- (xi) amounts owed to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Company and the Restricted Subsidiaries, taken as a whole, that complies with the covenants described under "*—Certain Covenants—Merger and Consolidation—Company*" and "*—Certain Covenants—Merger and Consolidation—Guarantors*);"
- (xii) Subordinated Shareholder Funding;
- (xiii) any joint and several liability or any netting or set-off arrangement arising in each case by operation of law as a result of the existence or establishment of a fiscal unity solely for corporate income tax or value added tax purposes in any jurisdiction of which the Company or a Restricted Subsidiary is or becomes a member;
- (xiv) liabilities in relation to the minority interests line in the balance sheet of any member of the Group; or
- (xv) any utilization of a Credit Facility drawn to fund original issue discount flex.

“*Independent Debt Fund*” means any trust, fund or other entity which has been established primarily for the purpose of purchasing or investing in loans or debt securities (but which has not been formed specifically with a view to investing in the Notes) and which is managed independently from all other trusts, funds or other entities managed or controlled by an Initial Investor or any of its Affiliates which have been established for the primary or main purpose of investing in the share capital of companies (and, for the avoidance of doubt, but without limitation, an entity trust or fund shall be treated as being managed independently from all other trusts, funds, or other entities managed or controlled by an Initial Investor or any of its Affiliates, if it has a different general partner (or equivalent)).

“*Independent Financial Advisor*” means an investment banking or accounting firm of international standing or any third party appraiser of international standing, *provided* that such firm or appraiser is not an Affiliate of the Company.

“*Internal Revenue Code*” means the U.S. Internal Revenue Code of 1986, as amended.

“*Initial Investors*” means:

- (a) one or more funds, limited partnerships, co-investment vehicles and/or other similar vehicles entities or accounts entities managed by or otherwise advised by Cinven Partners LLP and/or any of its respective Affiliates or Related Funds and/or any of their respective “associates” (as defined in the Companies Act 2006) and/or any of their respective successors;
- (b) Fressnapf; and
- (c) any Agreed Co-Investor,

in each case, other than any portfolio operating companies and their subsidiary undertakings.

“*Initial Public Offering*” means an Equity Offering of common stock or other common equity interests of a member of the Group, a “*Pushdown Entity*” (as defined in the Intercreditor Agreement) or any Parent Entity or any successor of such member of the Group, Pushdown Entity or any Parent Entity (the “*IPO Entity*”) following which there is a public market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

“*Intercreditor Agreement*” means the Intercreditor Agreement dated on or about the Issue Date, by and among, *inter alios*, the Company, the Security Agent and the Trustee, as amended from time to time.

“*Investment*” means, with respect to any person, all investments by such person in other persons (including Affiliates) in the form of advances, loans or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of the Accounting Principles; *provided* that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company 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 Company or any Restricted Subsidiary in such person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of the covenants described under “—*Certain Covenants—Limitation on Restricted Payments*” and “—*Designation of Restricted and Unrestricted Subsidiaries*:”

- (a) “*Investment*” will include the portion (proportionate to the Company’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided* that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary in an amount (if positive) equal to:
 - (i) the Company’s “Investment” in such Subsidiary at the time of such redesignation; *less*

- (ii) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets (as determined by the Company) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and
- (b) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined by the Company.

"Investment Grade Securities" means:

- (a) securities issued or directly and fully guaranteed or insured by Australia, the Canadian government, the EU or a member state of the EU, Japan, Norway, Switzerland, the UK, the US government or, in each case, any agency or instrumentality thereof (other than Cash Equivalent Investments);
- (b) debt securities or debt instruments with a rating of "A-" or higher from S&P or Fitch or "A3" or higher by Moody's 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 Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and
- (c) Investments in any fund that invests exclusively in investments of the type described in clauses (a) and (b), above which fund may also hold cash and Cash Equivalent Investments pending investment or distribution.

"Investment Grade Status" shall occur when the Notes receive two of the following:

- (1) a rating of "BBB-" or higher from S&P;
- (2) a rating of "Baa3" or higher from Moody's; or
- (3) a rating of "BBB-" or higher from Fitch;

or the equivalent of such rating by such rating organization or, if no rating of S&P, Moody's or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"IPO Market Capitalization" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"IPO Proceeds" means the cash proceeds received by members of the Group or any Parent Holding Company of the Company from a Listing or a primary issue of shares in connection with such a Listing after deducting:

- (a) all taxes incurred and required to be paid or reserved against (as reasonably determined by the Company on the basis of their existing rates) by the seller in relation to a Listing (including any Taxes incurred as a result of the transfer of any cash consideration intra Group);
- (b) fees, costs and expenses (including, for the avoidance of doubt, reasonable legal fees, reasonable agents' commission, reasonable auditors' fees, reasonable out of pocket reorganization costs (including redundancy, closure and other restructuring costs, both preparatory to, and in consequence of, a Listing));
- (c) any amount required to be applied in repayment or prepayment of any Indebtedness other than the Revolving Facility (including to an entity the subject of a disposal, amounts to be repaid or prepaid to the entity disposed of in respect of intra-Group indebtedness and any third party debt secured on the assets disposed of which is to be repaid or prepaid out of those proceeds) or amounts owed to partners in permitted joint ventures as a consequence of that Listing; and
- (d) any reasonable amounts retained to cover indemnities, contingent and other liabilities in connection with the Listing.

"Issue Date" means October 21, 2021.

"Italian Civil Code" means the Royal Decree No. 262 of March 16, 1942, as subsequently amended and supplemented.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien, hypothecation or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof); *provided that* in no event shall an operating lease be deemed to constitute a Lien.

“*Listing*” means the listing or the admission to trading of all or any part of the share capital of any member of the Group or any Parent Holding Company (the only material assets of which are shares or other investments (directly or indirectly in the Group)) of a member of the Group (other than the Initial Investors) on any recognized investment exchange (as that term is used in the Financial Services and Markets Act 2000) or in or on any other exchange or market in any jurisdiction or country or any other sale or issue by way of listing, flotation or Public Offering or any equivalent circumstances in relation to any member of the Group or any such Parent Holding Company of any member of the Group (other than the Initial Investors and their Parent Holding Companies) in any jurisdiction or country.

“*LTM EBITDA*” means on any day, Consolidated EBITDA of the Group for the Relevant Period ending on the Applicable Reporting Date; *provided* that in the event any indebtedness, loan, investment, disposal, guarantee, payment or other transaction is committed, incurred or made by any member of the Group based on the amount of LTM EBITDA as determined for a given Applicable Test Date, that indebtedness, loan, investment, disposal, guarantee, payment or other transaction shall not constitute, or be deemed to constitute, or result in, a breach of any provision of the Indenture or the other Note Documents if there is a change in the amount of LTM EBITDA for any Relevant Period ending subsequent to such Applicable Test Date.

“*Management Advances*” means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers, employees, contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of any Parent Entity, the Company or any Restricted Subsidiary, or to any management equity plan, stock option plan, any other management or employee benefit, bonus or incentive plan or any trust, partnership or other entity of, established for the benefit of or the beneficial owner of which (directly or indirectly) is the directors, officers, employees, contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of any Parent Entity, the Company or any Restricted Subsidiary:

- (a) in respect of any expenses (including travel, entertainment and moving expenses) Incurred in the ordinary course of business;
- (b) for purposes of funding any such person’s purchase (or the purchase by any management equity plan) of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Company, its Subsidiaries or any Parent Entity with the approval of the Board of Directors of the Company, or otherwise relating to any management equity plan, stock option plan any other management or employee benefit, bonus or incentive plan;
- (c) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (d) otherwise in an amount not exceeding the greater of (i) €8.2 million and (ii) an amount equal to seven point five (7.5) per cent. of LTM EBITDA in the aggregate outstanding as of the Applicable Test Date.

“*Management Stockholders*” means the members of management of the Company (or any Parent Entity) or its Subsidiaries who are holders of Capital Stock of the Company or of any Parent Entity on the Arcaplanet Acquisition Closing Date or will become holders of such Capital Stock in connection with the Transactions.

“*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 thirty (30) consecutive trading days immediately preceding the date of declaration of such dividend.

“*Material Event of Default*” means an Event of Default under clause (a), (b) or (c) of the section titled “*Events of Default*” above.

“*Maxi Zoo*” means Maxi Zoo Italia S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy under the registration number 03503300232;

“*Maxi Zoo Acquisition*” means the acquisition, pursuant to the Maxi Zoo Acquisition Agreement, by Topco of all of the issued share capital of Maxi Zoo (the “*Maxi Zoo Shares*”) from Fressnapf in exchange for an issuance of certain new shares in Topco to Fressnapf;

“*Maxi Zoo Acquisition Agreement*” means the Agreement for the Sale and Purchase of the Entire Issued Share Capital of Maxi Zoo Italia S.p.A. and Subscription for the Shares in the Purchaser dated June 24, 2021 between Seventh Cinven Fund (No. 1) Limited Partnership, Fressnapf and Topco;

“*Maxi Zoo Contribution*” means, collectively, (i) the Maxi Zoo Acquisition; and (ii) subsequent contributions of the Maxi Zoo Shares by (a) Topco to Midco and (b) Midco to the Company, as described in detail in this offering memorandum;

“*Midco*” means Shiba Midco Limited, a private limited company incorporated under the laws of England and Wales with company number 13475897, which is the immediate parent entity of the Company, or any successor entity;

“*Moody’s*” means Moody’s Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Nationally Recognized Statistical Rating Organization*” means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the U.S. Securities Act.

“*Net Available Cash*” from an Asset Disposition or Permitted Specified 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 Permitted Specified Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (a) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid, reasonably estimated to be actually payable or accrued as a liability under the Accounting Principles (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Company and after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition or Permitted Specified Asset Disposition, including distributions for Related Taxes and Permitted Tax Distributions;
- (b) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition or Permitted Specified Asset Disposition, in accordance with the terms of any Lien upon such assets, or which by applicable law be repaid out of the proceeds from such Asset Disposition or Permitted Specified Asset Disposition;
- (c) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Company or any of its respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition or Permitted Specified Asset Disposition;
- (d) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of the Accounting Principles, against any liabilities associated with the assets disposed of in such Asset Disposition or Permitted Specified Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition or Permitted Specified Asset Disposition; and
- (e) any funded escrow established pursuant to the documents evidencing any such sale or disposition to secure any indemnification obligations or adjustments to the purchase price associated with any such Asset Disposition or Permitted Specified Asset Disposition.

“*Net Cash Proceeds*” with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or reasonably estimated to be actually payable as a result of such issuance or sale (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Company and after taking into account any available tax credit or deductions and any tax sharing agreements, and including distributions for Related Taxes and Permitted Tax Distributions).

“*Note Documents*” means the Notes (including Additional Notes), the Indenture (including the Note Guarantees), the Security Documents, the Escrow Charge, the Escrow Agreement, the Intercreditor Agreement and any Additional Intercreditor Agreement.

“*Obligations*” means any principal, interest (including Post-Petition Interest and fees accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company or any Guarantor whether or not a claim for Post-Petition Interest or fees is allowed in such proceedings), penalties, fees,

indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and bankers' acceptances), damages and other liabilities payable under the documentation governing any Indebtedness.

“*Offering*” has the meaning ascribed to such term in this offering memorandum.

“*Officer*” means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Assistant Treasurer, any Managing Director, the Secretary or any Assistant Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “Officer” or “Authorized Signatory” for the purposes of this Indenture by the Board of Directors of such Person.

“*Officer's Certificate*” means, with respect to any Person, a certificate signed by one Officer of such Person.

“*Opinion of Counsel*” means a written opinion from legal counsel that is reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

“*Original Revolving Facility*” means the €80.0 million senior secured multicurrency revolving credit facility made available under the Revolving Facility Agreement.

“*Parent Entity*” means any direct or indirect parent of the Company.

“*Parent Entity Expenses*” means:

- (a) costs (including all legal, accounting and other professional fees and expenses) Incurred by any Parent Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, any agreement or instrument relating to any Indebtedness of the Company or any Restricted Subsidiary or a Parent Entity (including the Revolving Facility and the Notes), including in respect of any reports filed or delivered with respect to the U.S. Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;
- (b) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other persons under its articles, charter, by-laws, partnership agreement or other organizational documents or pursuant to written agreements with any such person to the extent relating to the Company and its Subsidiaries;
- (c) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;
- (d) any (i) general corporate overhead expenses, including all legal, accounting and other professional fees and expenses and (ii) other operational expenses of any Parent Entity related to the ownership or operation of the business of the Company or any of the Restricted Subsidiaries; and
- (e) expenses Incurred by any Parent Entity in connection with (i) any offering, sale, conversion or exchange of Subordinated Shareholder Funding, Capital Stock or Indebtedness and (ii) any related compensation paid to officers, directors and employees of such Parent Entity.

“*Parent Holding Company*” means, in relation to any Person, any other Person of which it is a Subsidiary.

“*Paying Agent*” means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Note on behalf of the Company.

“*Permira*” has the meaning ascribed to such term in this offering memorandum.

“*Permitted Asset Swap*” means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalent Investments between the Company or any of the Restricted Subsidiaries and another person; *provided* that any cash or Cash Equivalent Investments received in excess of the value of any cash or Cash Equivalent Investments sold or exchanged must be applied in accordance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*”

“*Permitted Collateral Liens*” means Liens on the Collateral:

(a) that are described in one or more of clauses (b), (c), (d), (e), (f), (g), (h), (k), (o), (q), (r), (x), (z) and (hh) of the definition of “*Permitted Liens*” and Liens arising by operation of law that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(b) to secure all obligations (including paid-in-kind interest) in respect of:

(i) the obligations under the Finance Documents;

(ii) Indebtedness described under clauses (i)(A), (i)(B), (i)(C), (i)(D) (*provided* that such Indebtedness constitutes Second Lien Liabilities or otherwise ranks junior to the Notes) and (vi) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”,

provided that the following may have super senior priority status in respect of the proceeds from the enforcement of the Collateral and certain distressed disposals of assets pursuant to the Intercreditor Agreement:

(1) up to an amount of Indebtedness in respect of any Credit Facility equal to the amount of Indebtedness permitted to be Incurred pursuant to clause (i)(A) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (such Indebtedness to include the Revolving Facility (to the extent not fully and finally discharged)); and

(2) obligations under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, foreign exchange contract, currency swap agreement or similar agreement providing for the transfer or mitigation of interest rate or currency risks,

in each case, to the extent Incurred under and in compliance with the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”;

(iii) Indebtedness described under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, *provided* that:

(A) if such Indebtedness constitutes Senior Secured Indebtedness and, after giving *pro forma* effect thereto, the Senior Secured Net Leverage Ratio does not exceed 5.05:1.00; and

(B) if such Indebtedness constitutes Indebtedness that is secured on the Collateral but is not Senior Secured Indebtedness and, after giving *pro forma* effect thereto the Total Secured Net Leverage Ratio does not exceed 6.05:1.00; *provided* that such Indebtedness constitutes Second Lien Liabilities or otherwise ranks junior to the Notes;

(iv) Indebtedness described under clause (ii) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, to the extent that such guarantee is in respect of Indebtedness otherwise permitted to be secured by a Permitted Collateral Lien;

(v) Indebtedness described under clauses (iv), (v)(A), (v)(B)(1)(I), (v)(B)(1)(II) (*provided* that such Indebtedness constitutes Second Lien Liabilities or otherwise ranks junior to the Notes), (vi), (vii) (other than with respect to Capitalized Lease Obligations), (viii)(E), (x), (xiii), (xix) or (xxi) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”;

(vi) any Refinancing Indebtedness in respect of Indebtedness referred to in clauses (i) to (v) above; or

(c) Incurred in the ordinary course of business of the Company or any of the Restricted Subsidiaries with respect to obligations that in total do not exceed the greater of (i) €5.5 million and (ii) an amount equal to five (5) per cent of LTM EBITDA at any time outstanding and that (x) are not Incurred in connection with the borrowing of money and (y) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Company’s or such Restricted Subsidiary’s business,

provided that, in the case of clause (b) or (c) above, each of the secured parties to any such Indebtedness that is to share in all or substantially all of the Collateral will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement and *provided further* that for purposes of determining compliance with this definition, in the event that a Permitted Collateral Lien meets the

criteria of more than one of the categories of Permitted Collateral Liens described in clauses (a) through (c) above, the Company will be permitted to classify such Permitted Collateral Lien on the date of its Incurrence and reclassify such Permitted Collateral Lien at any time and in any manner that complies with this definition and *provided further still* that Permitted Collateral Liens may not have super senior priority status in respect of the proceeds from the enforcement of the Collateral or a distressed disposal of assets, other than as permitted by sub-clause (b)(ii) above, save that nothing in this definition shall prevent lenders under any Credit Facilities from providing for any ordering of payments under the various tranches of such Credit Facilities.

“*Permitted Holders*” means, collectively:

- (a) the Initial Investors;
- (b) any one or more persons, together with such persons’ Affiliates, whose beneficial ownership constitutes or results in (1) a Change of Control in respect of which a Change of Control offer is made in accordance with the requirements of the Indenture or (2) a Change of Control which is also a Specified Change of Control Event;
- (c) the Management Stockholders;
- (d) any person who is acting solely as an underwriter in connection with a public or private offering of Capital Stock of any IPO Entity, acting in such capacity;
- (e) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, persons referred to in clauses (a) to (d) above collectively, have beneficial ownership of more than fifty (50) per cent. of the total voting power of the Voting Stock of the Company or any Parent Entity held by such group;
- (f) any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made or waived in accordance with the requirements of the Indenture; and
- (g) any Related Person of any of the persons referred to in clauses (a), (b), (c) and (f) above.

“*Permitted Investment*” means (in each case, by the Company or any of the Restricted Subsidiaries):

- (a) Investments in:
 - (i) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company; or
 - (ii) a person (including the Capital Stock of any such person) that will, upon the making of such Investment, become a Restricted Subsidiary;
- (b) Investments in another person and as a result of such Investment such other person is merged, amalgamated, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;
- (c) Investments in cash or Cash Equivalent Investments;
- (d) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;
- (e) Investments in payroll, travel, relocation, entertainment, moving related 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;
- (f) Management Advances;
- (g) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in exchange for any other Investment or accounts receivable held by the Company or any such Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor or otherwise with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

- (h) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, or through the provision of any services including an Asset Disposition;
- (i) Investments existing or pursuant to agreements or arrangements in effect or existence on the Arcaplanet Acquisition Closing Date and any modification, replacement, renewal or extension thereof; *provided* that the amount of any such Investment may not be increased except (i) as required by the terms of such Investment as in existence on the Arcaplanet Acquisition Closing Date or (ii) as otherwise permitted under the Indenture;
- (j) Hedging Obligations, which transactions or obligations are Incurred in compliance with the covenant described under “—*Certain Covenants—Limitation on Indebtedness*;”
- (k) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of “*Permitted Liens*” or made in connection with Liens permitted under the covenant described under “—*Certain Covenants—Limitation on Liens*;”
- (l) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;
- (m) 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 (i), (iii), (vi), (vii), (ix), (xii) and (xiv) thereof);
- (n) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business, and in accordance with the Indenture;
- (o) any:
 - (i) guarantees of Indebtedness not prohibited by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business; and
 - (ii) performance guarantees with respect to obligations that are permitted by the Indenture;
- (p) Investments consisting of earnest money deposits required in connection with a purchase agreement, or letter of intent, or other acquisitions to the extent not otherwise prohibited by the Indenture;
- (q) Investments of a Restricted Subsidiary acquired after the Arcaplanet Acquisition Closing Date or of an entity merged or amalgamated into the Company or merged or amalgamated into or consolidated with a Restricted Subsidiary after the Arcaplanet Acquisition Closing Date to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;
- (r) Investments consisting of licensing or contribution of intellectual property pursuant to joint marketing arrangements with other persons;
- (s) (A) contributions to a “rabbi” trust for the benefit of employees or other grantor trust subject to claims of creditors in the case of a bankruptcy of the Company and (B) Investments made after the Arcaplanet Acquisition Closing Date in joint ventures of the Company or any of its Restricted Subsidiaries existing on the Arcaplanet Acquisition Closing Date;
- (t) Investments in joint ventures and similar entities and Similar Businesses having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause (t) that are at the time outstanding, not to exceed:
 - (i) the greater of (x) €32.7 million and (y) an amount equal to thirty (30) per cent. of LTM EBITDA at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value); *plus*
 - (ii) the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments,
 (without duplication for purposes of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*” of any amounts applied pursuant to clause (C) of the first paragraph of such covenant)

with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided* that if any Investment pursuant to this definition is made in any person that is not the Company or a Restricted Subsidiary at the date of the making of such Investment and such person becomes the Company or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clauses (a) or (b) of this definition and shall cease to have been made pursuant to this clause for so long as such person continues to be the Company or a Restricted Subsidiary;

(u) additional Investments having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause (u) that are at that time outstanding, not to exceed:

(i) the greater of (x) €43.6 million and (y) an amount equal to forty (40) per cent. of LTM EBITDA; *plus*

(ii) the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments,

(without duplication for purposes of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*” of any amounts applied pursuant to clause (C) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided* that if any Investment pursuant to this clause is made in any person that is not the Company or a Restricted Subsidiary at the date of the making of such Investment and such person becomes the Company or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clauses (a) or (b) of this definition and shall cease to have been made pursuant to this clause for so long as such person continues to be the Company or a Restricted Subsidiary;

(v) Investments in Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause (v) that are at the time outstanding, not to exceed:

(i) the greater of (x) €32.7 million and (y) an amount equal to thirty (30) per cent. of LTM EBITDA at the time of such Investment; *plus*

(ii) the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments,

(without duplication for purposes of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*” of any amounts applied pursuant to clause (C) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided* that if any Investment pursuant to this definition is made in any person that is not the Company or a Restricted Subsidiary at the date of the making of such Investment and such person becomes the Company or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clauses (a) or (b) of this definition and shall cease to have been made pursuant to this clause for so long as such person continues to be the Company or a Restricted Subsidiary;

(w) Investments (i) arising in connection with a Qualified Securitization Financing or Receivables Facility and (ii) constituting distributions or payments of Securitization Fees and purchases of Securitization Assets or Receivables Assets in connection with a Qualified Securitization Financing or Receivables Facility;

(x) Investments in connection with the Transactions;

(y) Investments (including repurchases) in Indebtedness of the Company and the Restricted Subsidiaries;

(z) Investments by an Unrestricted Subsidiary entered into prior to the day such Unrestricted Subsidiary is redesignated as a Restricted Subsidiary as *described under the covenant “—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries;”*

(aa) guarantee and indemnification obligations arising in connection with surety bonds issued in the ordinary course of business;

(bb) Investments consisting of purchases and acquisitions of real property, any other assets or services in the ordinary course of business or made in the ordinary course of business in connection with obtaining, maintaining or renewing customer or client contacts and loans or advances made to distributors in the ordinary course of business;

- (cc) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and workers compensation, performance and similar deposits entered into as a result of the operations of the business in the ordinary course of business;
- (dd) Investments in the ordinary course of business consisting of UCC Article 3 endorsements for collection of deposit and Article 4 customary trade arrangements with customers in the ordinary course of business;
- (ee) transactions entered into in order to consummate a Permitted Tax Restructuring;
- (ff) Investments made at a time when no Material Event of Default is continuing; *provided* that either:
 - (i) immediately after giving *pro forma* effect to such Investment, either:
 - (A) the Total Net Leverage Ratio would be no greater than 5.05:1.00 or would not increase; or
 - (B) the Fixed Charge Coverage Ratio is at least 2.00:1.00 or would not decrease; or
 - (ii) such Investments are funded from the Available Amount (without double counting); and
- (gg) any guarantee given to or for the benefit of any liquidator (or similar officer) or creditor in connection with any Permitted Reorganization or Post Closing Mergers (including a liquidation, winding up, dissolution or similar step occurring as part of a Permitted Reorganization or Post Closing Mergers, as applicable) or permitted capital reduction.

“*Permitted Liens*” means, with respect to any person:

- (a) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness and other Obligations of any Restricted Subsidiary that is not a Guarantor;
- (b) pledges, deposits or Liens under workmen’s compensation laws, old-age-part-time arrangements, payroll taxes, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements) or pension related liabilities and obligations, or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure the performance of bids, trade contracts, government contracts and leases, statutory obligations, surety, stay, indemnity, judgment, customs, appeal or performance bonds (including pledges, deposits or Liens under any indemnities, undertakings, guarantees, counter guarantees or indemnities and contractual obligations provided in connection with such surety, stay, indemnity, judgment, customs, appeal or performance bonds), guarantees of government contracts, return-of-money bonds, bankers’ acceptance facilities (or other similar bonds, instruments or obligations), obligations in respect of letters of credit, bank guarantees or similar instruments that have been posted to support the same, or as security for contested taxes or import or customs duties or for the payment of (or obligations of credit insurers with respect thereof) rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;
- (c) Liens with respect to outstanding motor vehicle fines and Liens imposed by law, including carriers’, warehousemen’s, mechanics’, landlords’, materialmen’s, repairmen’s, construction contractors’ or other like Liens, in each case for sums not yet overdue for a period of more than sixty (60) days or that are bonded or being contested in good faith by appropriate proceedings;
- (d) Liens for Taxes, assessments or governmental charges which are not overdue for a period of more than thirty (30) days from the date on which the Company becomes aware such amounts are overdue or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to the Accounting Principles (or other applicable accounting principles) have been made in respect thereof;
- (e) encumbrances, charges, ground leases, easements (including reciprocal easement agreements), survey exceptions, restrictions, encroachments, protrusions, by-law, regulation, zoning restrictions or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and the Restricted Subsidiaries or to the ownership of their properties, including servicing agreements, development agreements, site plan

agreements, subdivision agreements, facilities sharing agreements, cost sharing agreements and other agreements, which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and the Restricted Subsidiaries, including (i) ground leases entered into by the Company or any of its Restricted Subsidiaries in connection with any development, construction, operation or improvement of assets on any real property owned by the Company or any of its Restricted Subsidiaries (and any Liens created by the lessee in connection with any such ground lease, including easements and rights of way, or on any of its assets located on the real property subject to such ground lease) and (ii) leases, licenses, subleases and sublicenses in respect of real property to any trading counterparty to which the Company or any of its Restricted Subsidiaries provides services on such real property;

(f) Liens:

- (i) on assets, Capital Stock or property of the Company or any Restricted Subsidiary securing Hedging Obligations or Cash Management Services permitted under the Indenture;
- (ii) that are statutory, common law or contractual rights of set-off (including, for the avoidance of doubt, Liens arising under the general terms and conditions of banks or saving banks) or, in the case of sub-clauses (A) or (B) below, other bankers' Liens:
 - (A) relating to treasury, depository and Cash Management Services or any automated clearing house transfers of funds in the ordinary course of business and not given in connection with the issuance of Indebtedness;
 - (B) relating to pooled deposit or sweep accounts to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of the Company or any Subsidiary of the Company; or
 - (C) relating to purchase orders and other agreements entered into with customers of the Company or any Restricted Subsidiary in the ordinary course of business;
- (iii) on cash accounts securing Indebtedness and other Obligations permitted to be Incurred under clauses (viii)(D) or (viii)(E) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" with financial institutions;
- (iv) encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;
- (v) of a collection bank arising under Section 4-210 of the UCC (or a similar statutory provision in another applicable jurisdiction) on items in the course of collection;
- (vi) in favor of a banking institution arising as a matter of law encumbering deposits (including the right of set-off) arising in the ordinary course of business in connection with the maintenance of such accounts; and/or
- (vii) arising under customary general terms of the account bank in relation to any bank account maintained with such bank and attaching only to such account and the products and proceeds thereof, which Liens, in any event, do not secure any Indebtedness (including Liens of members of the Group under general terms and conditions of banks and saving banks);
- (g) 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;
- (h) Liens securing or otherwise arising out of judgments, decrees, attachments, orders or awards not giving rise to an Event of Default so long as:
 - (i) 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;
 - (ii) the period within which such proceedings may be initiated has not expired; or
 - (iii) no more than sixty (60) days have passed after (A) such judgment, decree, order or award has become final or (B) such period within which such proceedings may be initiated has expired;

- (i) Liens:
 - (i) on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations, or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing Indebtedness or other Obligations Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business, *provided* that:
 - (A) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture; and
 - (B) any such Liens may not extend to any assets or property of the Company 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 and/or fixtures to such assets and property, including any real property on which such improvements or construction relates; and
 - (ii) any interest or title of a lessor under any Capitalized Lease Obligations or operating lease;
- (j) Liens perfected or evidenced by UCC financing statement filings, including precautionary UCC financing statements (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and the Restricted Subsidiaries in the ordinary course of business;
- (k) Liens existing on, or provided for or required to be granted under written agreements existing on, the Arcaplanet Acquisition Closing Date (other than Liens securing the Revolving Facility);
- (l) 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 Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, amalgamation, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided* that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided further* that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (m) Liens on assets or property of the Company or any Restricted Subsidiary securing Indebtedness or other Obligations of the Company or such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Company or any Restricted Subsidiary;
- (n) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness or other Obligations being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (o) Liens constituting:
 - (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto; and
 - (ii) any condemnation or eminent domain proceedings affecting any real property;
- (p) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture, Associate or similar arrangement (i) pursuant to any joint venture or similar agreement or arrangement (including articles, by-laws and other governing documents of such entity) or (ii) securing obligations of joint ventures, Associates or similar entities or arrangements;
- (q) 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;

- (r) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods or receivables resulting from the sale of goods entered into in the ordinary course of business;
- (s) Liens securing Indebtedness and other Obligations permitted to be Incurred by the Company and its Restricted Subsidiaries pursuant to any of clauses (i)(A), (i)(B), (iv) (other than as it relates to sub-clause (iv)(A)), (v), (vi), (vii), (xi), (xiii), (xiv), (xvi), (xix) and (xxi) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” provided that:
 - (i) in the case of clause (v) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” only if such Liens are limited to all or a part of the same property or assets, including Capital Stock acquired (plus improvements, accessions, proceeds or dividends or distributions in respect thereof, or replacements of any thereof), or of a Person acquired or merged or consolidated with or into the Company or any Restricted Subsidiary, in any transaction to which such Indebtedness relates;
 - (ii) in the case of clause (vii) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” such Liens extend only to the assets, property, plant or equipment purchased, leased, rented, designed, expanded, constructed, installed, replaced, repaired, installed or improved (as applicable) (plus improvements, accessions, proceeds or dividends or distributions in respect thereof, or replacements of any thereof); *provided further* that individual financings of assets provided by one lender or group of lenders may be cross-collateralized to other financings of assets by such lender or group of lenders;
 - (iii) in the case of clause (xi) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” such Liens cover only the assets of Restricted Subsidiaries that are not Guarantors; and
 - (iv) in the case of clause (xvi) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” only if such Liens are limited to the extent of such property or assets financed;
- (t) Permitted Collateral Liens;
- (u) Liens:
 - (i) on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary; and
 - (ii) Liens then existing with respect to assets of an Unrestricted Subsidiary on the day such Unrestricted Subsidiary is redesignated as a Restricted Subsidiary as described under the covenant “—*Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*,”
 - (iii) in respect of any credit support in favor of any provider of credit insurance relating to the Company and or any Restricted Subsidiary;
 - (iv) any security granted over the marketable securities portfolio described in clause (h) of the definition of “*Cash Equivalents*” in connection with the disposal thereof to a third party;
- (w) Liens on:
 - (i) goods the purchase price of which is financed by a documentary letter of credit issued for the account of the Company or any Restricted Subsidiary or Liens on bills of lading, drafts or other documents of title arising by operation of law or pursuant to the standard terms of agreements relating to letters of credit, bank guarantees and other similar instruments; and
 - (ii) specific items of inventory of other goods and proceeds of any person securing such person’s obligations in respect of bankers’ acceptances issued or created for the account of such person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (x) Liens on equipment of the Company or any Restricted Subsidiary and located on the premises of any client or supplier in the ordinary course of business;
- (y) Liens on assets or securities deemed to arise in connection with and solely as a result of the execution, delivery or performance of contracts to sell such assets or securities if such sale is otherwise permitted by the Indenture;

- (z) Liens arising by operation of law or contract on insurance policies and the proceeds thereof to secure premiums thereunder, and Liens, pledges and deposits in the ordinary course of business securing liability for premiums or reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefits of) insurance carriers;
- (aa) Liens solely on any cash earnest money deposits made in connection with any letter of intent or purchase agreement permitted under the Indenture;
- (bb) Liens:
 - (i) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to Permitted Investments to be applied against the purchase price for such Investment; and
 - (ii) consisting of an agreement to sell any property in an asset sale permitted under the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” in each case, solely to the extent such Investment or asset sale, as the case may be, would have been permitted on the date of the creation of such Lien;
- (cc) Liens on property and assets of the Company and its Restricted Subsidiaries securing Indebtedness and other Obligations of the Company and its Restricted Subsidiaries in an aggregate principal amount not to exceed the greater of (x) €27.3 million and (y) an amount equal to twenty-five (25) per cent. of LTM EBITDA at the time Incurred;
- (dd) Liens deemed to exist in connection with Investments in repurchase agreements permitted by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” provided that such Liens do not extend to any assets other than those that are the subject of such repurchase agreement;
- (ee) Liens arising in connection with a Qualified Securitization Financing or a Receivables Facility;
- (ff) Settlement Liens;
- (gg) rights of recapture of unused real property in favor of the seller of such property set forth in customary purchase agreements and related arrangements with any government, statutory or regulatory authority;
- (hh) the rights reserved to or vested in any person or government, statutory or regulatory authority by the terms of any lease, license, franchise, grant or permit held by the Company or any Restricted Subsidiary or by a statutory provision, to terminate any such lease, license, franchise, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;
- (ii) restrictive covenants affecting the use to which real property may be put;
- (jj) Liens or covenants restricting or prohibiting access to or from lands abutting on controlled access highways or covenants affecting the use to which lands may be put; *provided* that such Liens or covenants do not interfere with the ordinary conduct of the business of the Company or any Restricted Subsidiary;
- (kk) any Liens granted in favour of creditors so as to implement a Permitted Reorganization or Post Closing Mergers or a permitted capital reduction and Liens arising in connection with a Permitted Tax Restructuring;
- (ll) Liens on Escrowed Property or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case, to the extent such cash or government securities are held in an escrow account or similar arrangement, including in each case any interest or premium thereon;
- (mm) Liens arising in connection with any joint and several liability and any netting or set-off arrangement arising in each case by operation of law as a result of the existence or establishment of a fiscal unity for corporate income tax or value added tax purposes in any jurisdiction of which the Company or a Restricted Subsidiary is or becomes a member;
- (nn) standard terms relating to banker’s Liens or similar general terms and conditions of banks with whom the Company or a Restricted Subsidiary maintains a banking relationship in the ordinary course of business, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;

- (oo) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or Liens over cash accounts and receivables securing cash pooling or cash management arrangements;
- (pp) (i) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (ii) Liens pursuant to the Intercreditor Agreement, any Additional Intercreditor Agreement and/or the Transaction Security Documents, (iii) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement, (iv) Liens securing Indebtedness Incurred under clauses (i)(A), (i)(B) or (i)(C) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” to the extent the Agreed Security Principles would not permit such Lien to be granted to the Notes and (v) Liens on rights under any proceeds loan that are assigned to the third party creditors of the Indebtedness Incurred by the Company or any Restricted Subsidiary to finance such proceeds loan and incurred in compliance with the Indenture and securing that Indebtedness;
- (qq) Liens created or subsisting in order to secure any pension liabilities or partial retirement liabilities or any liabilities arising in connection with any pension insurance plan;
- (rr) any extension, renewal or replacement, in whole or in part, of any Lien described in this definition of Permitted Lien, *provided* that any such extension, renewal or replacement shall not extend in any material respect to any additional property or assets; and
- (ss) any Lien not securing Indebtedness.

In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of Incurrence or at a later date), the Company in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with the Indenture and such Permitted Lien shall be treated as having been made pursuant only to the clause or clauses of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

“*Permitted Reorganization*” means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Company or any of the Restricted Subsidiaries (a “*Reorganization*”) that is made on a solvent basis; *provided* that:

- (a) any payments or assets distributed in connection with such Reorganization remain within the Company and the Restricted Subsidiaries; and
- (b) 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 (ignoring for the purposes of assessing such equivalency any limitations provided for in accordance with the Agreed Security Principles or hardening periods (or any similar or equivalent concept)).

“*Permitted Specified Asset Disposition*” means a Specified Asset Disposition (the “*Relevant Disposition*”) provided that as of the Applicable Test Date, the aggregate Specified Asset Disposition EBITDA for all Specified Asset Dispositions consummated following the Arcaplanet Acquisition Closing Date (including, for this purpose, the Specified Asset Disposition EBITDA for the Relevant Disposition) would not exceed twenty-five (25) per cent. of the Specified Asset Disposition Denominator.

“*Permitted Tax Distribution*” means if and for so long as the Company is a member of a fiscal unity (whether resulting from a domination and profit or loss pooling agreement or otherwise) or a group filing a consolidated or combined tax return with any Parent Entity, any dividends, intercompany loans, other intercompany balances or other distributions to fund any income Taxes for which such Parent Entity is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis calculated as if the Company and its Subsidiaries had paid Tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries.

“*Permitted Tax Restructuring*” means any reorganizations and other activities related to tax planning and tax reorganization entered into prior to, on or after the date hereof so long as such Permitted Tax Restructuring is not materially adverse to the Holders, individually or in the aggregate (as determined by the Company in good faith).

“*Permitted Transaction*” means:

- (a) any step, circumstance, payment, event, reorganization, arrangement or transaction contemplated by or relating to the Transactions, the transactions or arrangements set out in the tax structure memorandum relating thereto (other than any exit steps described therein), or actions necessary or entered into to implement any of those steps, circumstances, payments, arrangements or transactions (in the case of a payment contemplated by the equity documents in respect of the Transactions, subject to the covenant described under “*Limitation on Restricted Payments*”);
- (b) any step, circumstance, event or transaction as part of a customary debt pushdown and any intermediate steps or actions necessary to implement the IPO Pushdown;
- (c) a Permitted Reorganization;
- (d) any step, circumstance, payment or transaction contemplated by or relating to Transactions or any exercise of any set off of any claims or receivables of the Company (or its Affiliates) arising under, contemplated by or relating to the Transactions against any liabilities owed by the Company (or its Affiliates) to the Seller under the Acquisition Agreement, its Affiliates or assigns and any intermediate steps or actions necessary to implement such steps, circumstances, payments, arrangements, transactions or set-off;
- (e) any step, circumstance or transaction which is mandatorily required by law (including arising under an order of attachment or injunction or similar legal process);
- (f) any conversion of a loan, credit or any other indebtedness outstanding into distributable reserves, share capital, share premium or other equity interests of any member of the Group or any other capitalization, forgiveness, waiver, release or other discharge of any loan, credit or other indebtedness of any member of the Group, in each case on a cashless basis;
- (g) any repurchase of shares in any person upon the exercise of warrants, options or other securities convertible into or exchangeable for shares, if such shares represent all or a portion of the exercise price of such warrants, options or other securities convertible into or exchangeable for shares as part of a cashless exercise;
- (h) any step, circumstance, payment, event, reorganization, arrangement or transaction entered into in connection with any request from, or consultation or agreement with, any trustee, agent or regulator (or, in each case, any similar or equivalent person) in respect of or in connection with any pension scheme or arrangement or other post-employment benefit scheme: (i) in the United Kingdom; (ii) of or in respect of a member of the Group incorporated in the United Kingdom; or (iii) in respect of or for the benefit of employees, managers, directors, officers or consultants (past or present) located in the United Kingdom or of a member of the Group incorporated in the United Kingdom;
- (i) any closure of bank accounts in the ordinary course of business;
- (j) any “Liabilities Acquisition” (as defined in the Intercreditor Agreement);
- (k) any intermediate steps or actions necessary or entered into to implement steps, circumstances, payments, arrangements or transactions permitted by the Indenture; and
- (l) the Post Closing Mergers.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

“*Post Closing Mergers*” means the contemplated reorganization following the Arcaplanet Acquisition Closing Date, whereby one or more of the Company, the Target and Maxi Zoo will be merged or consolidated into Agrifarma and thereby cease to exist.

“*Post-Petition Interest*” means any interest or entitlement to fees or expenses or other charges that accrue after the commencement of any bankruptcy or insolvency proceeding, whether or not allowed or allowable as a claim in any such bankruptcy or insolvency proceeding.

“*Proceeds Loan*” means one or more loans to be made by the Company to Agrifarma on or about the Arcaplanet Acquisition Closing Date as described in this offering memorandum.

“*Preferred Stock*”, as applied to the Capital Stock of any person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such person, over shares of Capital Stock of any other class of such person.

“*Public Debt*” means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (i) a public offering registered under the U.S. Securities Act or (ii) a private placement to institutional and other investors, in each case, that are not Affiliates of the Company, (x) in accordance with Section 4(a)(2) under the U.S. Securities Act or (y) acquired for resale in accordance with Rule 144A and/or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

“*Public Offering*” means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the U.S. Securities Act to professional market investors or similar persons).

“*Purchase Money Obligations*” means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any person owning such property or assets, or otherwise.

“*Qualified Securitization Financing*” means any Securitization Facility that meets the following conditions:

- (a) the Board of Directors shall have determined in good faith that such Qualified Securitization Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and the Restricted Subsidiaries;
- (b) all sales of Securitization Assets and related assets by the Company or any Restricted Subsidiary to the Securitization Subsidiary or any other person are made for fair consideration (as determined in good faith by the Company); and
- (c) the financing terms, covenants, termination events and other provisions thereof shall be fair and reasonable terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings.

“*Receivables Assets*” means:

- (a) any accounts receivable owed to the Company or a Restricted Subsidiary subject to a Receivables Facility and the proceeds thereof; and
- (b) all collateral securing such accounts receivable, all contracts and contract rights, guarantees or other obligations in respect of such accounts receivable, all records with respect to such accounts receivable and any other assets customarily transferred together with accounts receivable in connection with a non-recourse accounts receivable factoring arrangement,

and which are sold, conveyed, assigned or otherwise transferred or pledged by the Company or such Restricted Subsidiary (as applicable) in a transaction or series of transactions in connection with a Receivables Facility.

“*Receivables Facility*” means an arrangement between the Company or a Restricted Subsidiary and a counterparty pursuant to which:

- (a) the Company or such Restricted Subsidiary, as applicable, sells (directly or indirectly) accounts receivable owing by customers, together with Receivables Assets related thereto;
- (b) the obligations of the Company or such Restricted Subsidiary, as applicable, thereunder are non-recourse (except for Securitization Repurchase Obligations) to the Company and such Restricted Subsidiary; and
- (c) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings, and shall include any guaranty in respect of such arrangements.

“*Refinance*” means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms “*refinances*”, “*refinanced*” and “*refinancing*” as used for any purpose in the Indenture shall have a correlative meaning.

“*Refinancing Indebtedness*” means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the Arcaplanet Acquisition Closing Date or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness, *provided that*:

- (a) such Refinancing Indebtedness:
 - (i) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being refunded or refinanced; and
 - (ii) to the extent refinancing Subordinated Indebtedness, Disqualified Stock or Preferred Stock, is Subordinated Indebtedness, Disqualified Stock or Preferred Stock, respectively, and, in the case of Subordinated Indebtedness, is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;
- (b) Refinancing Indebtedness shall not include Indebtedness, Disqualified Stock or Preferred Stock of the Company or a Restricted Subsidiary that refinances Indebtedness, Disqualified Stock or Preferred Stock of an Unrestricted Subsidiary;
- (c) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (plus the aggregate amount of accrued and unpaid interest and any fees and expenses (including original issue discount, upfront fees or similar fees), including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses Incurred or payable in connection with such refinancing) under the Indebtedness being Refinanced; and
- (d) 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.

“*Registrar*” means any Person authorized by the Company to which Notes may be presented for registration and transfer.

“*Related Fund*” in relation to a fund (the “*first fund*”), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

“*Related Person*” with respect to any Permitted Holder, means:

- (a) any controlling equity holder or Subsidiary of such person;
- (b) 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;
- (c) 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 beneficiary, stockholders, partners or owners thereof, or persons beneficially holding in the aggregate a majority (or more) controlling interest therein; and
- (d) any investment fund or vehicle managed, sponsored or advised by such person or any successor thereto, or by any Affiliate of such person or any such successor.

“*Related Taxes*” means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes and other fees and expenses (other than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (*provided that* such Taxes are in fact paid) by any Parent Entity by virtue of its:

- (a) being organized or 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 Company or any of the Company’s Subsidiaries) or otherwise maintain its existence or good standing under applicable law;
- (b) being a holding company parent, directly or indirectly, of the Company or any Subsidiaries of the Company;

- (c) issuing or holding Subordinated Shareholder Funding;
- (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any Subsidiaries of the Company, or
- (e) having made (i) any payment in respect to any of the items for which the Company is permitted to make payments to any Parent Entity pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*” or (ii) any Permitted Tax Distribution.

“*Relevant Period*” means:

- (a) if ending on the last day of a fiscal quarter, each period of four consecutive fiscal quarters ending on the last day of a fiscal quarter; or
- (b) if ending on the last day of a calendar month or any other date not being the last day of a fiscal quarter, the period of twelve (12) consecutive months ending on the last day of a calendar month or such other appropriate date, which in each case for the avoidance of doubt may include periods prior to the Arcaplanet Acquisition Closing Date as described under the section “—Financial Calculations” above.

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“*Restructuring Costs*” means costs or expenses relating to employee relocation, retraining, severance and termination, business interruption, reorganization and other restructuring or cost cutting measures, the rationalization, re-branding, start-up, reduction or elimination of product lines, assets or businesses, the consolidation, relocation or closure of retail, administrative or production locations and other similar items (for the avoidance of doubt, excluding any related capital expenditure).

“*Revolving Facility*” means the Original Revolving Facility and any additional revolving facility.

“*Revolving Facility Agreement*” means the revolving credit facility agreement to be entered into on or prior to the Issue Date between, *inter alios*, the Issuer and Deutsche Bank AG, London Branch, as agent.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Sale and Leaseback Transaction*” means any arrangement providing for the leasing by the Company or any of the Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or transferred by the Company or such Restricted Subsidiary to a third person in contemplation of such leasing.

“*SEC*” means the U.S. Securities and Exchange Commission or any successor thereto.

“*Second Lien Indebtedness*” means Indebtedness of the Group included in the definition of Total Debt that constitutes Second Lien Liabilities.

“*Second Lien Liabilities*” has the meaning given to that term in the Intercreditor Agreement.

“*Securitization Asset*” means:

- (a) any accounts receivable, mortgage receivables, loan receivables, royalty, franchise fee, license fee, patent or other revenue streams and other rights to payment or related assets and the proceeds thereof; and
- (b) all collateral securing such receivable or asset, all contracts and contract rights, guarantees or other obligations in respect of such receivable or asset, lockbox accounts and records with respect to such account or asset and any other assets customarily transferred (or in respect of which security interests are customarily granted) together with accounts or assets in connection with a securitization, factoring or receivable sale transaction.

“*Securitization Facility*” means any of one or more securitization, financing, factoring or sales transactions, as amended, supplemented, modified, extended, renewed, restated or refunded from time to time, pursuant to which the Company or any of the Restricted Subsidiaries sells, transfers, pledges or otherwise conveys any Securitization Assets (whether now existing or arising in the future) to a Securitization Subsidiary or any other person.

“*Securitization Fees*” means distributions or payments made directly or by means of discounts with respect to any Securitization Asset or participation interest therein issued or sold in connection with, and other fees and

expenses (including reasonable fees and expenses of legal counsel) paid in connection with, any Qualified Securitization Financing or Receivables Facility.

“*Securitization Repurchase Obligation*” means any obligation of a seller of Securitization Assets or Receivables Assets in a Qualified Securitization Financing or a Receivables Facility to repurchase or otherwise make payments with respect to Securitization Assets or Receivables Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, offset or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“*Securitization Subsidiary*” means any Subsidiary of the Company in each case formed for the purpose of and that solely engages in one or more Qualified Securitization Financings and other activities reasonably related thereto or another person formed for this purpose.

“*Security Documents*” means all security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the Security Interests in the Collateral.

“*Security Interest*” means the security interests in the Collateral that are created by the Security Documents or the security interests in the Escrow Collateral that are created by the Escrow Charge, as applicable.

“*Sellers*” means, collectively, (i) Noah 1 S.p.A., an entity controlled by Permira; (ii) Winch International Holdings 3 S.A. and Winch Italia Sicaf S.p.A., entities controlled by Winch; and (iii) certain individuals holding their shares in the Target through Cordusio Fiduciaria per Azioni

“*Senior Secured Indebtedness*” means Indebtedness of the Group included in the definition of Total Debt that constitutes Senior Secured Liabilities (as defined in the Intercreditor Agreement).

“*Senior Secured Net Leverage Ratio*” means, as of any date of determination, the ratio of:

(a) the sum of:

- (i) Senior Secured Indebtedness as of such date, and
- (ii) for the purposes of the covenants described under “—*Certain Covenants—Limitation on Indebtedness*” and “—*Certain Covenants—Limitation on Restricted Payments*” and paragraph (b)(iii)(A) of the definition of “Permitted Collateral Liens” only (and, for the avoidance of doubt, not for the purpose of the calculation of any other Applicable Metric), the Reserved Indebtedness Amount in respect of Indebtedness which, once incurred, would constitute Senior Secured Indebtedness,

less the aggregate amount of cash and Cash Equivalent Investments of the Group on a consolidated basis; to

(b) LTM EBITDA, *provided* that such calculation shall not give effect to:

- (i) any Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than Senior Secured Indebtedness Incurred pursuant to clauses (i)(C) and (v)(B)(1) of the second paragraph thereof);
- (ii) any Indebtedness Incurred pursuant to clause (iv)(A) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” or
- (iii) the discharge on such determination date of any Indebtedness to the extent that such discharge results from proceeds of Indebtedness Incurred on the determination date pursuant to the provisions described in the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than Senior Secured Indebtedness Incurred pursuant to clauses (i)(C) and (v)(B)(1) of the second paragraph thereof).

All Applicable Metrics described in this definition will be calculated as set forth in the section “Financial Calculations” above.

“*Settlement*” means the transfer of cash or other property with respect to any credit or debit card charge, check or other instrument, electronic funds transfer, or other type of paper-based or electronic payment,

transfer, or charge transaction for which a person acts as a processor, remitter, funds recipient or funds transmitter in the ordinary course of its business.

“*Settlement Asset*” means any cash, receivable or other property, including a Settlement Receivable, due or conveyed to a person in consideration for a Settlement made or arranged, or to be made or arranged, by such person or an Affiliate of such person.

“*Settlement Indebtedness*” means any payment or reimbursement obligation in respect of a Settlement Payment.

“*Settlement Lien*” means any Lien relating to any Settlement or Settlement Indebtedness (and may include, for the avoidance of doubt, the grant of a Lien in or other assignment of a Settlement Asset in consideration of a Settlement Payment, Liens securing intraday and overnight overdraft and automated clearing house exposure, and similar Liens).

“*Settlement Payment*” means the transfer, or contractual undertaking (including by automated clearing house transaction) to effect a transfer, of cash or other property to effect a Settlement.

“*Settlement Receivable*” means any general intangible, payment intangible, or instrument representing or reflecting an obligation to make payments to or for the benefit of a person in consideration for a Settlement made or arranged, or to be made or arranged, by such person.

“*Significant Subsidiary*” means any Restricted Subsidiary or group of Restricted Subsidiaries (taken together) whose proportionate share of Consolidated EBITDA exceeds ten (10) per cent. of the Consolidated EBITDA by reference to the latest annual financial statements delivered pursuant to clause (1) of the first paragraph of the covenant under “—*Certain Covenants—Reports*” (or, if no such annual financial statements have been delivered, the Unaudited Pro Forma Consolidated Financial Information), *provided* that a determination by the Company that a Restricted Subsidiary (or group of Restricted Subsidiaries (taken together)) is or is not a Significant Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Trustee and the Holders of the Notes.

“*Similar Business*” means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates (including, for the avoidance of doubt, the Target Group and Maxi Zoo) on the Arcaplanet Acquisition Closing Date and (b) any businesses, services and activities engaged in by the Company or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“*Specified Asset Disposition*” means:

- (a) the voluntary sale, conveyance, transfer or other disposition, whether in a single transaction or a series of related transactions, of property or assets (including by way of a Sale and Leaseback Transaction) of the Company or any of the Restricted Subsidiaries; and/or
- (b) the issuance, sale, transfer or other disposition of Capital Stock of any Restricted Subsidiary, whether in a single transaction or a series of related transactions,

to the extent designated as a “Specified Asset Disposition” by the Company; *provided* that a definitive agreement in relation to a Specified Asset Disposition shall be entered into no later than the twenty-four (24) month anniversary of the Arcaplanet Acquisition Closing Date.

“*Specified Asset Disposition Denominator*” means the greatest of:

- (a) the Consolidated EBITDA of the Company (on a *pro forma* basis for the Transactions) for the last four (4) financial quarters for which internal consolidated financial statements of the Target Group are available prior to the Arcaplanet Acquisition Closing Date;
- (b) LTM EBITDA *provided* that, without double counting, LTM EBITDA shall be increased for this purpose by the aggregate Specified Asset Disposition EBITDA for all Specified Asset Dispositions consummated following the Arcaplanet Acquisition Closing Date; and
- (c) €109.0 million (or equivalent).

“*Specified Asset Disposition EBITDA*” means the aggregate contribution (expressed as a number) to LTM EBITDA of the Specified Assets subject to any Specified Asset Disposition, as determined in good faith by the Company as at the Applicable Test Date for the relevant Specified Asset Disposition.

“*Specified Assets*” means the property, assets and/or Capital Stock which are the subject of a Specified Asset Disposition.

“*Specified Change of Control Event*” means the occurrence of an event that would constitute a Change of Control pursuant to the definition thereof; *provided* that after giving *pro forma* effect thereto, the Total Net Leverage Ratio of the Company and the Restricted Subsidiaries would have been no greater than 5.00:1.00 and *provided further* that following the first Specified Change of Control Event in respect of which no Change of Control Offer has been made or waived, clause (c) of the second paragraph of the definition of “Change of Control” shall be deemed to be no longer applicable.

“*Standard Securitization Undertakings*” means representations, warranties, covenants, guarantees and indemnities entered into by the Company or any Subsidiary of the Company which the Company has determined in good faith to be customary in a Securitization Facility, including those relating to the servicing of the assets of a Securitization Subsidiary, it being understood that any Securitization Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking or, in the case of a Receivables Facility, a non-credit related recourse accounts receivable factoring arrangement.

“*Stated Maturity*” means, with respect to any Indebtedness, the date specified in the instrument governing such Indebtedness as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any Contingent Obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Indebtedness*” means, with respect to any person, any Indebtedness (whether outstanding on the Arcaplanet Acquisition Closing Date or thereafter Incurred) which is expressly subordinated in right of payment or security to the Notes pursuant to a written agreement.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to the Company by any Parent Entity, any Affiliate of any Parent Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided* that such Subordinated Shareholder Funding:

- (a) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the date that is six (6) months after the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition) or the making of any such payment prior to the date that is six (6) months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;
- (b) does not require, prior to the date that is six (6) months after the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the date that is six (6) months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (c) contains no change of control, asset sale or similar provisions and does not accelerate and has no right to declare a Default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six (6) months after the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the date that is six (6) months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (d) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries;
- (e) 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 and any Note Guarantee pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Arcaplanet Acquisition Closing Date with respect to the Subordinated Liabilities;
- (f) is not guaranteed by any Subsidiary of the Company;

- (g) contains restrictions on transfer to a person who is not a Parent Entity, any Affiliate of any Parent Entity, any holder of Capital Stock of a Parent Entity or any Affiliate of a Parent Entity or any Permitted Holder or any Affiliate thereof; *provided* that any transfer of Subordinated Shareholder Funding to any of the foregoing persons shall not be deemed to be materially adverse to the interests of the Holders; and
- (h) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or any Note Guarantee thereof or compliance by the Company or any Guarantor with its obligations under the Notes, any Note Guarantee or the Indenture.

“*Subsidiary*” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“*Target*” means Noah 2 S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy under the registration number 09485990965, to be acquired by the Company pursuant to the Arcaplanet Purchase Agreement.

“*Target Group*” means the Target and Arcaplanet, collectively.

“*Taxes*” means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority, and “*Tax*” shall be construed accordingly.

“*Temporary Cash Investments*” means any of the following:

- (a) any Investment in:
 - (i) direct obligations of, or obligations guaranteed by, (A) the US or Canada, (B) any EU member state, (C) the UK, (D) Australia, Japan, Norway or Switzerland, (E) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (F) any agency or instrumentality of any such country or member state; or
 - (ii) direct obligations of any country recognized by the US rated at least “A-” by S&P or Fitch or “A1” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (b) 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 (1) year after the date of acquisition thereof issued by:
 - (i) any lender under the Revolving Facility Agreement;
 - (ii) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (a)(i) above; or
 - (iii) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least “A” by S&P or Fitch or “A-2” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

- (c) repurchase obligations with a term of not more than thirty (30) days for underlying securities of the types described in clauses (a) or (b) above entered into with a person meeting the qualifications described in clause (b) above;
- (d) Investments in commercial paper, maturing not more than two hundred and seventy (270) days after the date of acquisition, issued by a person (other than the Company or any of the Restricted Subsidiaries), with a rating at the time as of which any Investment therein is made of “P-2” (or higher) according to Moody’s or “F2” (or higher) according to Fitch 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, Fitch or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (e) Investments in securities maturing not more than one (1) year after the date of acquisition issued or fully guaranteed by Australia, Canada, any European Union member state, Japan, Norway, Switzerland, the UK, any state, commonwealth or territory of the US, or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state of any of the foregoing, and rated at least “BBB-” by S&P or Fitch or “Baa3” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (f) bills of exchange issued in Australia, Canada, a member state of the European Union, Japan, Norway, Switzerland, the UK or the US eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (g) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least “A” by S&P or Fitch or “A2” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (h) Investment funds investing ninety (90) per cent. of their assets in securities of the type described in clauses (a) through (g) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and
- (i) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the US Investment Company Act of 1940, as amended.

“*Topco*” means Shiba Topco Limited, a private limited company incorporated under Jersey law with registered number 136419, or any successor entity.

“*Total Debt*” means, as of any date of determination, the aggregate principal amount of Indebtedness for borrowed money of the Group, but excluding any Indebtedness of the Group under or with respect to Cash Management Services, intra-Group Indebtedness, Hedging Obligations, Receivables Facilities, Securitization Facilities or Capitalized Lease Obligations.

“*Total Net Leverage Ratio*” means, as of any date of determination, the ratio of:

- (a) the sum of:
 - (i) Total Debt as of such date; and
 - (ii) for the purposes of the covenants described under “—*Certain Covenants—Limitation on Indebtedness*” and “—*Certain Covenants—Limitation on Restricted Payments*” and paragraph (b)(iii) of the definition of “Permitted Collateral Liens” only (and, for the avoidance of doubt, not for the purpose of the calculation of any other Applicable Metric), the Reserved Indebtedness Amount in respect of Indebtedness which, once incurred, would be included in the calculation of Total Debt,
- less the aggregate amount of cash and Cash Equivalent Investments of the Group on a consolidated basis; to

(b) LTM EBITDA,

provided that such calculation shall not give effect to:

- (i) any Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than Indebtedness Incurred pursuant to clauses (i)(C), (i)(D), (i)(E) and (v)(B)(1) thereof);
- (ii) any Indebtedness Incurred pursuant to clause (iv)(A) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” or
- (iii) the discharge on such determination date of any Indebtedness to the extent that such discharge results from proceeds of Indebtedness Incurred on the determination date pursuant to the provisions described in the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than the discharge of Indebtedness Incurred pursuant to clause (i)(C), (i)(D), (i)(E) and (v)(B)(1) thereof).

All Applicable Metrics described in this paragraph will be calculated as set forth in the section “Financial Calculations” above.

“*Total Secured Debt*” means, as of any date of determination, the aggregate principal amount of Indebtedness for borrowed money of the Group constituting Senior Secured Indebtedness or Second Lien Indebtedness.

“*Total Secured Net Leverage Ratio*” means, as of any date of determination, the ratio of:

(a) the sum of:

- (i) Total Secured Debt as of such date, and
- (ii) for the purposes of the covenants described under “—*Certain Covenants—Limitation on Indebtedness*” and “—*Certain Covenants—Limitation on Restricted Payments*” and paragraph (b)(iii)(B) of the definition of “Permitted Collateral Liens” only (and, for the avoidance of doubt, not for the purpose of the calculation of any other Applicable Metric), the Reserved Indebtedness Amount in respect of Indebtedness which, once incurred, would be included in the calculation of Total Secured Debt,

less the aggregate amount of cash and Cash Equivalent Investments of the Group on a consolidated basis; to

(b) LTM EBITDA, *provided* that such calculation shall not give effect to:

- (i) any Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than Senior Secured Indebtedness or Second Lien Indebtedness Incurred pursuant to clauses (i)(C), (i)(D) and (v)(B)(1) thereof);
- (ii) any Indebtedness Incurred pursuant to clause (iv)(A) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” or
- (iii) the discharge on such determination date of any Indebtedness to the extent that such discharge results from proceeds of Indebtedness Incurred on the determination date pursuant to the provisions described in the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than Senior Secured Indebtedness or Second Lien Indebtedness Incurred pursuant to clauses (i)(C), (i)(D) and (v)(B)(1) thereof).

All Applicable Metrics described in this paragraph will be calculated as set forth in the section “Financial Calculations” above.

“*Tranche A*” has the meaning ascribed to such term in this offering memorandum.

“*Tranche B*” has the meaning ascribed to such term in this offering memorandum.

“*Transaction Expenses*” means any fees or expenses incurred or paid by the Company or any Restricted Subsidiary in connection with the Transactions.

“*Transaction Security Documents*” has the meaning assigned to such term in the Intercreditor Agreement.

“*Transactions*” means any transactions directly or indirectly related to the consummation of the Arcaplanet Acquisition pursuant to the Arcaplanet Purchase Agreement and the Maxi Zoo Contribution (including the Maxi Zoo Acquisition pursuant to the Maxi Zoo Acquisition Agreement) and any other document ancillary to or entered into in connection therewith, including (i) the issuance of the Notes and the Note Guarantees and the entry into the Indenture, (ii) any repayment or discharge of existing indebtedness of the Target Group or Maxi Zoo and the closing out or replacement of Hedging Obligations pursuant to the foregoing (if any); (iii) the consummation of the Arcaplanet Acquisition and the Maxi Zoo Contribution; (iv) the entry into the Revolving Credit Facilities Agreement and utilization thereof; (v) any other transactions described in the offering memorandum; (vi) the consummation of the Post Closing Mergers; (vii) other associated transactions taken in relation to any of the foregoing; and (viii) the payment or incurrence of any fees, expenses, taxes or charges associated with any of the foregoing.

“*Trust Indenture Act*” means the U.S. Trust Indenture Act of 1939, as amended.

“*UCC*” means the Uniform Commercial Code as in effect from time to time in the State of New York; *provided* that at any time, if by reason of mandatory provisions of law, any or all of the perfection or priority of a collateral agent’s security interest in any item or portion of the Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term “*UCC*” shall mean the Uniform Commercial Code as in effect, at such time, in such other jurisdiction for purposes of the provisions hereof relating to such perfection or priority and for purposes of definitions relating to such provisions.

“*Unrestricted Subsidiary*” means:

- (a) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary (as designated by the Company in the manner provided below); and
- (b) any Subsidiary of an Unrestricted Subsidiary, *provided* that the Company may designate any Subsidiary of the Company (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:
 - (i) such Subsidiary or any of its Subsidiaries does not own any Capital Stock of the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
 - (ii) such designation and the Investment, if any, of the Company in such Subsidiary complies with the covenant described under “—*Certain Covenants—Limitation on Restricted Payments.*”

“*Unaudited Pro Forma Consolidated Financial Information*” has the meaning ascribed to such term in this offering memorandum.

“*U.S. GAAP*” means generally accepted accounting principles in the United States of America.

“*U.S. Securities Act*” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Voting Stock*” of a person means all classes of Capital Stock of such person then outstanding and normally entitled to vote in the election of directors.

“*Weighted Average Life to Maturity*” means, when applied to any Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, at any date, the quotient obtained by dividing:

- (a) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock or Preferred Stock multiplied by
- (b) the amount of such payment; by the sum of all such payments.

“*Winch*” has the meaning ascribed to such term in this offering memorandum.

“*Wholly Owned Subsidiary*” means a Restricted Subsidiary, all of the Capital Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly Owned Subsidiary) is owned by the Company or another Wholly Owned Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes sold within the United States to QIBs in reliance on Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the “**Rule 144A Global Notes**”).

The Notes sold outside the United States pursuant to Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the “**Regulation S Global Notes**” and, together with the Rule 144A Global Notes, the “**Global Notes**”). On the Issue Date, the Global Notes will be deposited with, or on behalf of, a common depositary (the “**Common Depositary**”) for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the Common Depositary. Except as set forth below, the Notes will be issued in registered, global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes will be issued at the closing of the Offering only against payment in immediately available funds.

Ownership of interests in the Rule 144A Global Notes (the “**Rule 144A Restricted Book-Entry Interests**”) and ownership of interests in the Regulation S Global Notes (the “**Regulation S Book-Entry Interests**” and, together with the Rule 144A Restricted Book-Entry Interests, the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, the Common Depositary or its nominees, as applicable, will be considered the sole holders of Global Notes for all purposes under the Indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

None of the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominee), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The Common Depositary will surrender such Global Note to the Paying Agent for a cancellation or, in the case of a partial redemption, the Common Depositary will request the Paying Agent to mark down, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; *provided, however*, that, subject to applicable procedures of Euroclear and Clearstream, no Book-Entry Interest of less than €100,000 in principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional interest, if any) to the Paying Agent who will make payment to or to the order of the Common Depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “*Description of the Notes—Withholding Taxes.*” If any such deduction or withholding is required to be made, then, to the extent described under “*Description of the Notes—Withholding Taxes,*” the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or any of their respective agents will treat the registered holders of the Global Notes (i.e., the Common Depositary (or its nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent nor any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of Payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euros.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither the Issuer nor the Trustee nor the Initial Purchasers nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the “**Definitive Registered Notes**”), and to distribute such Definitive Registered Notes to its participants.

Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in “*Transfer Restrictions.*” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers as discussed in “*Transfer Restrictions.*”

Transfers of Rule 144A Restricted Book-Entry Interests to persons wishing to take delivery of Rule 144A Restricted Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the Rule 144A Global Note, as set forth in “*Transfer Restrictions*.”

Rule 144A Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available) under the U.S. Securities Act.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Restricted Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

The Notes represented by the Global Notes are expected to be listed on the Euro MTF Market of the Exchange. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures, which rules and operating procedures may change from time to time.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent, nor any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes if:

- Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Notes, and the Issuer fails to appoint a successor; or
- the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the Indenture.

Euroclear has advised the Issuer that upon request by an owner of a Book-Entry Interest, its current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes (subject to receipt of the same from the Issuer), registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend set forth in “*Transfer Restrictions*,” unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent and any of their respective agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; *provided* that no Definitive Registered Note in a denomination less than €100,000 and in integral multiples of €1,000, in excess thereof, will be issued. The Issuer will bear the cost

of preparing, printing, packaging and delivering the Definitive Registered Notes. Holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee (or its authenticating agent) will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee, the Paying Agent or the Registrar appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for the expenses of replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer Restrictions*."

So long as the Notes are listed on the Official List of the Exchange and the rules of the Exchange so require, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent in Luxembourg so long as the Notes are listed on the Official List of the Exchange and the rules of the Exchange so require.

Global Clearance and Settlement Under the Book-Entry System

Initial Settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional euro bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information

The Issuer expects that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes numbers for the Notes are set out under "*Listing and General Information*."

Information Concerning Euroclear and Clearstream

The following description of the operations and procedures of Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. Neither the Issuer, the Trustee nor the Initial Purchasers nor their respective agents take any responsibility for these operations and procedures and the Issuer urges investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream also interface with domestic securities markets in several countries. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Since Euroclear and Clearstream only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The Issuer understands that, under existing industry practices, if either the Issuer or the Trustee requests any action by owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give any instruction or take any action that a holder is entitled to give or take under the Indenture, Euroclear and Clearstream would authorize participants owning the relevant Book-Entry Interest to give such instruction or take such action, and such participants would authorize indirect participants to give such instruction or take such action or would otherwise act upon the instructions of such indirect participants.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to Global Notes only through Euroclear or Clearstream participants.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of the Notes (or any interest therein) by (i) employee benefit plans (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) that are subject to Title I of ERISA; (ii) plans, individual retirement accounts and other arrangements (as described in Section 4975 of the Code) that are subject to Section 4975 of the Code; (iii) entities and accounts whose underlying assets are considered to include “plan assets” (within the meaning of regulations issued by the United States Department of Labor (the “DOL”), set forth in 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA (the “Plan Asset Regulations”)) of such plans, accounts and arrangements (“Plan Assets”); and (iv) governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) that are not subject to the fiduciary responsibility provisions of Title I of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, but may be subject to provisions under any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to Section 406 of ERISA or Section 4975 of the Code (collectively, “Similar Laws”) (each of the foregoing, a “Plan”).

General Fiduciary Considerations

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an “ERISA Plan”) and prohibit certain transactions involving Plan Assets and their fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of an ERISA Plan or the management or disposition of the assets of an ERISA Plan, or who renders investment advice for a fee or other compensation to an ERISA Plan, is generally considered to be a fiduciary of such ERISA Plan.

When considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code and any Similar Laws relating to the fiduciary’s duties to the Plan, including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any Similar Laws. No representation is made that the sale of any Notes to a Plan meets the fiduciary requirements for investments by Plans generally or any particular Plan or that such an investment is appropriate for Plans generally or any particular Plan. None of the Issuers, the Guarantors, the Initial Purchasers or any of the parties described in this offering memorandum, or their respective affiliates, is providing any advice or recommendation to any Plan, including, without limitation, in a fiduciary capacity, through this offering memorandum or otherwise, in connection with the sale of the Notes. The decision to purchase and hold the Notes must be made solely by each prospective Plan purchaser on an arm’s length basis.

Prohibited Transaction and Plan Asset Considerations

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving Plan Assets with persons or entities, including fiduciaries, who are “parties in interest,” within the meaning of Section 3(14) of ERISA, or “disqualified persons,” within the meaning of Section 4975 of the Code, unless an exemption is available.

A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. Plans that are not subject to the requirements of Section 406 of ERISA or Section 4975 of the Code may be subject to similar provisions under applicable Similar Laws.

The acquisition and/or holding of the Notes (or any interest therein) by an ERISA Plan with respect to which the Issuers, the Guarantors, the Initial Purchasers or their respective affiliates are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, administrative, class or individual prohibited transaction exemption. In this regard, the DOL has issued prohibited transaction class exemptions (“PTCEs”) that may apply to the acquisition and holding of the Notes. These exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. Further, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code may also provide exemptive relief; provided that neither the Issuers nor any of their affiliates has or exercises any discretionary

authority or control or renders any investment advice with respect to the assets of any ERISA Plan involved in the acquisition or holding of the Notes and provided further that the ERISA Plan receives no less, and pays no more, than “adequate compensation” (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with such acquisition and holding. There can be no assurance that any of the PTCEs or any other exemption will be available with respect to any particular transaction involving the Notes, or that, if any of the PTCEs or another exemption is available, it will cover all aspects of any particular transaction. Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exemptions.

Under the Plan Asset Regulations, the assets of the Issuers would be treated as Plan Assets of an ERISA Plan if the ERISA Plan acquires an equity interest in the Issuers and none of the exceptions contained in the Plan Asset Regulations is applicable. If the underlying assets of the Issuers are deemed to be Plan Assets, the obligations and other responsibilities of sponsors, fiduciaries and plan administrators of the ERISA Plans, and of parties in interest and disqualified persons (as defined under ERISA and the Code), under Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code, as applicable, may be expanded, and there may be an increase in their exposure to liability under these and other provisions of ERISA and the Code (except to the extent (if any) that a favorable statutory or administrative exemption or exception applies). An “equity interest” is defined under the Plan Asset Regulations as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little guidance on the subject and no assurance can be given, at the time of their issuance, the Notes may not be treated as equity interests of the Issuers for purposes of the Plan Asset Regulation. That determination is based, in part, upon the traditional debt features of the Notes, including the reasonable expectation of purchasers of such Notes that such Notes will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features.

The Notes (and interests therein) should not be acquired or held by any person investing the assets of any Plan, unless such acquisition and holding would not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Laws.

Representations and Covenants

By acceptance of a Note or Notes (or any interest therein), each purchaser and transferee of the Notes (or any interest therein) will be deemed to have represented, warranted and agreed, among other things, that either (a) it is not, and for so long as it holds any Notes (or any interest therein) it will not be, a Plan and no portion of the assets used by such purchaser or transferee to acquire and hold such Note or any interest therein constitutes assets of any Plan; or (b) its acquisition and holding of the Notes (or any interest therein) does not and will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Laws. Each purchaser and transferee of the Notes (or any interest therein) will be deemed to have represented, warranted and agreed, among other things, that it will not transfer the Notes (or any interest therein) to any person or entity, unless such person or entity is deemed to and could itself truthfully make the foregoing representations and covenants.

Each purchaser and transferee of any Notes (or any interest therein) that is, or is acting on behalf of, an ERISA Plan shall be deemed to represent, warrant and agree that (i) none of the Issuers, the Guarantors, the Initial Purchasers or any of their respective affiliates has provided any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the ERISA Plan (“**Plan Fiduciary**”), has relied as a primary basis in connection with its decision to invest in the Notes, and they are not otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the ERISA Plan or the Plan Fiduciary in connection with the ERISA Plan’s acquisition of the Notes, and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes.

Other Matters

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes (or any interest therein) on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of Section 406 of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes (or any interest therein). Purchasers and transferees of the Notes (or any interest therein) have exclusive responsibility for ensuring that their purchase and holding of the Notes (or any interest therein) does not violate the fiduciary or prohibited transaction rules of

ERISA, the Code or any Similar Laws. The sale of any Notes to a Plan is in no respect a representation by the Issuers, the Guarantors, the Initial Purchasers or any of their respective affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plan generally or any particular Plan, or that such investment is appropriate for such Plans generally or any particular Plan.

In addition, the foregoing discussion is based upon the provisions of ERISA and the Code and related guidance in effect as of the date of this offering memorandum. Future legislation, court decisions, administrative regulations or other guidance may change the requirements summarized in this section. Any of these changes could be made retroactively and could apply to transactions entered into before the change is enacted.

CERTAIN TAX CONSIDERATIONS

Certain EU and Italian 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 and Italy and does not purport to address the tax consequences applicable to all categories of investors in the Notes, some of which may be subject to special rules.

Prospective investors in 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, the laws of the European Union and Italy 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. The Issuer will not update these summaries to reflect changes in laws and if such changes occur, the information in these summaries could become invalid.

These summaries assume that the Issuer is resident in Italy for tax purposes and is structured and conducts its business in the manner outlined therein. Changes in the Issuer's organization structure, tax residence or the manner in which it conducts its business may invalidate this overview and necessitate an update of these summaries. These summaries also assume that the Notes are issued and traded on a regulated market or on a multi-lateral trading platform of EU Member States or EEA Member States, which allow a satisfactory exchange of information with Italy as identified by the Italian tax authorities in (i) 1996 Ministerial Decree; or (ii) once effective, any other decree that will be issued in the future pursuant to Article 11, paragraph 4, let. c) of Decree No. 239.

References in these summaries to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection below related to the tax laws of the European Union and Italy only have such meanings as ascribed thereto in such respective section.

OECD Common Reporting Standards

The Organization for Economic Co-operation and Development (“OECD”) has developed a common reporting standard (“CRS”) to achieve a comprehensive and multilateral automatic exchange of information on a global basis. A number of jurisdictions (including Italy) signed the OECD's multilateral competent authority agreement (“Agreement”) to automatically exchange information under the CRS.

The CRS requires certain financial institutions to report information regarding certain accounts (which may include the Notes credited to such accounts) to their local tax authority and follow related due diligence procedures. A jurisdiction that has signed the Agreement may provide this information to other jurisdictions that have signed the Agreement.

Consequently, holders of the Notes may be requested to provide certain information and certifications to any financial institution resident in a jurisdiction that has signed the Agreement (including Italy) through which payments on the Notes are made.

The holders of Notes who are in any doubt as to their position should consult their professional advisors on the individual impact of CRS on their position.

Certain Italian Tax Considerations

The statements herein regarding Italian taxation are based on the laws and published practices of the Italian tax authorities in effect in Italy as of the date of this offering memorandum and are subject to any changes in law and interpretation occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in laws and if such changes occurs the information in this summary could become invalid. The following is a summary only of certain material Italian tax consequences of the purchase, ownership and disposition of Notes for Italian resident and non-Italian resident beneficial owners only and it is not intended to be, nor should it be constructed to be, legal or tax advice. The following summary does not purport to be a comprehensive description of all tax considerations which may be relevant to make a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to additional or special rules. Prospective purchasers of the Notes are advised to consult their own tax advisors concerning the overall tax consequences of their acquiring, holding and disposing of Notes and receiving payments on interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional and local tax laws.

Tax Treatment of the Notes issued by the Issuer

Tax Treatment of Interest

Decree No. 239 sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price and any relevant make-whole premium, hereinafter collectively referred to as “**Interest**”) deriving from Notes falling within the category of bonds (*obbligazioni*) or similar securities (*titoli similari alle obbligazioni*), pursuant to Article 44 of Presidential Decree No. 917 of December 22, 1986, as amended and supplemented (“**Decree No. 917**”), according to which securities qualify as *titoli similari alle obbligazioni* (securities similar to bonds), if they:

- incorporate an unconditional obligation to pay at maturity an amount not lower than their nominal value or principal amount (*valore nominale*); and
- attribute to the holders no direct or indirect right to control or participate in the management of the Issuer or in the management of the business in respect of which the Notes have been issued; and
- not provide for a remuneration which is linked to profits of the Issuer, or other companies belonging to the same group or to the business in respect of which the Notes have been issued.

Decree No. 239 regulates the tax treatment of Interest related to bonds or similar securities to the extent they are, *inter alia*:

- issued by companies resident in Italy for tax purposes whose shares are listed on a regulated market or on a multi-lateral trading platform of EU Member States and of the States party to the EEA Agreement included in the list provided for by 1996 Ministerial Decree, or, as from the tax year in which the Ministerial Decree to be issued under Article 11, paragraph 4, let. c) of Decree No. 239 is effective, included in the list therein provided (the “**White List**”); or
- issued by companies resident in Italy for tax purposes whose shares are not listed, but the bonds and similar securities are traded (*negoziati*) upon their issuance on a regulated market or on a multilateral trading platform of EU Member States and of the States party to the EEA Agreement included in the White List; or
- if not traded on the aforementioned markets or multilateral trading platforms, subscribed and held solely by qualified investors (*investitori qualificati*) (as defined under Article 100 of the Italian Financial Services Act).

The provisions of Decree No. 239 only apply to the Notes issued by the Issuer to the extent that they qualify as bonds or similar securities pursuant to Article 44 of Decree No. 917. Otherwise Notes that do not qualify as bonds or similar securities as per Article 44 of Decree No. 917 are characterized for Italian tax purposes as “atypical securities” and as such regulated by Decree No. 512 of September 30, 1983.

Italian resident Noteholders

Noteholders Not Engaged in an Entrepreneurial Activity

Under Decree No 239, where the beneficial owner of the Notes (a “**Noteholder**”) is an Italian resident and is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected;
- (b) a non-commercial partnership (*società semplice*) and professional association;
- (c) a non-commercial private or public institution (other than a company), trusts not carrying out mainly or exclusively commercial activities (other than Italian undertaking for collective investments, SICAVs and SICAFS, each, as described below), the Italian State and public and territorial entities; or
- (d) an investor exempt from Italian corporate income taxation,

then Interest derived from the Notes, and paid during the relevant holding period, is subject to a withholding tax, referred to as “*imposta sostitutiva*,” levied at the rate of 26% (either when Interest is paid or obtained upon disposal of the Notes). All the above categories are qualified as “net recipients” (unless the relevant holder of the Notes has opted for the application of the “*risparmio gestito*” regime (see “—*Tax treatment of capital gains*”) or it has included the Notes in a long-term savings account (see “—*Long-term Savings Accounts*”)).

Noteholders Engaged in an Entrepreneurial Activity

In the event that the Italian resident Noteholders described under clauses (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and Interest will be included in the relevant income tax return. As a consequence, Interest will be subject to the ordinary income tax and *imposta sostitutiva* may be deducted from the taxation on income due or be claimed for refund in the relevant tax return.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an Intermediary (as defined below), Interest from the Notes will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Noteholder's income tax return and are therefore subject to the Italian corporate tax ("**IRES**," levied at the rate of 24% although certain surcharges may apply) and, in certain circumstances, depending on the "status" of the Noteholder, the Italian regional tax on productive activities ("**IRAP**," generally levied at the base rate of 3.9%, even though regional surcharges may apply).

Long-term Savings Accounts

Subject to certain conditions (including a minimum holding period) and limitations, Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on Interest if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraphs 100-114 of Law No. 232 of December 11, 2016 ("**Law No. 232**") as well as the requirements set forth in Article 1 (211-215) of Law No. 145 of December 30, 2018 (the "**Finance Act 2019**"), if the long-term saving account is set up with effect from January 1, 2019 and in Article 13-bis of Decree No. 124 of October 26, 2019, as amended and supplemented from time to time ("**Decree No. 214**") if the long-term saving account is set up with effect from January 1, 2020.

Real Estate Investment Funds and Real Estate SICAFs

Payments of Interest deriving from the Notes made to Italian resident real estate collective investment funds and real estate closed ended investment companies (*Società di Investimento a Capitale Fisso*) ("**SICAFs**") established pursuant to Article 37 of the Legislative Decree of January 25, 1994, n. 58, as amended and supplemented, and article 14-bis of Law No. 86 of January 25, 1994, provided that the Notes, together with the coupons relating thereto, are timely deposited directly or indirectly with an Intermediary (as defined below) are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or real estate SICAF. However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders in the event of distributions, redemption or sale of the units or shares. Moreover, in certain circumstances, income realized by the Italian real estate investment funds or real estate SICAFs is attributed *pro rata* to the Italian resident unitholders or shareholders irrespective of any actual distribution on a tax transparency basis.

Funds and SICAV

Where an Italian resident Noteholder is a non real estate open-ended or closed-ended collective investment fund (a "**Fund**") or *Società di Investimento a Capitale Variabile* ("**SICAV**") or a non-real estate SICAF established in Italy and either (i) the Fund or SICAV or non-real estate SICAF or (ii) its manager is subject to the supervision of a regulatory authority and the Notes are deposited with an Intermediary (as defined below), Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund, SICAV or SICAF. The Fund, the SICAV or the SICAF will not be subject to taxation on such results, but a withholding or substitute tax of 26% will instead be levied on proceeds distributed or received by certain categories of unitholders or shareholders upon redemption or disposal of the units.

Pension Funds

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree of December 5, 2005, n. 252) and the Notes are deposited with an Intermediary (as defined below), Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must intend to be included in the results of the relevant portfolio accrued at the end of the tax period (which will be subject to a 20% substitute tax).

Subject to certain conditions (including minimum holding period) and limitations, Interest relating to the Notes may be excluded from the taxable base of the relevant pension fund if the Notes are included in a

long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraphs 100 to 114 of Law No. 232, as well as the requirements set forth in Article 1 (210-215) of Law No. 145 of Finance Act 2019, if the long-term savings account is set up with effect from January 1, 2019, and in Article 13-bis of Decree No. 214 if the long-term saving account is set up with effect from January 1, 2020.

Enforcement of Imposta Sostitutiva

Pursuant to Decree No. 239, the *imposta sostitutiva* is applied by Italian resident banks, *società di intermediazione mobiliare* (“SIM”), fiduciary companies, *società di gestione del Risparmio* (“SGR”), stockbrokers and other entities identified by a decree of the Ministry of Finance or Italian permanent establishment of equivalent foreign entities (each, an “**Intermediary**”).

An Intermediary must:

- be resident in Italy, or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and
- 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.

Pursuant to Article 9 of Decree No. 239, certain non-Italian resident entities or companies 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 includes Euroclear and Clearstream) are treated as equivalent to an Intermediary for the purposes of Decree No. 239 if

certain conditions are met.

Non-Italian Resident Noteholders

Where the Noteholder is a non-Italian resident, payments of Interest in respect of the Notes issued by the Issuer will not be subject to the *imposta sostitutiva* at the rate of 26% provided that:

- the payments are made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected; and
- such beneficial owners are residents, for tax purposes, in a country is listed in the White List; and
- all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met and complied with in due time.

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Notes made to:

- an international body or entity set up in accordance with international agreements which have entered into force in Italy;
- an “institutional investor,” whether or not subject to tax, which is established in a country which is listed in the White List, and provided that they timely file with the relevant depositary an appropriate self-declaration of being an institutional investor; or
- a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

In order to ensure gross payment (i.e., payment without the application of the 26% *imposta sostitutiva*), non-Italian resident Noteholders must be the beneficial owners of the payments of Interest (“institutional investors” not subject to tax not required to satisfy the beneficial ownership requirement) and must:

- deposit in due time, directly or indirectly, the Notes with a resident bank or a SIM or a permanent establishment in Italy of a non-Italian resident bank or a SIM or with a non-Italian resident entity or

company participating in a centralized securities management system which is in contact, via computer, with the Italian Ministry of Economy and Finance having appointed an Italian representative for the purposes of Decree No. 239 (Euroclear and Clearstream are such a depository) (i.e., deposit with an Intermediary); and

- file with the relevant depository, prior to or concurrently with the deposit of the Notes and in no event later than an Interest payment made in connection with the holding or disposal of the Notes, a statement of the relevant Noteholder (*auto-certificazione*), which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not required for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign central banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by the Ministerial Decree of December 12, 2001.

Failure of a non-resident Noteholder to timely comply with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-resident Noteholder.

Foreign Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, 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 July 10, 2013.

Payments Made by an Italian Resident Guarantor

With respect to payments on the Notes made to Italian resident Noteholders by an Italian resident Guarantor of the Notes, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to Interest and other proceeds from the Notes may be subject to a provisional withholding tax at a rate of 26% pursuant to Article 26 of Presidential Decree of September 29, 1973, No. 600. In case of payments to non-Italian resident Noteholders, a final withholding tax may be applied at a rate of 26%.

Double taxation treaties entered into by Italy may also apply, allowing for a lower (or, in certain cases, nil) rate of withholding tax.

However, in accordance with an alternative interpretation, any such payment made by the Italian resident Guarantor will be treated, in certain circumstances, as a payment by the Issuer and will thus be subject to the Italian tax regime described above.

Tax Treatment of Capital Gains

Italian Resident Noteholders

Noteholders Not Engaged in an Entrepreneurial Activity

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, a non-commercial partnership, a non-commercial private or public institution, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to a substitute tax provided for by Decree No. 461, levied at the rate of 26%. Under certain conditions and limitations, noteholders may set off any capital gain against capital losses.

In respect of the application of the substitute tax on capital gains, taxpayers may opt, under certain conditions, for any of the three regimes described below.

Tax Declaration Regime

Under the “tax declaration regime” (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the substitute tax on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss of the same kind) realized by the Italian resident individual holding the Notes, during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss of the same kind, in their annual tax return and pay the substitute tax on such gains of the same kind together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years.

Risparmio Amministrato Regime

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the substitute tax separately on capital gains realized on each sale or redemption of the Notes (*risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to:

- the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediary; and
- an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder.

The depository must account for the substitute tax in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of any capital gains realized upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the substitute tax on capital gains to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, any possible capital loss resulting from a sale or redemption of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Risparmio Gestito Regime

In the *risparmio gestito* regime, any capital gains realized by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity and who have entrusted the management of their financial assets (including the Notes) to an authorized intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at tax year-end, subject to a 26% substitute tax, to be paid by the managing authorized intermediary. Any depreciation of the managed assets accrued at the tax year-end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholder is not required to declare the capital gains realized in its annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of Notes realized upon sale, transfer or redemption by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may be exempt from any income taxation, including the 26% substitute tax on capital gains, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraphs 100—114, of Law No. 232 as well as the requirements set forth in Article 1 (211-215) of Law No. 145 of Finance Act 2019, if the long-term saving account is set up with effect from January 1, 2019 and in Article 13-bis of Decree No. 214 if the long-term saving account is set up with effect from January 1, 2020.

Noteholders Engaged in an Entrepreneurial Activity

Any gain obtained from the sale or redemption of the Notes would be treated as part of taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of net value of the production for IRAP purposes) if realized by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected), a commercial partnership or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Real Estate Investment Funds and Real Estate SICAFs

Any capital gains realized by a Noteholder which is an Italian real estate investment fund or an Italian real estate SICAF will be neither subject to substitute tax on capital gains nor to any other income tax at the level of the real estate investment fund or real estate SICAF. A withholding tax may apply in certain circumstances at the rate of 26% on distributions made by Italian real estate funds or upon redemption or disposal of the units or the shares (as applicable). Moreover, in certain circumstances, income realized by the Italian real estate investment funds or real estate SICAFs is attributed *pro rata* to the Italian resident unitholders or shareholders irrespective of any actual distribution on a tax transparency basis.

Funds and SICAV

Any capital gains realized by a Noteholder who is a non-real estate Italian Fund or an Italian non-real estate SICAF or an Italian SICAV will be included in the result of the relevant portfolio accrued at the end of the

relevant tax period which is exempt from any income tax. A 26% withholding tax will apply in certain circumstances, to distributions by the Italian Fund or non-real estate SICAF or SICAV or received by certain categories of unitholders or shareholders upon redemption or disposal of the units or the shares (as applicable).

Pension Funds

Any capital gains realized by a Noteholder who is an Italian pension fund (subject to the regime provided for by Article 17 of Legislative Decree of December 5, 2005, n. 252) and the Notes are deposited with an Intermediary will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio accrued at the end of the relevant tax period, and subject to a 20% substitute tax. Subject to certain conditions (including minimum holding period) and limitations, capital gains 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, paragraphs 100 to 114 of Law No. 232, as well as the requirements set forth in Article 1 (210-215) of Law No. 145 of Finance Act 2019, if the long-term savings account is set up with effect from January 1, 2019, and in Article 13-bis of Decree No. 214, if the long-term saving account is set up with effect from January 1, 2020.

Non-Italian Resident Noteholders

A 26% final substitute tax on capital gains may be payable in Italy on capital gains realized upon the sale or redemption of the Notes by non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23, let. f), of Decree No. 917, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer and traded on regulated markets in Italy or abroad are not subject to the substitute tax on capital gains, subject to timely filing of required documentation (in particular, a self-declaration that the Noteholder is not resident in Italy for tax purposes).

Pursuant to Article 5, paragraph 5 of Decree No. 461, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer, even if not traded on regulated markets, are not subject to the substitute tax on capital gains, *provided* that the beneficial owner is:

- 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;
- an international body or entity set up in accordance with international agreements which have entered into force in Italy;
- an “institutional investor,” whether or not subject to tax, which is established in a country which is listed in the White List, and provided that they timely file with the relevant depositary an appropriate self-declaration of being an institutional investor; or
- 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 conditions and procedural requirements similar to those set forth above to benefit from the exemption from the *imposta sostitutiva* in accordance with Decree No. 239.

If none of the above conditions above is met, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to the substitute tax at the current rate of 26%. However, non-Italian resident Noteholders might benefit from an applicable tax treaty with Italy providing that capital gains realized upon the sale or redemption of the Notes are to be taxed only in the tax residence country of the recipient, subject to certain conditions to be met.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito* regime, exemption from Italian taxation on capital gains will apply upon condition that the non-Italian residents file in time with the authorized financial intermediary appropriate documents which include, *inter alia*, a certificate of residence from the competent tax authorities of their country of residence.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Intermediary, but non-Italian resident Noteholders retain the right to waive this regime.

Italian Inheritance Tax and Gift Tax

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

- 4% for transfers in favor of the spouse or direct relatives exceeding, for each beneficiary, a threshold of €1.0 million;
- 6% for transfers in favor of siblings exceeding, for each beneficiary, a threshold of €0.1 million;
- 6% for transfers in favor of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, on the entire value of the inheritance or the gift; and
- 8% for transfers in favor of any other person or entity, on the entire value of the inheritance or the gift.

If the heir/heirress and/or the donee is a person with a severe disability pursuant to Law n. 104 of February 5, 1992, inheritance tax or gift tax is applied to the extent that the value of the inheritance or gift exceeds €1.5 million.

With respect to Notes listed on a regulated market, the relevant value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

Stamp Taxes and Duties

According to Article 13, para. 2-ter of the tariff Part I attached to Presidential Decree No. 642 of October 26, 1972, proportional stamp duty applies on a yearly basis to any periodic reporting communication issued by the Italian financial intermediary with which the Notes are deposited (the tax being determined in proportion to the reporting period). The stamp tax applies at the rate of 0.20% on the market value or—in the absence of a market value—on the nominal value or the redemption amount of any financial product or financial instruments or in the case that the nominal value or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes). 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. The stamp duty should not exceed €14,000 if the Notes are held by Noteholders who are not individuals.

Based on the wording of the law and the implementing regulations issued by the Italian Ministry of Economy on May 24, 2012, the stamp duty applies to any investor who is a client (as defined, *inter alia*, in the regulations issued by the Bank of Italy on June 20, 2012, as amended and supplemented) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. Therefore, stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary.

Wealth Tax (financial instruments directly held abroad)

According to Article 19 of Decree No. 201 of December 6 2011 (“**Decree No. 201**”), individuals resident in Italy and Italian non-commercial entities and certain Italian partnerships holding financial assets (including the Notes) outside Italy are required to pay a wealth tax (“**IVAFE**”) at the rate of 0.20% (the tax being determined in proportion to the period of ownership). The wealth tax applies on the market value at the end of the relevant year (or at the end of the holding period) or, in the absence of market value, on the nominal value or redemption value of such financial assets held outside Italy or in the case that the nominal value or redemption values cannot be determined, on the purchase value of any financial asset. The IVAFE should not exceed €14,000 if the Notes are held by Noteholders who are not individuals. Taxpayers are permitted to deduct from the wealth tax a tax credit equal to any equivalent wealth tax legitimately paid in the State where the financial assets are held (up to the amount of the Italian wealth tax due).

Transfer tax

Contracts relating to the transfer of Notes are subject to the registration tax as follows:

- public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at rate of €200.00, and
- private deeds (*scritture private non autenticate*) are subject to fixed registration tax of €200.00 applicable only in case of use (*caso d'uso*), reference in a subsequent registered deed (*enunciazione*) or voluntary registration.

If the contract relating to the transfer of the Notes also includes other clauses or provisions with economic content, additional Italian registration tax may be due, normally ranging from €200.00 to 3%.

EU Savings Tax Directive and Implementation of the Automatic Exchange of Information in Italy

Italy has enacted Italian Law No. 95 of June 18, 2015 (“**Law 95/2015**”), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated December 28, 2015, which has entered into force on January 1, 2016, has implemented Law 95/2015 and has provided for the exchange of information starting from the calendar year 2016.

In the event that holders of the Notes hold the Notes through an Italian financial institution (as defined in the Italian Ministerial Decree of December 28, 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

DAC 6

The EU Council Directive 2018/822/EU of May 25, 2018 (“**DAC 6**”) implemented the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements. Under DAC 6, intermediaries which meet certain criteria and taxpayers are required to disclose to the relevant Tax Authorities certain cross-border arrangements, which contain one or more of a prescribed list of hallmarks, performed from June 25, 2018 onwards.

The Proposed European Financial Transactions Tax

On February 14, 2013, the European Commission published the FTT Proposal for a common financial transaction tax (“**FTT**”) in the Participating Member States, which at the time included Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia. However, Estonia has later stated that it will not participate.

The FTT Proposal has a very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the FTT Proposal, the FTT could apply in certain circumstances to persons both within and outside of Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including by transacting with a person established in a Participating Member State or where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT Proposal remains subject to negotiation among the Participating Member States. It may therefore be altered prior to implementation. Additional Member States may also decide to participate.

Prospective holders of the Notes are strongly advised to seek their own professional advice in relation to the proposed FTT.

Italian Tax Monitoring Obligations

Italian resident individuals (and certain other entities) are required, in certain circumstances, to report in their yearly income tax return, according to Legislative Decree No. 167 of 28 June 1990, converted into law by Law No. 227/1990 for tax monitoring purposes, the amount of securities, including Notes, held abroad (or beneficially owned abroad under Italian anti-money laundering provisions), or if the income tax return is not due in a proper form that must be filed within the same time prescribed for the income tax return. This also applies in the case that at the end of the tax year, securities are no longer held by the above Italian resident individuals and entities.

However, the above reporting obligation is not required with respect to securities deposited for management with qualified Italian financial intermediaries and with respect to contracts entered into through their intervention, provided that the same intermediaries apply a withholding tax or *imposta sostitutiva* on any income derived from the securities. This reporting obligation does not exist if the overall value of deposit and current accounts held abroad at any time during the fiscal year does not exceed €15,000 throughout the year.

Post Closing Mergers

For Italian tax purposes, the Post Closing Mergers would not trigger any capital gain taxation in the hands of the Noteholders.

Certain U.S. Federal Income Tax Considerations

The following discussion is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. This discussion addresses only U.S. Holders (as defined below) who purchase Notes for cash in the Offering at the original Offering price set forth on the cover page hereof, hold Notes as capital assets and use the U.S. dollar as their functional currency. This discussion is not a complete description of all U.S. tax considerations relating to purchase, ownership and disposition of a Note. It does not address the tax treatment of prospective purchasers subject to special rules, such as banks and certain other financial institutions, dealers in securities or currencies, traders that elect to mark-to-market, insurance companies, regulated investment companies, real estate investment trusts, investors liable for the alternative minimum tax, investors required to take certain amounts into income no later than the time such amounts are reflected on their audited financial statements, U.S. expatriates and former citizens or long-term residents of the United States, tax-exempt entities, pass-through entities or arrangements (including partnerships and S-corporations) and their owners or persons holding Notes as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction. It also does not address the tax treatment of U.S. Holders that will hold Notes in connection with a permanent establishment or fixed base outside of the United States. This summary also does not address U.S. federal taxes other than the income tax (such as the Medicare surtax on net investment income or estate or gift taxes) or U.S. state and local, or non-U.S. tax laws or considerations. Prospective investors should note that present U.S. federal income tax law is subject to change, possibly with retroactive effect.

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) a citizen or individual resident of the United States, (ii) a corporation (or other business entity treated as a corporation) that is organized under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that acquires, owns or disposes of a Note generally will depend upon the status of the partner and the activities of the partnership. A prospective investor that is a partnership should consult its own advisors about the tax consequences for its partners of the acquisition, ownership or disposition of a Note.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM ITS OWN TAX ADVISORS ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN NOTES UNDER THE LAWS OF ITALY, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PROSPECTIVE PURCHASER MAY BE SUBJECT TO TAXATION.

Characterization of the Notes

All or a portion of the Notes may be redeemed prior to their stated maturity at redemption prices equal to 100% of the principal amount of the relevant Notes redeemed plus accrued and unpaid interest to, but excluding, the redemption date and additional amounts, if any, plus, in certain circumstances, either (i) an Applicable Premium or (ii) a fixed premium over their principal amount, as described under “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*,” “*Description of the Notes—Optional Redemption*” and “*Description of the Notes—Redemption for Taxation Reasons*.” In addition, upon the occurrence of certain events constituting a Change of Control, the Issuer will be required to offer to repurchase the Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of purchase as described under

“Description of the Notes—Change of Control.” While an issuer option to redeem a debt instrument at a premium is presumed not to be exercised, the rules applicable to debt instruments with other payment contingencies are unclear. In general, if the amount or timing of any payment on a debt instrument is contingent and the amount or the contingency is neither remote nor incidental, the debt instrument could be subject to special rules that apply to contingent payment debt instruments (“**CPDIs**”). The Issuer intends to take the position that the occurrence of such events is remote and that, therefore, the possibility of such payments does not result in the Notes being treated as CPDIs for U.S. federal income tax purposes. The Issuer’s position is binding on a U.S. Holder unless such holder discloses that it is taking a contrary position on a statement attached to its tax return in the manner required by applicable U.S. Treasury regulations. The Issuer’s position is not, however, binding on the U.S. Internal Revenue Service (“**IRS**”), and if the IRS were successfully to assert, and a court were to sustain, a contrary position, all stated interest received by U.S. Holders would generally be treated as original issue discount (“**OID**”) with the result that a U.S. Holder may be required to accrue OID on a Note prior to receipt of or in excess of stated interest or yield to maturity and gain realized on a sale, retirement, redemption or other taxable disposition of a Note would be treated as ordinary income rather than as capital gain. U.S. Holders are urged to consult their own tax advisors regarding the potential application of the CPDI rules to the Notes and the consequences thereof. The remainder of this discussion assumes that the Notes will not be treated as CPDIs. Prospective purchasers of the Notes should consult their own tax advisors regarding the treatment of the Notes as CPDIs.

Interest

It is anticipated, and this discussion assumes, that the Notes will be issued with no more than a de minimis amount of OID (generally an amount that is less than 0.25% of the principal amount multiplied the number of complete years to stated maturity). Interest on the Notes, including any tax withheld therefrom and Additional Amounts paid in respect of such withholding, if any, generally will be includible in the gross income of a U.S. Holder as ordinary income at the time that such payments are received or accrued in accordance with its regular method of tax accounting. The interest generally will be ordinary income from sources outside the United States.

A cash basis U.S. Holder receiving stated interest in euros must include in income a U.S. dollar amount based on the spot exchange rate on the date of receipt whether or not the payment is converted to U.S. dollars. An accrual basis U.S. Holder generally must include in income a U.S. dollar amount based on the average exchange rate during the accrual period (or, for an accrual period that spans two taxable years, the partial accrual period within each taxable year). An accrual basis U.S. Holder may elect to translate accrued interest into U.S. dollars at the spot exchange rate on the last day of the accrual period (or the last day of the first taxable year for the initial portion of an accrual period that spans two taxable years) or, with respect to interest received within five business days of the last day of an interest accrual period, the spot exchange rate on the date of receipt. Currency translation elections apply to all debt instruments that the electing U.S. Holder holds or acquires, and they cannot be revoked without the consent of the IRS.

Upon receipt of a payment in euros (including, upon sale of a Note, the receipt of proceeds which include accrued, unpaid interest previously included in income), U.S. Holders that have accrued interest will recognize foreign currency gain or loss equal to any difference between the U.S. dollar amount accrued and the U.S. dollar value of the payment received at the spot exchange rate on the date of receipt. Foreign currency gain or loss generally will be U.S. source ordinary income or loss and not an adjustment to interest income.

For purposes of this discussion, the “**spot exchange rate**” generally means a rate that reflects a fair market rate of exchange available to the public for currency under a “spot contract” in a free market and involving representative amounts. A “spot contract” is a contract to buy or sell a currency other than the U.S. dollar on or before two business days following the date of the execution of the contract. If such a spot exchange rate cannot be demonstrated, the IRS has the authority to determine the spot exchange rate. The “average rate” for an accrual period (or partial period) is the average of the spot exchange rates for each business day of such period or other average exchange rate for the period reasonably derived and consistently applied by a U.S. Holder.

Stated interest income on a Note generally will constitute foreign source income and generally will be considered “passive category income” for purposes of the foreign tax credit. Subject to applicable limitations, a U.S. Holder may claim a deduction or a foreign tax credit only for tax withheld at the appropriate rate. U.S. Holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes. U.S. Holders that comply with certain certification requirements may be exempt from Italian withholding taxes imposed under current law. See *“Certain Italian Tax Considerations—Tax Treatment of the Notes issued by the Issuer—Non-Italian Resident Noteholders.”* U.S. Holders that are eligible to the benefits of

the income tax treaty between the United States and Italy (the “**US-Italy Treaty**”) generally will be subject to Italian withholding tax at a rate not in excess of 10%.

Proceeds on Disposition

A U.S. Holder generally will recognize gain or loss on a sale, retirement, redemption or other taxable disposition of a Note in an amount equal to the difference between the U.S. dollar value of the amount realized (less any accrued but unpaid interest, which will be taxable as interest income as discussed above under “—*Interest*” to the extent not previously included in income by the U.S. Holder) and the U.S. Holder’s adjusted tax basis in the Note. Gain or loss recognized on a disposition of a Note will generally be treated as from U.S. source and will, except to the extent of any foreign currency gain or loss with respect to a Note, be capital gain or loss. Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year at the time of disposition. A non-corporate U.S. Holder’s long-term capital gain may be taxed at lower rates. Deductions for capital losses are subject to limitations.

A U.S. Holder’s tax basis in a Note will generally be its purchase price as determined at the U.S. dollar value of the Euros used to purchase it at the spot exchange rate on the purchase date (or, if the Notes are treated as traded on an established securities exchange at the Offering and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date), less the U.S. dollar value of any payments previously received by the holder (other than payments of stated interest).

A U.S. Holder that receives currency other than U.S. dollars upon sale, retirement, redemption or other taxable disposition of a Note will realize an amount equal to the U.S. dollar value of the currency on the date of sale. If the Notes are traded on an established securities market, a cash basis U.S. Holder or electing accrual basis taxpayer will determine the amount realized on the settlement date. The special election available to accrual basis U.S. Holders where the Notes are treated as traded on an established securities market must be applied consistently to all debt instruments held by the U.S. Holder and cannot be changed without the consent of the IRS. A U.S. Holder that does not determine the amount realized based on the spot exchange rate on the settlement date will recognize foreign currency gain or loss to the extent that the spot exchange rate on the settlement date is different from the spot exchange rate on the disposition date. A U.S. Holder will have a tax basis in the currency equal to the U.S. dollar amount realized. Any gain or loss realized by a U.S. Holder on the settlement date or on a subsequent conversion of the euros received for U.S. dollars generally will be U.S. source ordinary income or loss.

A U.S. Holder generally will recognize foreign currency gain or loss on a sale, retirement, redemption or other taxable disposition of a Note equal to the difference between the U.S. dollar value of the principal amount of the Note on the date of acquisition and the date of disposition (or, if the Notes are traded on an established securities exchange and the U.S. Holder is a cash basis or an electing accrual basis holder, the settlement date). In addition, upon the sale, redemption or other taxable disposition of a Note, a U.S. Holder may recognize foreign currency gain or loss attributable to amounts received with respect to accrued and unpaid interest, if any, which will be treated as discussed above under “—*Interest*.” Foreign currency gain or loss cannot exceed overall gain or loss realized on a disposition of the Note. Foreign currency gain or loss generally will be U.S. source ordinary income or loss.

Post Closing Mergers

If the conditions for the Post Closing Mergers are met, among certain other mergers, the Issuer will merge with Agrifarma, with Agrifarma being the surviving entity. Agrifarma, as the surviving entity, will assume the obligations of the Issuer under the Notes. In general, a modification of a debt instrument that is significant is treated as a deemed exchange of the original debt instrument for the modified instrument, which exchange is generally treated as a taxable exchange. The substitution of a new obligor on a recourse debt instrument generally is a significant modification. However, where the substituted obligor becomes the new obligor pursuant to a reorganization transaction that results in the substituted obligor acquiring substantially all the assets of the original obligor, as will be the case in the Post Closing Mergers, the substitution of obligors is not a significant modification, *provided* that the transaction does not result in a change in payment expectations with respect to the assumed debt obligation. A change in payment expectations occurs where an obligor’s capacity to meet the payment obligations under a debt instrument are adequate prior to the modification and become primarily speculative after the modification or are primarily speculative prior to the modification and become adequate after the modification. Although the matter is not free from doubt, we intend to take the position (to the extent we are required to do so) that the Post Closing Mergers will not result in a change in payment expectations and, therefore, will not be treated as resulting in a taxable exchange for U.S. federal income tax purposes.

Deemed Disposition on IPO Debt Pushdown

In connection with a public equity offering (an “**IPO Event**”), the Issuer may issue a notice to the Trustee (a “**Pushdown Notice**”) requiring that, among other matters, the terms of the relevant documents shall operate with effect from the date specified in the relevant Pushdown Notice on the basis that references to the Issuer and its restricted subsidiaries (and all related provisions) shall apply only to the relevant IPO Pushdown Entity (as defined in “*Description of the Notes—IPO Debt Pushdown*”) and its restricted subsidiaries from time to time, including that each reference in the Indenture or the Intercreditor Agreement (or any additional Intercreditor Agreement) to the Issuer shall be deemed to be a reference to such IPO Pushdown Entity (such change in terms, an “**IPO Debt Pushdown**”). See “*Description of the Notes—IPO Debt Pushdown*.”

Such change in the terms of the Notes may be treated for U.S. federal income tax purposes as a deemed exchange of the originally issued Notes for newly issued Notes, which deemed exchange would generally be treated as a taxable exchange for such purposes in which U.S. Holders of Notes would be required to recognize any gain or loss in such Notes as described above under “—*Proceeds on Disposition*.”

Furthermore, for U.S. federal income tax purposes, the new Notes deemed issued in such a deemed exchange could be treated as issued with OID. In such event, U.S. Holders would be required to include the OID in their income as it accrues. U.S. Holders should consult their own tax advisors as to the U.S. federal income tax considerations relating to potential modifications of the Notes in connection with the IPO Debt Pushdown.

Information Reporting and Backup Withholding

Payments of interest and proceeds from the sale, redemption or other disposition of a Note may be reported to the IRS unless the holder is a corporation or other exempt recipient and, where required, establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns.

Backup withholding is not an additional tax, and a U.S. Holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding and a refund of any excess provided the required information is timely furnished to the IRS.

Certain U.S. Holders that 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 with the IRS. Specified foreign financial assets include stocks, debt instruments and other securities issued by non-U.S. persons and financial instruments not held in an account maintained by a qualifying financial institution. A Note will constitute “specified foreign financial assets” for purpose of these reporting rules if the Note is not held in an account maintained by a qualifying financial institution. Investors who fail to report required information could become subject to substantial penalties. Potential investors should consult their own tax advisors regarding the possible implications of these rules for their investment in Notes.

Foreign currency losses in excess of certain thresholds must be reported to the IRS. U.S. Holders that recognize a foreign currency loss on the receipt of accrued interest or in respect of the principal amount of a Note on or a sale, retirement, redemption or other taxable disposition should consult their tax advisors about any information disclosure obligations that may be applicable in their particular circumstances.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN ITALIAN GAAP AND IFRS

This offering memorandum contains the Financial Statements, which have been prepared in accordance Italian GAAP.

Set forth below is a summary of certain differences between Italian GAAP and IFRS. We have not prepared a qualitative or quantitative reconciliation of the Financial Statements between Italian GAAP and IFRS; accordingly, we cannot assure you that this summary is complete. In making an investment decision, you must rely upon your examination of the Combined Group, Agrifarma, Maxi Zoo and the Financial Statements included elsewhere in this offering memorandum. You should consult your own professional advisers for an understanding of the differences between Italian GAAP and IFRS and how those differences might affect the financial information included in this offering memorandum.

The differences highlighted below reflect only those differences in accounting policies in force at the time of the preparation of the Financial Statements. No attempt has been made to identify future differences between Italian GAAP and IFRS, as the result of prescribed changes in accounting standards, transactions or events that may occur in the future. Future developments, new standards effective after June 30, 2021 or changes in Italian GAAP and IFRS may give rise to additional differences between Italian GAAP and IFRS, which could have a significant impact on the Combined Group.

Revenue recognition

Italian GAAP

Under Italian GAAP, revenue is recorded according to the principle of prudence and on an accrual basis, with the recognition of the related accruals and deferrals. The accounting treatment is mainly based on the legal form of the transaction. In particular, revenue recognition focuses on the concept of realization, transfer of legal right and of risk of asset ownership and on performance of services.

IFRS

Contracts with customers are accounted for only when all of the following criteria are met:

- (a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- (b) the entity can identify each party's rights regarding the goods or services to be transferred;
- (c) the entity can identify the payment terms for the goods or services to be transferred;
- (d) the contract has commercial substance (i.e., the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- (e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

An entity shall recognize revenue when (or as) that entity satisfies a performance obligation by transferring a promised good or service (i.e., an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Fixed assets

Incorporation and expansion costs

Italian GAAP

Incorporation and expansion costs are capitalized under “Intangible assets” and are amortized over a period that is not over five years.

IFRS

Incorporation and expansion costs cannot be capitalized under “Intangible assets” as they do not meet the requirements for capitalization set out in IAS 38.

Acquisition related costs in a business combination

Italian GAAP

Accounting for acquisition related costs is not specifically addressed by Italian GAAP. According to the common accounting practice, acquisition related costs are considered part of the consideration transferred.

IFRS

Acquisition related costs such as finder’s fees, advisory, legal, accounting and other professional fees are not part of the consideration transferred and they are accounted for as an expense when incurred.

Borrowing costs capitalized over assets

Italian GAAP

According to Italian GAAP, an entity can choose to capitalize borrowing costs that are directly attributable to the acquisition, construction or production of an asset or to directly recognize these costs in the profit and loss account. No specific guidance exists according to Italian GAAP in order to identify the assets for which the borrowing costs can be capitalized.

IFRS

Under IFRS, an entity shall capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All other borrowing costs should be expensed in the period incurred. A qualifying asset is defined by IFRS as an asset that takes a substantial period of time to get ready for its intended use or sale.

Goodwill

Italian GAAP

Under Italian GAAP, amortization of goodwill is carried out according to its useful life. The useful life is estimated at place of initial recognition of goodwill and cannot be changed in subsequent years. For the purposes of calculating the estimated useful life of goodwill, the company takes into consideration the information available to estimate the period within which it is likely to occur economic benefits associated with goodwill. In exceptional cases where it is not possible to reliably estimate the useful life, goodwill is amortized over a period not exceeding ten years. When the application of the elements determines an estimate of the useful life of goodwill of more than 10 years, objective facts and circumstances are required to support this estimate. In any case, the useful life of the goodwill cannot exceed 20 years.

IFRS

Goodwill is the excess of the fair value of the consideration transferred, the amount of any non-controlling interest recognized and the fair value of identifiable assets, liabilities and contingent liabilities acquired. Goodwill is allocated to cash-generating units and not amortized but is reviewed for impairment at least annually at the lowest level within the entity at which goodwill is monitored for internal management purposes provided that level is not larger than an operating segment as defined by IFRS.

Under IFRS, goodwill is tested for impairment at least annually and between annual tests if an event occurs to indicate an impairment. The goodwill impairment test is performed using a one-step approach and the recoverable amount of the cash-generating unit (CGU) is compared to carrying amount with the impairment loss recognized in operating results as excess of carrying amount over the recoverable amount.

Capitalization of development costs

Italian GAAP

Under Italian GAAP, costs associated with the creation of intangible assets are classified into research phase costs and development phase costs. Costs in the research phase are always expensed. Costs in the development phase are capitalized if certain criteria are met: costs must be related to a clearly defined and identifiable product or process and measurable; costs refer to a feasible, that is technically feasible, project for which the company own or have the necessary resources; cost must be recoverable.

Development costs are amortized according to their useful life; in exceptional cases where it is not possible to reliably estimate the useful life, they are amortized over a period that is not over five years.

IFRS

Under IFRS, costs associated with the creation of intangible assets are classified into research phase costs and development phase costs. Costs in the research phase are always expensed. Costs in the development phase are capitalized, if certain six criteria are met, including: the technical feasibility of completing the intangible asset; the intention to complete the intangible asset; the ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits (the entity should demonstrate the existence of a market or, if for internal use, the usefulness of the intangible asset); the availability of adequate resources to complete the development and to use or sell it; the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Fixed Assets—Revaluation

Italian GAAP

Under Italian GAAP, tangible fixed assets can be revalued only in cases where the law provides for it or allow it.

Discretionary or voluntary revaluations of tangible assets are not permitted or revaluations that do not derive from the application of the law.

The maximum limit of the revaluation of a tangible asset is the recoverable value of the asset itself which in no case can be exceeded. If the revalued value of a tangible asset is, in subsequent years, exceeding its value recoverable, the revalued value is written down with recognition of the permanent loss on account economic unless otherwise provided for by law.

The net effect of the revaluation does not constitute an income and is credited among the reserves of shareholders' equity, under item AIII "Revaluation reserves" (see OIC 28 "Equity"), except different legal provision.

IFRS

Under IFRS, revaluation is permitted as an accounting policy election for an entire class of assets, requiring revaluation to fair value on a regular basis.

Consolidation and investment in non-consolidated subsidiaries

Italian GAAP

According to Italian GAAP, all investments in subsidiaries shall be consolidated, except in certain circumstances such as when is not significant or when the information required for the consolidation are not available. Under Italian GAAP, the definition of control is strictly connected with power over the shareholders meeting.

IFRS

Under IFRS, an investee shall be consolidated where it is controlled by the investor, which requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. This definition allows for situations such as *de-facto* control, in which is possible to control entities even owning less than 50% of the ownership interest.

IFRS requires uniform accounting policy between the parent and subsidiary. IFRS permits the reversal of impairment of equity method investment. IFRS does not permit recognition of losses in excess of investment (except when the entity has incurred a legal or constructive obligation).

Long-term financial assets

Italian GAAP

According to Italian GAAP, long-term financial assets are medium and long-term fixed investments, including long-term investments, long-term receivables and other securities (other than subsidiaries or associated companies). Investments in not consolidated companies shall be measured based on their acquisition costs, inclusive of directly related accessory costs (i.e., commissions, brokerage fees and specific consulting costs).

Long-term financial assets, except for investments in not consolidated companies, are measured at amortized cost, unless the impact of the application of this measurement criterion does not significantly differ from nominal value, taking into account the time factor and the estimated net realizable value. In particular, receivables are initially measured at face value, net of allowances, discounts and rebates and inclusive of any costs directly attributable to the transaction that gave rise to the receivable. Transaction costs, any commission receivable or payable and any difference between the initially recognized amount and the face value at the due date are included in the computation of amortized cost using the effective interest method.

IFRS

Financial assets are classified into three specific categories based on their main characteristics:

- Amortized cost;
- Fair value through profit or loss (FVOCI); and
- Fair value through other comprehensive income (FVTPL).

A financial asset is measured at amortized cost only if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows (the held-to-collect business model);
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (the solely payments of principal and interest (SPPI) criterion); and

A debt instrument is measured at FVOCI only if it meets both of the following conditions:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI criterion.

All other financial assets (i.e., financial assets that do not meet the criteria for classification as subsequently measured at either amortized cost or FVOCI) are classified as subsequently measured at fair value, with changes in fair value recognized in profit or loss (FVTPL).

In addition, an entity has the option on initial recognition to irrevocably designate a financial asset as of FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (i.e., an “accounting mismatch”) that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different basis.

Derivatives

Italian GAAP

According to Italian GAAP, derivatives must be measured at fair value and are recognized on the balance sheet as either assets or liabilities. Changes in the fair value of non-hedging derivatives will be recognized in the income statement. Changes in the fair value of fair value hedge derivatives will be recognized in the income statement, whether changes in the fair value of cash flow hedge derivatives will be recognized in equity. No significant differences compared to IFRS.

IFRS

IFRS defines a derivative as a financial instrument whose value changes in response to a specified variable or underlying rate (for example, interest rate), that requires no or little net investment and that is settled at a future date. All derivatives are recognized on the balance sheet as either financial assets or liabilities. They are initially measured at fair value on the acquisition date. Subsequent measurement of all derivatives is at their

fair value, regardless of any hedging relationship that might exist. Changes in a derivative's value are recognized in the income statement as they arise, unless they satisfy the criteria for hedge accounting. According to IFRS, hedge accounting is permitted provided that an entity meets qualifying criteria in relation to documentation and hedge effectiveness. Hedging refers to the process of entering into a derivative transaction in the expectation that the transaction will eliminate or reduce an entity's exposure to a particular risk.

TFR (Employees' leaving entitlement)

Italian GAAP

TFR includes the indemnity to be paid on termination of the employees, calculated in conformity with regulations and the collective contracts in place. TFR is not discounted and it is calculated as if all the employees left the Company at the balance sheet date.

IFRS

Under IFRS, TFR must take into consideration the estimated provision to be paid to the employees when they effectively will leave the company. This provision needs to be discounted appropriately, based on the personnel rotation, the expected interest rate and the life expectation. Following the implication of the "Legge finanziaria 2007" issued by the Italian government, for companies with more than 50 employees, TFR can be split into two different parts: (i) TFR from January 1, 2007 onward is considered a Defined Contribution Plan and no actuarial calculation is necessary; (ii) TFR accrued since December 31, 2006 is a Defined Benefit Plan and an actuarial calculation is required.

Business combinations

Italian GAAP

According to Italian GAAP, business combination accounting criteria requires separate recognition of the acquirer's identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition. These assets and liabilities must be recognized at fair value at the date of acquisition.

However, in accordance with Italian GAAP, there is no specific guidance related to the definition of a business combination. Classification of a business combination is largely dependent on the legal form of the vehicle which has been acquired.

In addition, accounting for business combinations under common control is not specifically addressed by Italian GAAP. According to the common accounting practice, assets and liabilities acquired are measured at fair value in the consolidated financial statements. Goodwill arises as the difference between the price and the fair value of the net assets acquired.

IFRS

IFRS 3 Business Combinations (the "IFRS 3") outlines the accounting when an acquirer obtains control of a business (e.g., an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities (IFRS 3 Appendix A).

Inventory

Italian GAAP

Under Italian GAAP, inventories are valued in the financial statements at the lower of purchase or production cost and value of realization inferable from the market (Article 2426, number 9, Civil Code).

Article 2426, number 10, of the Civil Code states that "The cost of the fungible assets can be calculated with the weighted average method or with those 'first in, first out' (FIFO); or 'Last in, first out' (LIFO); if the value thus obtained differs appreciably from the current costs at the end of the year, the difference must be indicated, by category of assets, in the explanatory notes."

IFRS

Under IFRS, inventories are valued at the lower of cost and net realizable value. Under IFRS, last in, first out (LIFO) method is prohibited and there is a requirement to use the same cost formula for all inventories similar in nature or use to the entity. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (i.e., the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value.

Deferred Taxes; Recognition of deferred tax asset

Italian GAAP

Under Italian GAAP, deferred taxes assets are recorded in the Income Statements in the year in which the temporary differences arise. The calculation of deferred assets takes into account the specificities of the different regulations tax assessments regarding taxability and deductibility. Deferred tax assets are recognized, in compliance with the principle of prudence, only when there is a reasonable certainty of their future recovery.

Article 2424 of the Italian Civil Code provides that, in the balance sheet, the assets related to Deferred taxes are recognized in the following items:—CII5-ter “Deferred taxes.”

IFRS

Under IFRS, deferred tax assets are recognized only to the extent it is probable (i.e., more likely than not) that they will be realized. Deferred taxation is provided based on the enacted or “substantively enacted” tax rates as of balance sheet date. IFRS requires all amounts to be classified as non-current in the balance sheet.

Leases

Italian GAAP

Under Italian GAAP, assets acquired both under finance and operating leases are accounted for with the recognition of the leasing fees in the income statement among the operating costs.

Pursuant to art. 2427, paragraph 1, no. 22 of the Italian Civil Code, finance lease transactions involving the transfer to lessee of the prevailing part of the risks inherent in the assets which are the subject of it must be highlighted in the explanatory notes by means of a special statement relating to the representation of financial lease contracts according to the financial method.

IFRS

“IFRS 16—Leases” is the applicable reporting standard for fiscal years beginning on or after January 1, 2019.

Under IFRS 16, lessees will record all leases within the scope of the standard, regardless of classification, on the balance sheet as a right-of-use asset and lease liability at the lease commencement. The initial right-of-use asset and lease liability will be measured based on the present value of the lease payments using the interest rate implicit in the lease (unless the rate cannot be readily determined, in which case the incremental borrowing rate of the lessee will be used). The incremental borrowing rate requires use of a borrowing rate for a similar security with a similar value to the right-of-use asset. For lessees, IFRS no longer differentiates between finance and operating leases.

Under IFRS, the income statement recognition for lessees will consist of an amortization of the right-of-use asset and interest expense related to the lease liability.

Under IFRS, lessees can elect not to recognize the right-of-use asset and the related lease liability when the value of the underlying asset is low and in case of short-term leases.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the “**Purchase Agreement**”) to be entered into in connection with the Notes, the Issuer has agreed to sell the Notes to the Initial Purchasers and the Initial Purchasers have agreed, severally and not jointly, to purchase the Notes from the Issuer.

The Purchase Agreement provides that the Initial Purchasers are obligated, severally and not jointly, to purchase all the Notes, if any are purchased. In the event that an Initial Purchaser fails or refuses to purchase the Notes which it has agreed to purchase, the Purchase Agreement provides that the purchase commitments of the other Initial Purchasers may be increased up to a specified amount or that the Purchase Agreement may be terminated.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with the Offering and to reimburse them for certain out-of-pocket expenses.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offering price set forth on the cover page hereof.

The Purchase Agreement provides that the Issuer will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed, subject to certain limited exceptions, not to offer, sell, contract to sell, issue or otherwise dispose of any debt securities issued by the Issuer or any of its subsidiaries that are substantially similar to the Notes for a period of 45 days after the Issue Date.

The Securities have not been and will not be registered under the U.S. Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Securities (i) in the United States, to QIBs; and (ii) outside the United States in offshore transactions to persons who are not U.S. persons in compliance with Regulation S. Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the Exchange Act. To the extent that any Initial Purchaser that is not a U.S. registered broker dealer intends to effect any sales of the Notes in the United States, it will do so through one or more U.S. registered broker dealer affiliates as permitted by guidelines promulgated by the Financial Industry Regulatory Authority. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part. Until 40 days after the commencement of this Offering, an offer or sale of Securities within the United States by a dealer (whether or not it is participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under “*Transfer Restrictions*.”

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issuance or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities in the EEA to retail investors, defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Solely for the purposes of each EEA manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for such Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of such Securities to eligible counterparties and professional clients are appropriate. The target market and distribution channel(s) may vary in relation to sales outside the EEA in light of local regulatory regimes in force in the relevant jurisdiction. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Each Initial Purchaser has further represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities in the United Kingdom to retail investors, defined as a person who is on (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK 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 the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of of UK MiFIR.

Any distributor subject to the UK MiFIR Product Governance Rules (for the purposes of this paragraph, a "**distributor**") subsequently offering, selling or recommending the Securities is responsible for undertaking its own target market assessment in respect of the Securities and determining the appropriate distribution channels. Neither the Issuer nor any of the Initial Purchasers make any representations or warranties as to a distributor's compliance with the UK MiFIR Product Governance Rules.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Securities or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Securities in any jurisdiction where action for this purpose is required. Accordingly, the Securities 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 Securities may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Notes. See "*Transfer Restrictions*."

The Issuer has also agreed that it will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Securities.

The Notes are a new issue of securities for which there currently is no market. Application will be made to list the Notes on the Official List of the Exchange and to admit to trading on the Euro MTF Market in accordance with the rules and regulations of that exchange. We cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market for the Notes as permitted by applicable law after completing the Offering. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the Exchange Act. We cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes, the Note Guarantees and Collateral—There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.*"

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which will be ten business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "**T+10**"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree

otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the next seven succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the Offering size, which creates a short position for the relevant Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See “*Risk Factors—Risks Related to the Notes, the Note Guarantees and Collateral—There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.*”

The Initial Purchasers or their respective affiliates from time to time have provided in the past, are currently providing and may provide in the future, investment banking, consultancy, financial advisory, commercial banking and cash management services to the Issuer and its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. The Initial Purchasers and/or their respective affiliates may be lenders, managers and/or agents under the Original Revolving Facility. The Initial Purchasers have also committed to provide bridge financing in connection with the financing of the Arcaplanet Acquisition in the event the Offering is not consummated. In connection with these financings, the Initial Purchasers or their respective affiliates have received and will receive customary fees and commissions for their services in such capacities.

In the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of the Issuer or its affiliates. If the Initial Purchasers or their respective affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer’s securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The 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, therefore unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of such state or other jurisdiction. Accordingly, the Issuer is offering and selling the Securities to the Initial Purchasers for re-offer and resale only:

- in the United States, to “qualified institutional buyers,” commonly referred to as “QIBs,” as defined in Rule 144A in compliance with Rule 144A; and
- outside the United States, to persons who are not U.S. persons in offshore transactions in accordance with Regulation S, and only to investors who:
 - if in a member state of the EEA, are not a retail investor, where “retail investor” means a person who is one (or more) of the following: (a) retail client as defined in point (11) of Article 4(1) of MiFID II; or (b) a customer within the meaning 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
 - if in the United Kingdom, are not a retail investor where “retail investor” means a person who is one (or more) of: (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

We use the terms “offshore transaction,” “U.S. person” and “United States” with the meanings given to them in Regulation S.

Each purchaser of Securities, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

- (1) It understands and acknowledges that the Securities are being offered for resale in a transaction not involving a public offering in the United States within the meaning of the U.S. Securities Act, that the Securities have not been and will not be registered under the U.S. Securities Act and, unless so registered, may not be offered, resold, pledged or otherwise transferred, except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraphs (5) and (6) below.
- (2) It is neither the Issuer’s “affiliate” (as defined in Rule 144 of the U.S. Securities Act), nor acting on its behalf and that either:
 - (a) it is a QIB, within the meaning of Rule 144A and is aware that any sale of the Securities to it will be made in reliance on Rule 144A, and such acquisition of Securities will be for its own account or for the account of another QIB; or
 - (b) (i) it is a person who is not a U.S. person purchasing the Securities outside the United States in an offshore transaction in accordance with Regulation S; and (ii) if in a member state of the EEA or the United Kingdom, it is not a retail investor (in each case, as defined above).
- (3) It acknowledges that none of the Issuer or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the Issuer and its subsidiaries or the offer or sale of any of the Securities, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Securities. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. It has had access to such financial and other information concerning the Issuer and its subsidiaries and the Securities that it deems necessary in connection with its decision to purchase any of the Securities, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

- (4) It is purchasing the Securities for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Securities pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act, or in any transaction not subject to the U.S. Securities Act.
- (5) It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the “**Resale Restriction Termination Date**”) that is, in the case of the Notes offered within the United States in reliance on Rule 144A (the “**Rule 144A Notes**”), one year after the later of the original issue date of such Notes, the original issue date of any additional Notes and the last date on which the Issuer or any of its affiliates were the owner of such Notes (or any predecessor thereto) or, in the case of the Notes offered outside of the United States in offshore transactions in compliance with Regulation S (the “**Regulation S Notes**”), 40 days after the later of the original issue date of such Notes (or, if later, the issue date of any additional Notes) and the last date on which such Notes were first offered to persons other than distributors (as defined in Rule 902 of Regulation S), only (i) to the Issuer or a Guarantor; (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A; (iv) to persons who are not U.S. persons pursuant to offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S; or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer’s and the Trustee’s rights prior to any such offer, sale or transfer (I) pursuant to clause (v) above to require the delivery of an opinion of counsel, certification and other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer is completed and delivered by the transferor to the Transfer Agent. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.
- (6) Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:
- THIS NOTE HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**U.S. SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT (“**RULE 144A**”)) OR (B) IT IS A PERSON WHO IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT (“**REGULATIONS**”), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SUCH NOTE TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE “**RESALE RESTRICTION TERMINATION DATE**”), WHICH IS [IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR, IF LATER, THE ISSUE DATE OF ANY ADDITIONAL NOTES) AND THE DATE ON WHICH THIS NOTE WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S)] [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE)], ONLY (A) TO THE ISSUER OR A GUARANTOR, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE

U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) TO PERSONS WHO ARE NOT U.S. PERSONS PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATIONS, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT; AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "U.S. PERSON," "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANING GIVEN TO THEM BY REGULATION S."

BY ITS ACQUISITION OF THIS SECURITY (OR ANY INTEREST HEREIN), THE HOLDER HEREOF WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT (A) EITHER (I) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) IT WILL NOT BE, (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (C) AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" (WITHIN THE MEANING OF REGULATIONS ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, SET FORTH IN 29 C.F.R. § 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA) (EACH OF THE FOREGOING, AN "ERISA PLAN"), OR (D) A GOVERNMENTAL, CHURCH OR NON U.S. PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAWS" AND ANY SUCH PLANS, TOGETHER WITH ERISA PLANS, "PLANS"), AND NO PORTION OF THE ASSETS USED BY IT TO ACQUIRE AND HOLD THIS SECURITY (OR ANY INTEREST HEREIN) CONSTITUTES ASSETS OF ANY PLAN OR (II) THE ACQUISITION AND HOLDING OF THIS SECURITY (OR ANY INTEREST HEREIN) DOES NOT AND WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY SIMILAR LAW, AND (B) IT WILL NOT TRANSFER THIS SECURITY (OR ANY INTEREST HEREIN) TO ANY PERSON OR ENTITY, UNLESS SUCH PERSON OR ENTITY IS DEEMED TO AND COULD ITSELF TRUTHFULLY MAKE THE FOREGOING REPRESENTATIONS AND COVENANTS.

IF THE HOLDER HEREOF IS AN ERISA PLAN, IT WILL BE FURTHER DEEMED TO REPRESENT, WARRANT AND AGREE THAT (I) NONE OF THE ISSUER, THE GUARANTORS, THE INITIAL PURCHASERS OR ANY OF THEIR RESPECTIVE AFFILIATES HAS PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE ON WHICH IT, OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE ERISA PLAN ("PLAN FIDUCIARY"), HAS RELIED AS A PRIMARY BASIS IN CONNECTION WITH ITS DECISION TO INVEST IN THIS SECURITY, AND THEY ARE NOT OTHERWISE UNDERTAKING TO ACT AS A FIDUCIARY, AS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(E)(3) OF THE CODE, TO THE ERISA PLAN OR THE PLAN FIDUCIARY IN CONNECTION WITH THE ERISA PLAN'S ACQUISITION OF

THIS SECURITY, AND (II) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THIS SECURITY.

A purchaser of Securities will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Securities as well as to holders of these Securities.

- (7) It understands that the issuance of Additional Notes under the Indenture may have the effect of extending the Resale Restriction Termination Date.
- (8) It agrees that it will give to each person to whom it transfers the Securities notice of any restrictions on the transfer of such Securities.
- (9) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Securities within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.
- (10) It acknowledges that the Transfer Agent or the Registrar will not be required to accept for registration or transfer any Securities acquired by it except upon presentation of evidence satisfactory to the Issuer, the Transfer Agent and the Registrar that the restrictions set out therein have been complied with.
- (11) It acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of the acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Securities are no longer accurate, it shall promptly notify the Issuer and the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.
- (12) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Securities or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Securities in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Securities will be subject to the selling restrictions set out under “*Plan of Distribution*” and “*Important Information for Investors*.”
- (13) It represents, warrants and agrees that (A) either (i) it is not, and for so long as it holds any Securities (or any interest therein) it will not be, a Plan and no portion of the assets used by it to acquire and hold such Securities (or any interest therein) constitutes assets of any Plan, or (ii) its acquisition and holding of such Securities (or any interest therein) does not and will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Laws, and (B) it will not transfer the Securities (or any interest therein) to any person or entity, unless such person or entity is deemed to and could itself truthfully make the foregoing representations and covenants.
- (14) If it is, or is acting on behalf of, an ERISA Plan, it shall be deemed to represent, warrant and agree that (i) none of the Issuer, the Guarantors, the Initial Purchasers or any of their respective affiliates has provided any investment recommendation or investment advice on which it, or any Plan Fiduciary, has relied as a primary basis in connection with its decision to invest in the Securities, and they are not otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the ERISA Plan or the Plan Fiduciary in connection with the ERISA Plan’s acquisition of the Securities, and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Securities.
- (15) It acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Securities is no longer accurate, it will promptly notify the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, the purchaser represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE NOTE GUARANTEES AND THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of Note Guarantees and the security interests being provided for the Notes, and a summary of certain insolvency law considerations in Italy. The description below is only a summary and does not purport to be complete or to discuss all the limitations or considerations that may affect the validity and enforceability of the Notes or Note Guarantees or security interests being provided for the Notes. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

European Union

The Issuer is incorporated under the laws of Italy, which is a member state of the European Union (a “**Member State**”).

Pursuant to Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast), as amended (the “**Recast Insolvency Regulation**”), which applies within the European Union, other than Denmark, the court which shall have jurisdiction to open the main insolvency proceedings in relation to a company (subject to certain exceptions) is the court of the Member State (other than Denmark) in which the relevant company’s centre of main interests (“**COMI**”) (as that term is used in Article 3(1) of the Recast Insolvency Regulation) is situated.

COMI is not a static concept and may change from time to time, but is determined for the purposes of decided which court has competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition; moreover, the determination of where a debtor has its COMI is a question of fact on which the courts of the different Member States may have differing and even conflicting views. Article 3(1), second sentence, of the Recast Insolvency Regulation states that a company’s COMI “shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties.” Under Article 3(1) of the Recast Insolvency Regulation there is, in most cases, a rebuttable presumption that a corporate debtor has its centre of main interests in the Member State in which it has its registered office in the absence of proof to the contrary. The presumption only applies if the registered office has not been moved to another Member State within the three month period prior to the request for the opening of insolvency proceedings. Recital 30 of the Recast Insolvency Regulation contains a number of examples of where a presumption as to COMI may be rebutted: for instance, where the company’s central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company’s actual center of management and supervision and of the management of its interests is located in that other Member State. In that respect, the factors that courts may take into consideration when determining the centre of main interests of a debtor can include where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor’s creditors are established.

If the centre of main interests of a debtor, at the time an insolvency application is made, is located in a Member State (other than Denmark), only the courts of that Member State have jurisdiction to open the main insolvency proceedings in respect of the debtor under the Recast Insolvency Regulation and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Recast Insolvency Regulation. Insolvency proceedings commenced in one Member State under the Recast Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary insolvency proceedings or territorial insolvency proceedings may be commenced in another Member State (other than Denmark).

If the centre of main interests of a debtor, at the time an insolvency application is made, is in a Member State (other than Denmark), under Article 3(2) of the Recast Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to commence secondary insolvency proceedings or territorial insolvency proceedings against that debtor only if such debtor has an “establishment” (as defined in Article 2(10) of the Recast Insolvency Regulation) in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Recast Insolvency Regulation and, for the avoidance of doubt, are not limited to winding-up proceedings. Territorial proceedings are, in effect, secondary proceedings that are commenced prior to the opening of main insolvency proceedings. An “establishment” is defined to mean “any place of operations where a debtor carries out or has carried out in the three month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets.” Accordingly, the opening of secondary insolvency proceedings or

territorial insolvency proceedings in another Member State (other than Denmark) will also be possible if the debtor had an establishment in such Member State in the three month period prior to the request for opening of main insolvency proceedings.

The effects of those secondary insolvency proceedings or territorial insolvency proceedings opened in that other Member State are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State in which the debtor has its centre of main interests have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State (other than Denmark) where the debtor has an establishment where either (i) insolvency proceedings cannot be commenced in the Member State in which the debtor's centre of main interests is situated under the conditions laid down by that Member State's law; or (ii) the opening of territorial insolvency proceedings is requested by (a) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested, or (b) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. When main insolvency proceedings are opened, territorial insolvency proceedings usually become secondary insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary or territorial insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary insolvency proceedings or territorial insolvency proceedings have been commenced there. The insolvency practitioner appointed by a court in the Member State which has jurisdiction to commence main proceedings may exercise the powers conferred on it by the laws of that Member State in another Member State (other than Denmark) (such as to remove assets of the debtor from that other Member State). These powers are subject to certain limitations (e.g., the powers are available provided that no insolvency proceedings have been commenced in that other Member State nor any preservation measure to the contrary has been taken there further to a request to commence secondary proceedings in that other Member State where the debtor has assets).

In addition, the concept of "group coordination proceedings" has been introduced in the Recast Insolvency Regulation with the aim of bolstering communication and efficiency in the insolvency of several members of a group of companies. Under Article 61 of the Recast Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group. Participation in group coordination proceedings and adherence to the coordinating insolvency practitioner's recommendations or plan however is voluntary.

In the event that the Issuer experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer.

It remains to be seen what impact the recent vote by the United Kingdom to leave the EU will have on the regulatory environment in the EU and the United Kingdom, and on the applicability of EU law in the United Kingdom. In a "no-deal Brexit" scenario in particular, it may be harder for English office holders and English restructuring and insolvency proceedings to be recognized in Member States and to effectively deal with assets located in those other Member States. Much depends upon the private international rules in the particular Member State and the need may well arise to open parallel proceedings, increasing the element of risk. In particular, in cases where the appointment of an English office holder has been made in reliance on an English domestic approach rather than the COMI rules, it is much less certain that there will be recognition in the relevant Member State.

Italy

Limitations on Granting Security Interests and Guarantees under Italian Law

Under Italian law, the entry into a transaction (including the creation of a security interest or the granting of a guarantee) by a company incorporated under Italian law must be permitted by the applicable laws and by its by-laws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions. If a security interest or a guarantee is being

provided in the context of an acquisition, group reorganization, refinancing or restructuring, financial assistance issues may also be triggered.

Corporate Benefit

An Italian company entering into a transaction (including granting a guarantee or a security interest) must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company. The concept of real and adequate benefit is not defined in the applicable legislation, is assessed and determined by a factual analysis on a case by case basis and its existence is a business decision of the directors and the statutory auditors, if any, and applies equally to downstream, cross-stream and up-stream guarantees granted by Italian companies. The concept of “corporate benefit” is not expressly defined under Italian law and it is assessed and determined on a case by case basis, further its existence is purely a business decision of the directors and the statutory auditors. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. While corporate benefit for downstream guarantee or security (*i.e.*, a guarantee guaranteeing or a security interest granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security or guarantee (*i.e.*, security or guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive adequate benefits or advantages from the granting of such guarantee or security. In particular, in case of an up-stream and cross-stream guarantee or security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. Generally, the risk assumed by an Italian grantor of security or guarantor under a guarantee must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting a security interest or a guarantee entered into) by an Italian company *ultra vires* and potentially affected by a conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. As a result, civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. However, no liability can be attributed where no prejudice or actual damage is suffered by the Italian grantor because of the determination of the controlling shareholder as provided under Article 2497 of the Italian civil code (*codice civile*), enacted by Royal Decree No. 262 of March 16, 1942, as subsequently amended and supplemented (the “**Italian Civil Code**”) having regard to the overall result of the controlling activity. Moreover, the transaction (including the security interest or guarantee granted by an Italian company) could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream, cross-stream and down-stream guarantees or security interests granted by Italian companies.

As to corporate authorizations prospective, the granting of a guarantee or a security by an Italian company in favor of third parties or other corporations belonging to the same group of companies of the Italian grantor must be permitted by the laws (*statuto*) of the Italian grantor.

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.

In light of the above, in no event shall the obligations and liabilities of an Italian grantor under a guarantee or a security include the obligation to guarantee or secure financial indebtedness which was incurred, in full or in part, to purchase the shares of such Italian grantor (or of any of its direct or indirect holding company) and which would therefore constitute the provision of financial assistance within the meaning of Article 2358 and/or Article 2474, as the case may be, of the Italian Civil Code and/or any other law or regulation having the same effect, as interpreted by Italian courts.

Article 1938 of the Italian Civil Code

Pursuant to Article 1938 of the Italian Civil Code, if a guarantee granted by an Italian Guarantor is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture).

Italian capitalization of interests

In order to comply with the mandatory provisions of Italian law in relation to capitalization of interests (including Article 1283 of the Italian Civil Code), the obligations of any Italian Guarantor under a guarantee shall not include and shall not extend to any interest on overdue amounts compounded in violation of the provisions set forth by 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 pursuant to an agreement entered into after the relevant maturity date.

Limitations to Note Guarantees and Collateral

In order to comply with the above corporate law requirements on corporate benefit and financial assistance, the maximum amount that any Italian Guarantor may be required to pay in respect of its obligations as Italian Guarantor under the relevant Note Guarantee will be subject to limitations. By virtue of these limitations, the obligations of an Italian Guarantor under its Note Guarantee may be significantly less than amounts payable with respect to the Notes, or such Italian Guarantor may have effectively no obligation under its Note Guarantee.

As regards to the Italian Guarantors, given the above limitation in relation to Italian financial assistance law and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Facility Agreement and the Intercreditor Agreement:

- (i) subject to paragraph (ii) below, the Note Guarantees and security interests to be granted by an Italian Guarantor shall not exceed the maximum amount of any intercompany or proceeds loans or other financial support in any form advanced to such Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to Article 2359 of the Italian Civil Code) by the Issuer including those resulting from time to time from the latest financial statements (*bilancio di esercizio*) duly approved by a shareholders' meeting of the Italian Guarantor and/or any of its direct or indirect subsidiary pursuant to Article 2359 of the Italian Civil Code, as the case may be, or as otherwise resulting from any of their more updated interim accounts and/or bank statements, *provided* that the obligations of the Italian

Guarantor shall not include, and shall not extend, directly or indirectly, to any indebtedness incurred by such Italian Guarantor in respect of any amounts the purpose or actual use of which is, directly or indirectly:

- a. an acquisition of the shares in such Italian Guarantor, including any related costs and expenses; or
 - b. a subscription for any shares in such Italian Guarantor, including any related costs and expenses, or
 - c. a refinancing of the above.
- (ii) prior to the Post Closing Mergers, the Note Guarantee and security interests to be granted by the Target Guarantors will only guarantee and secure the Issuer's obligations under Tranche B (as defined in "*Use of Proceeds*") of the Notes;
- (iii) without prejudice to the above, and pursuant to Article 1938 of the Italian Civil Code:
- a. prior to the Post Closing Mergers, the maximum amount that an Italian Guarantor (other than a Target Guarantor) may be required to pay in respect of its obligations as a Guarantor shall not exceed 150% of the outstanding principal amount of the Notes and the maximum amount that a Target Guarantor may be required to pay in respect of its obligations as a Guarantor shall not exceed 150% of the outstanding principal amount of Tranche B (as defined in "*Use of Proceeds*") of the Notes; and
 - b. following completion of the Post Closing Mergers, the maximum amount that an Italian Guarantor may be required to pay in respect of its obligations as a Guarantor shall not exceed 150% of the outstanding principal amount of the Notes; and
- (iv) prior to the Post Closing Mergers, any guarantee, indemnity, obligations and liability granted or assumed pursuant to the relevant Note Guarantee and/or security interest by a Target Guarantor does not (and will not) include and does not (and will not) extend, directly or indirectly, to any amounts and/or payment obligations other than the amounts and/or payment obligations under Tranche B (as defined in "*Use of Proceeds*") under the Notes.

For the avoidance of doubt, by virtue of the abovementioned limitations applicable to the Note Guarantees granted by a Italian Guarantors, the obligations of any such Italian Guarantor as Guarantor under the Notes (or, prior to the Post Closing Mergers, with respect to Target Guarantors, under the Tranche B (as defined in "*Use of Proceeds*") of the Notes), the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement and any agreement regulating future *pari passu* indebtedness contemplated under the Intercreditor Agreement and any other transaction documents related thereto shall not be deemed to be cumulative and shall be considered without duplication, and the Intercreditor Agreement will provide that the aggregate amount of the proceeds deriving from any enforcement of any such Note Guarantee of that Italian Guarantor shall not exceed, on an aggregate basis, the limit of that Guarantor's Note Guarantee as described above.

The abovementioned "virtual tranching" structure in respect of the Notes, which is aimed at identifying the relevant portion of the Notes' proceeds which does not constitute "acquisition debt" (or refinancing thereof) in respect of any Target Guarantor (and namely, at identifying the "Tranche B" of the Notes) and, therefore, does not fall within the prohibition under Italian financial assistance rules (namely, Article 2358 or 2474, as applicable, of the Italian Civil Code), is untested in Italian courts and it cannot be excluded that it might be deemed not sufficient to clearly distinguish and separate the non acquisition portion of the Notes' proceeds from any portion of the Notes' proceeds to be utilized to support the acquisition or subscription by the Issuer of the share capital of, respectively, a Target Guarantor or an entity directly or indirectly controlling it. Should the Note Guarantee and/or the security interests granted by a Target Guarantor be deemed by a court or public authority to be contrary to any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, such Note Guarantee and/or security interests could be declared null and void and the Notes documents will provide that, if and to the extent such Note Guarantee and/or security interests would result in a breach of any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, applicable to such Target Guarantor, such Target Guarantor will be deemed to have no liability thereunder and the Note Guarantee shall not be in force and effect *ab initio*.

Trust

The Collateral will be created and perfected in favor of the Security Agent acting in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the

Italian Civil Code. Under such provision (introduced by Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the notes or in favor of a representative (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code also in the name and on behalf of the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

In addition, as the holders of the Notes are not direct parties to the Indenture, there is the risk that the appointment of the Security Agent in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code is not upheld by an Italian court and that therefore an Italian court may determine that the holders of the Notes at the time of enforcement are not secured by the security under the security documents and/or that the *rappresentante* cannot exercise the rights and enforce the Collateral also in the name and on behalf of the holders of the Notes. In addition, the provisions and the subject matter of paragraph 3 of Article 2414-bis, paragraph 3, of the Italian Civil Code are new and, as such, untested by Italian Courts and, therefore, even if the appointment of the *rappresentante* is upheld by an Italian Court, it cannot be excluded that an Italian Court may take a different view and interpretation and determine that, where the Collateral is granted in favor of the *rappresentante*, the holders of the Notes at the time of enforcement are not secured by the Collateral and/or cannot enforce that Collateral.

Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

Moreover, it is uncertain and untested in the Italian courts whether, under Italian law, a security interest can be created and perfected: (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of a “trustee,” since there is no established concept of “trust” or “trustee” under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a “trustee” as trustee under security interests granted over Italian assets is uncertain under Italian law.

Certain additional Considerations in Relation to Granting Security Interests and Guarantees

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against “undercapitalized companies” and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quota holder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower, if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower’s indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan (“**undercapitalization**”). Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower (noting that such provision has been repealed and replaced by the new Insolvency Code, the entry into force of which has been currently postponed (with some exceptions) to May 16, 2022). 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 granted by such Italian subsidiaries may be impaired or restricted.

Certain Limitations on Enforcement

The enforcement of security interests by creditors in Italy can be complex and time consuming, especially in a liquidation scenario, given that Italian courts maintain a significant role in the enforcement process in comparison to other jurisdictions with which the holders of the Notes may be familiar. The two primary goals of the Italian law are first, to maintain employment, and second, to liquidate the debtor's assets for the satisfaction of creditors. These competing goals often have been balanced by the sale of businesses as going concerns and by ensuring that employees are transferred along with the businesses being sold.

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or claw back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw back of transactions made by the debtor during the suspect period. For a more detailed explanation of the terms, conditions and consequences of claw back actions in an insolvency scenario, see “—*Certain Italian Insolvency Laws Considerations—Bankruptcy proceedings (fallimento)*” below. If challenged successfully, the guarantee or the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest or guarantee is voided, holders of the Notes could lose the benefit of the security interest or guarantee and may not be able to recover any amounts under the related security documents.

Furthermore, in the event that the limitations on the guarantee issued by an Italian guarantor apply and/or there are payment obligations under any Notes other than in respect of principal or interest, the noteholders could have a reduced claim against the relevant guarantor.

According to Italian law, the enforcement of any claims, obligations, security interest and rights in general may be subject to, *inter alia*, the following aspects:

- the enforcement of obligations may be limited by the insolvency proceedings listed below relating to or affecting the rights of creditors;
- an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the Court;
- with respect to contracts providing for mutual obligations (*contratti a prestazioni corrispettive*), each party can refuse to perform its obligation if the other party does not perform or does not offer to perform its own obligation thereunder, in accordance with and subject to the provisions of Article 1460 of the Italian Civil Code;
- claims arising under Italian law governed documents may become barred under the provision of Italian law concerning prescriptions and limitations by the lapse of time (*prescrizioni e decadenze*) or may be or become subject to a claim of set-off (*compensazione*) or to counterclaim;
- pursuant to Article 1241 of the Italian Civil Code concerning set-off of reciprocal obligations (*compensazione*), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets of the same kind and are equally liquid and payable;
- where any party to any agreement or instrument is vested with discretion or may determine a matter in its opinion, Italian law may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;
- the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the application of Italian overriding mandatory provisions (*norme di applicazione necessaria*) and by the

fact that the relevant provisions of foreign laws may be deemed contrary to Italian public policy principles and there is no case law setting out specific criteria for the application of such legal concepts under Italian law;

- there is some possibility that an Italian court could hold that a judgment on a particular agreement or instrument, whether given in an Italian court or elsewhere, would supersede such agreement or instrument to all intents and purposes, so that any obligation thereunder which by its terms would survive such judgment might not be held to do so;
- enforcement of obligations may be invalidated by reason of fraud or abuse of the law (*abuso del diritto*);
- the enforceability of an obligation pursuant to the terms set forth in any agreement or instrument may be subject to the interpretation of an Italian court which may carry out such interpretation pursuant to the provisions of Articles 1362 and following of the Italian Civil Code;
- any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof in order to save those other provisions would be determined by an Italian court on the basis of the interpretation of intention of the parties, taking also into account the conduct of the parties following the execution of such agreement or instrument (Article 1419 of the Italian Civil Code);
- an Italian company, either directly or indirectly, cannot grant loans or provide security interest for the purchase or subscription of its own shares unless the strict requirements provided for the Italian Civil Code are satisfied;
- an Italian company must have a specific corporate interest in guaranteeing or securing financial obligations of its parent company or any other companies, whether related or unrelated, such interest being determined by the relevant company on a case-by-case basis;
- in case of bankruptcy, a receiver in bankruptcy is appointed by the court to administer the proceeding under the supervision of the bankruptcy court and creditors' committee and creditors cannot start or continue individual foreclosure actions (including the enforcement of security interests) against the debtor (automatic stay). Furthermore, the sale of the relevant pledged assets is carried out by such receiver unless the pledgee is expressly authorized by the bankruptcy court;
- the preemption rights (*prelazione*) granted by a pledge extend to interest accrued in the year in which the date of the relevant seizure/attachment or adjudication in bankruptcy falls (or, in the absence of seizure/attachment, at the date of the notification of the payment demand (*precetto*) and extend, moreover, to interest accrued and to accrue thereafter, but only to the extent of legal interest and until the date of the forced sale occurred in the context of the relevant foreclosure proceeding/bankruptcy proceedings;
- in order to oppose an assignment to any third party, it will be necessary to notify such assignment to the relevant debtor or make such debtor to accept it by an instrument bearing an undisputable date (*data certa*); the priority of such assignment will be determined accordingly. One way of ensuring that a document has an undisputable date is that of ensuring that the execution of the relevant document by one of the parties to it is witnessed by a notary who states the date of witnessing on the document;
- there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;
- the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence (*colpa grave*), willful misconduct (*dolo*) or the violation of mandatory provisions;
- penalties and liquidated damages (*penali*) may be equitably reduced by a court;
- any obligation of an Italian company and/or any obligation secured or guaranteed by an Italian company, which is in violation of certain Italian mandatory or public policy rules (including, *inter alia*, any obligation to pay: (i) any portion of interest exceeding the thresholds of the interest rate permitted under the Italian law no. 108 of March 7, 1996 (i.e., the Italian usury law), as amended from time to time and related implementing rules and regulations; and (ii) any portion of interest deriving from any compounding of interest which does not comply with Italian law, including Article 1283 of the Italian Civil Code, according to which, accrued and unpaid interest can be capitalized only after legal proceedings to recover the debt were started or in the event the interest were unpaid and capitalized for not less than six months based on an agreement executed after the relevant maturity date) may not be enforceable;

- if a party to an agreement is aware of the invalidity of that agreement and does not inform the other parties to that agreement of such invalidity, it is liable for the damages suffered by such other parties as a consequence of having relied upon the validity of the agreement;
- Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;
- a security interest does not prevent creditors of the relevant debtor other than the pledge from continuing enforcement or enforcement proceedings on the assets secured by the relevant pledge; and
- in case of bankruptcy of the grantor of the pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding and, as a consequence, the proceeds would be set aside for the prior satisfaction of the pledgee but the pledge would be terminated and, therefore, the latter would lose entitlement to the voting rights on the pledged quotas/shares.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, security, agreement and any other act by which it disposes of any of its assets, in order to seek a claw-back action (*azione revocatoria ordinaria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the said guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; and
- that, in the case of non-gratuitous acts, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

Certain Italian Insolvency Law Considerations

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where publicly-owned companies are involved.

Recently a comprehensive reform of the Italian insolvency laws and regulation of overindebtedness crises has been introduced ("**2019 Reform**"), 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 purpose of the 2019 Reform was to (i) ensure the rationality of the provisions on insolvency, affected over the years by various amendments (especially in the civil sector) which caused a great degree of legal uncertainty, (ii) allow early awareness of the financial distress of a business and (iii) safeguard the business' entrepreneurial potential during a crisis. The main innovations introduced by the Insolvency Code include: (i) the elimination of the term "bankrupt" (*fallito*) due to its negative connotation and the replacement of bankruptcy proceedings (*fallimento*) with a judicial liquidation (*liquidazione giudiziale*); (ii) a new definition of "state of crisis"; (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different judicial insolvency proceedings provided for by the same Insolvency Code; (iv) a new set of rules concerning group restructurings; (v) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favor going concern proceedings; (vi) a new preventive alert and mediation phase to avoid insolvency;

(vii) jurisdiction of specialized courts over proceedings involving large debtors; (viii) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the 2019 Reform. Therefore, the practical consequences of its implementation and its potential impact on the existing insolvency proceedings cannot to date be foreseen and significant amendments are expected in the near future that may impact the provisions set forth therein. All types of debtors, with the exception of the State and public entities, will be subject to the procedures set out therein. Indeed, the Insolvency Code shall apply both to individuals (consumers, professionals and entrepreneurs) and to legal persons (including non-profit companies, organizations and groups of companies).

On February 14, 2019, the Insolvency Code has been published in the official journal. Except for minor changes to certain provisions of the Italian Civil Code (and certain express repeals in the criminal sector) which already entered into force on March 16, 2019, according to Article 389 of the Legislative Decree No. 14 of January 12, 2019, the Insolvency Code will enter into force 18 months following its publication in Italy's official journal (i.e., August 15, 2020). Nevertheless, in the context of the emergency legislation adopted by the Italian Government in response to the COVID-19 pandemic, the entry into force of the Insolvency Code has been currently postponed to May 16, 2022 and, only with respect to the II Title (Titolo II), to December 31, 2023, pursuant to Article 1 of the Law Decree No. 118 of August 24, 2021 (which introduced a negotiated composition proceeding (*composizione negoziata*) and a simplified court-supervised pre-bankruptcy composition with creditors for the sale of the debtor's assets (*concordato semplificato per la liquidazione del patrimonio*), effective as of November 15, 2021, and certain amendments to the Italian Bankruptcy Law, effective as of August 25, 2021). Until the entry into force of the Insolvency Code, insolvency proceedings will continue to be governed by the Italian Bankruptcy Law, as currently in force. The practical consequences of the implementation of the 2019 Reform and its potential impact on the existing insolvency proceedings cannot to date be foreseen and significant amendments are expected in the near future that may impact the provisions set forth in the Insolvency Code.

Leaving aside the 2019 Reform, the Italian Bankruptcy Law saw many reforms in the near past. In particular, material innovations regarding composition with creditors and debt restructuring agreements under Article 182-*bis* of the Italian Bankruptcy Law and out of court restructuring plans pursuant to Article 67, paragraph 3(d), of the Italian Bankruptcy Law were introduced by Law Decree No. 83 of June 22, 2012, as converted by Law No. 134 of August 3, 2012 (the “**Development Decree**”). The purpose of this reform was to boost the restructuring and reorganization of distressed enterprises in order to cope better with the current financial crisis. To achieve this purpose, the Development Decree has focused mainly on three factors: flexibility of the process, reliability of the restructuring plan and tax appeal. Amendments to the Italian Bankruptcy Law were also introduced with regard to the composition with creditors by Decree No. 69 of June 21, 2013, which sets out urgent measures aimed at boosting the country's economy and includes some important changes to the rules regarding the application introduced by the Development Decree.

The most recent reforms that have been implemented by the Italian government on the main Italian bankruptcy legislation are: (i) the reform approved on June 23, 2015, through a Law Decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the “**Decree**”). The Decree entered into force in June 2015 (the date of its publication in the *Gazzetta Ufficiale*) and has been converted into law by Italian Law No. 132 of August 6, 2015, entered into force on August 21, 2015 (the date after its publication in the *Gazzetta Ufficiale*) and (ii) the amendments implemented by means of the adoption of (a) the Law Decree No. 59 of May 3, 2016, converted into law by Italian Law No. 119 of June 30, 2016, and (b) Italian Law No. 232 of December 11, 2016.

The two primary aims of 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 (as described below), to maintain employment. These competing aims have often been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Article 5 of the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent rather than a temporary status of insolvency, in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible of being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

The following debt restructuring and bankruptcy tools are available under Italian law for companies in a state of crisis and for insolvent companies.

Restructuring outside of a judicial process (accordi stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions, and may trigger liabilities in the event of a subsequent bankruptcy. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Out-of-court reorganization plans (piani attestati di risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Article 67, paragraph 3(d), of the Italian Bankruptcy Law provides for an out of court restructuring procedure based on a rescue plan (*piano attestato di risanamento*) and is aimed at restructuring a company's indebtedness and ensuring the stability of its financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

Out-of-court debt restructuring arrangements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Out-of-court debt restructuring arrangements are not required to be approved and consented to by a specific majority of all outstanding claims.

The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out, and/or security interest granted for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register is possible upon a debtor's request and would allow to certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

In order to grant protection against clawback actions and potential civil and criminal responsibilities, out of court debt restructuring plans pursuant to Article 67, paragraph 3(d), of the Italian Bankruptcy Law must be supported by adequate documentation representing the financial and commercial situation of the company. Moreover, they must be suitable for the purpose of assuring the restructuring of the indebtedness of the debtor and the rebalancing of its financial position and, in case of its failure and subsequent challenge before an Italian court, it must not be deemed as unreasonable.

Debt restructuring agreements with creditors pursuant to Article 182-bis of the Italian Bankruptcy Law (accordi di ristrutturazione dei debiti)

Under Article 182 bis of the Italian Bankruptcy Law, a company that is in financial distress or is insolvent may file before the bankruptcy court an application for the validation (*omologazione*) of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*) ("DRA") representing at least 60% of its aggregate outstanding debts, pursuing the rebalancing of its financial situation (e.g., through refinancing, moratoria, write offs, waivers or tax settlement).

An independent expert directly appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the agreement is feasible and that it ensures that the non-participating creditors can be fully satisfied within the following terms: (a) 120 days from the date of

approval of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court; and (b) 120 days from the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the non-participating creditors as at the date of the approval (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a situation of “financial distress” (*i.e.*, facing financial crisis which does not yet amount to insolvency) can initiate this process and request the court’s approval (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The DRA must be published in the companies’ register to become effective in respect of third parties and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any conservative or enforcement actions against the assets of the debtor in relation to pre-existing receivables and cannot obtain any security interest (unless agreed) in relation to preexisting debts. The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among others, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The 60-days moratorium can also be requested by the debtor, pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law, while negotiations with creditors are pending (*i.e.*, prior to the above-mentioned publication of the agreement), subject to certain conditions. Such moratorium request must be published in the companies’ register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. At such hearing, the court assesses whether the conditions for anticipating the moratorium are in place and, in such case, orders that no conservative or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which a debt restructuring agreement and the assessment by the expert must be deposited.

The court’s order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies’ register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

The Italian Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor’s debt threshold required for courts’ sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182-*septies* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called “**cram down**”), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative and that all creditors (adhering and non-adhering) have been informed about the negotiations and have been allowed to take part in them in good faith. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor’s aggregate financial indebtedness would also bind the non-participating financial creditors, provided that (i) they have been informed of the ongoing negotiations and have been allowed to participate in such negotiations in good faith, and (ii) an independent expert meeting the requirements provided under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law certifies that the non-consenting banks and financial intermediaries have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the moratorium arrangement. The purpose is to prevent banks with modest credits from block restructuring operations involving more exposed bank creditors, resulting in the failure of the overall restructuring and the opening of a procedure. Financial creditors who did not participate in the agreement may challenge it within 30 days of receipt of the application.

In no case the debt restructuring agreement provided for under article 182-*septies* of the Italian Bankruptcy Law or the moratorium arrangement may impose on the non-adhering creditors, *inter alia*, the maintenance of the possibility to utilize the existing facilities or the granting of new facilities.

Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (*e.g.*, trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised Pre-Bankruptcy Composition with Creditors) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80% of such financing). Financing granted “in view of” (*i.e.*, before) presentation of a petition for a debt restructuring agreement or a court-supervised Pre-Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court at the time of approval of the plan or sanctioning (*omologazione*) of the agreement or the approval of the Pre-Bankruptcy Composition with Creditors.

Moreover, pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1, of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law (in relation to the court supervised pre-bankruptcy arrangement with creditors procedure described below) may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with in rem security (*garanzie reali*), or by assigning claims, provided that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares that the new financing aims at providing a better satisfaction of the rights of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, to the extent already payable and due, provided that the expert declares that such payment is essential for the keeping of the company’s activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree 83/2015, as amended by Law 132/2015, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182-*quinquies* 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.

All the acts, payments and guarantees over assets of the distressed company executed and/or performed according to a validated (*omologato*) DRA are exempt from clawback actions (*revocatoria fallimentare*) in the event of subsequent bankruptcy.

The exemptions from certain bankruptcy crimes provided under Articles 216, paragraph 3 (*preferential bankruptcy*), and 217 (*simple bankruptcy*) of the Italian Bankruptcy Law apply in relation to acts and payments made in accordance with the validated DRA and/or in relation to financings provided under Article 182-*quinquies* upon judicial authorization (in respect of *concordato preventivo*, see below). Such exemption would not apply in relation to the financings obtained “in view” of a DRA (*i.e.* in order to file the DRA—so-called “*finanza ponte*”), provided under Article 182-*quater* of the Italian Bankruptcy Law.

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 and communicated to the public prosecutor. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the concordato preventivo is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-bis of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Italian Law Decree No. 69/2013 as converted into Italian Law No. 98/2013 ("**Law Decree 69/2013**")). The debtor company may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension (*giustificati motivi*). In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-bis of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (e.g., concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), will report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo*; and (ii) set forth reporting and information duties of the company during the abovementioned period. The statutory provisions providing for the stay of enforcement and interim relief actions by the creditors referred to in respect of the *concordato preventivo* also apply to preliminary petitions for *concordato preventivo* (so called *concordato in bianco*).

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company will file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register.

Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the

application and the restructuring plan, the court may, ex officio, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business as recently introduced by Article 1 of the Decree 83/2015, as amended by Law 132/2015, are treated as super-senior (so called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Italian Law No. 9/2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its corporate bodies (usually its board of directors), but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business). The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transactions may be carried out without authorization. Third-party claims, related to the interim acts legally carried out by the debtor, are super-senior (so called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The Composition with Creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132/2015 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who have did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. In relation to voting by the holder of the Notes in the *concordato* proceeding, the interaction between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies is untested in the Italian courts. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the

concordato preventivo (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor do not ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

In addition, in order to strengthen the position of the unsecured creditors, Law 132/2015 sets forth that a pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*) (i.e., a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims.

This provision does not apply to pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and ratified (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-bis of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, provides that, if a plan in pre-bankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the judicial commissioner may request to the court the opening a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

Pursuant to article 169-bis of the Italian Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*), except for certain agreements which are excluded from the scope of the above provision (e.g., employment agreements (*rapporti di lavoro subordinato*), residential real estate preliminary sale agreements (*contratti preliminari di vendita aventi ad oggetto immobili ad uso abitativo*) and real estate lease agreements (*contratti di locazione di immobili*)). The request may be filed with the competent court at the time of the filing of the application for the *concordato preventivo* or to the judge (*giudice delegato*), if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid prior to and outside of the admission to the pre-bankruptcy composition.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Concordato preventivo is compulsory for all creditors prior to the publication of the application in the companies' register. However, creditors retain without prejudice their rights against co-debtors, guarantors of the debtor and other joint and severally liable debtors.

Bankruptcy proceedings (fallimento)

Bankruptcy (*fallimento*) is a court supervised procedure for the liquidation of an insolvent company's assets and for the distribution of the proceeds. It results in the company's dissolution.

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the debtor, any of its creditors and, in certain cases, the public prosecutor when a debtor is insolvent. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. Bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings, amongst other things:

- subject to certain exceptions, all actions of creditors, actions are stayed and creditors must file claims within a defined period;
- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. In case the sale price is not high enough to determine a full satisfaction of their credits, any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in its decision;
- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*);
- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors;
- any act (including payments, pledges, and issuance of guarantees) made by the debtor after (and in certain cases even before for a limited period of time) the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors; and
- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over.

Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of any one of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate properties. In this respect, Law 132/2015 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). Unsecured creditors are satisfied after payment of preferential and secure creditors, out of available funds and assets (if any) as below indicated.

- **Bankruptcy composition with creditors (*concordato fallimentare*).** Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed by one or more creditors, third parties or the receiver starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before the lapse of two years from the decree giving effectiveness to the bankruptcy's estate (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The

petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), and the satisfaction of creditors' claims in any manner. The petition may provide that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, by a majority (by value) of the claims in a majority of the classes). Final court confirmation is also required. Once approved, the *concordato fallimentare* is binding against all non-accepting creditors (cram down).

- **Statutory priorities.** The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order:

- for payments of claims with super-priority” (*crediti prededucibili*). In general, claims are considered to have super-priority when they are so qualified by a specific provision of law or when they arise as part of the bankruptcy (*i.e.*, claims originated in the insolvency proceedings, such as costs related to the procedure); These claims are paid for the entire amount and before other claims (secured, preferred, unsecured and subordinated). Examples of these claims are bankruptcy receiver's fees and costs; the costs of the sale of the assets; the rent for the debtor's offices after adjudication; employees' salaries and social security payments relating to the period after adjudication; attorney's and other advisors' fees. Such claims are satisfied in full (including costs and interests) with the proceeds of the liquidation of movable and immovable debtor's assets, according to their rank (preferred, secured, unsecured), with the exclusion of the proceeds of the sale of assets subject to other creditors' security interests (mortgages and pledges), which are directed to payment of secured creditors;
- for payments of claims that benefit from preferential treatment (*crediti privilegiati in senso ampio or crediti prelatizi*), which include creditors who hold a security interest (*creditori ipotecari o pignoratizi*) and creditors who have a preference under law (*creditori privilegiati in senso stretto*), such as the claims of the Italian tax authorities and social security administrators and claims for employee wages. As a general principle, creditors holding a security interest are satisfied from the relevant assets to the exclusion of all other creditors, including secured creditors having a lower rank (e.g., first mortgage over second mortgage). However, the Italian Civil Code contains very detailed rules (Article 2745) regulating priority conflicts between secured and preferred creditors. A mortgagee and a pledgee are entitled to satisfy their claims from the proceeds of the sale of the encumbered assets. Any excess is available for distribution to other creditors (*i.e.*, second mortgages, preferred creditors and unsecured creditors). Where the relevant asset is insufficient to satisfy its claim against the debtor, a creditor will rank as an unsecured creditor for the remainder;
- for the payment of unsecured creditors' claims (*crediti chirografari*). Unsecured creditors have no preference or security and will therefore be paid only if and to the extent any proceeds of the estate remain after all other claims with a higher rank have been satisfied. Unsecured creditors rank *pari passu* among themselves in the estate, in proportion to the size of their claims; and
- for the payment of subordinated creditors' claims (*creditori postergati e subordinati*). Subordinated creditors have no preference or security and are subordinated by law or contractual provisions. They shall be paid only if and when all the creditors' unsubordinated claims have been paid in full.

- **Avoidance powers in insolvency.** Similar to other jurisdictions, there are so-called “**claw-back**” or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions. Please note that in the context of extraordinary administration procedures (as described below), the claw-back period may last up to three or five years in certain circumstances. The Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner, as detailed below.

- **Acts ineffective by operation of law.** Under (i) Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes

part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and (ii) Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective *vis-à-vis* creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

- Acts that could be declared ineffective at the request of the bankruptcy receiver / court commissioner.
 - 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 when 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 when the new security was granted.
 - The following acts and transactions, if made during the vulnerability period or such other period specified below, may be clawed back (*revocati*) and declared ineffective if the bankruptcy receiver proves that the non-insolvent party knew that the bankrupt entity was insolvent at the time of the act or transaction:
 - 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.
 - 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, payments made and guarantees granted by the debtor pursuant to a plan (*piano attestato*) under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law;
 - a transaction entered into, payment made or guarantee granted in the context of "*concordato preventivo*" under Article 161 of the Italian Bankruptcy Law or an "*accordo di ristrutturazione del debito*" under Article 182-*bis* of the Italian Bankruptcy Law;
 - 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 party, the third party was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third party participated in the fraudulent design). The burden of proof is entirely with the receiver.

The Insolvency Code provides special regimes on preferences and avoidances of intra group transactions. Under Article 290 the limitation period for initiating intra group clawback actions (referring to acts and transactions entered into by companies belonging to the same group that jeopardize the creditors' interest) is extended to five years from the filing for bankruptcy declaration.

Law 132/2015 also introduced new Article 2929-*bis* to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g., gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale* or "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third-party purchaser.

Extraordinary Administration for Large Insolvent Companies Pursuant to Prodi-bis Decree (Amministrazione Straordinaria)

An extraordinary administration procedure applies under Italian law for large industrial and commercial enterprises (the "*Prodi-bis Procedure*" or "*Extraordinary Administration*"). *Prodi-bis Procedure*, which is regulated by Legislative Decree No. 270 of 8 July 1999 ("*Prodi-bis Decree*"), replaces the previous special administration for large companies in a state of crisis (*amministrazione straordinaria delle grandi imprese in crisi*), introduced by Law No. 95 of 3 April 1979.

The relevant company must be insolvent, but demonstrating serious recovery prospects. To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last fiscal year. Any of the creditors, the debtor, a court or the public prosecutor may make a petition to commence an extraordinary administration procedure. The same rules set forth for bankruptcy with respect to existing contracts and creditors' claims largely apply to Extraordinary Administration.

The procedure is divided into two main phases: a "*judicial phase*" and an "*administrative phase*."

- (a) **Judicial phase.** In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints a judicial receiver (or up to three) (*commissario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver files a report with the court within 30 days, and within ten days from such filing, the Italian Ministry of Economic Development may make an opinion on the admission of the company to the extraordinary administration procedure. The court then decides (within 30 days from the filing of the report) whether to admit the company to the procedure or to place it into bankruptcy.
- (b) **Administrative phase.** Assuming that the company is admitted to the extraordinary administration procedure, the administrative phase begins and an extraordinary commissioner(s) is appointed by the Italian Ministry of Economic Development. The extraordinary commissioner(s) prepare(s) a plan which can provide for either the sale of the business as a going-concern within one year (unless extended by the Ministry) (the "*Disposal Plan*") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "*Recovery Plan*"). It may also include an arrangement with creditors (e.g., debt for equity swap, issue of shares in a new company to whom the assets of the company have been transferred). The plan must be approved by the Ministry of Economic Development within 30 days from submission by the extraordinary commissioner(s). In addition, the

extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry.

The declaration of the state of insolvency produces certain immediate effects, such as the automatic stay of all legal actions by creditors against the debtor's assets and the freezing of the accrual of interest.

The effects of the admission to the *Prodi-bis* Procedure (Administrative Phase) are that the stay of actions continues and clawback actions become possible. Debts incurred in the continuation of the business generally will have super-priority over any other secured and unsecured claim (*prededuzione*) pursuant to Article 111 of the Italian Bankruptcy Law.

The unsecured creditors are exclusively represented by one or two members of the surveillance committee, which has consulting duties. Creditors can file their proofs of claim and have a right to the distribution of proceeds. Creditors can also oppose the declaration of the state of insolvency as well as the admission to the second phase. Under Article 53 of *Prodi-bis* Decree, the rules established by the Italian Bankruptcy Law regarding the creditors' proofs of claim also apply to the *Prodi-bis* Procedure.

The *Prodi-bis* Procedure can at any time be converted into bankruptcy upon request by the extraordinary commissioner, or even *ex officio*, if the procedure cannot be positively continued. At the end of the procedure, upon request of the extraordinary commissioner or even *ex officio*, the bankruptcy court will declare the conversion of the procedure into bankruptcy when either the sale of the assets has been not performed within the term stipulated in the program, or the business has not recovered its ability to regularly perform its obligations.

Bankruptcy rules concerning criminal bankruptcy law and bankruptcy clawback law applies to the *Prodi-bis* Procedure. The clawback "*avoidance period*" is extended up to three to five years for intragroup transactions.

The intragroup clawback action (*revocatoria intragruppo*) governed by Article 91 of *Prodi-bis* Decree refers to acts and transactions entered into by companies belonging to the same group if carried out during the period between the execution of the relevant transaction and the date of insolvency declaration (the "*suspect period*") preceding the insolvency declaration as follows:

(i) *five years*, with respect to:

- transactions at an undervalue (transactions are deemed to be at undervalue when the asset or obligation given or undertaken exceeds by 25% or more the value of the consideration received by the debtor);
- transaction extinguishing of financial debts which have fallen due and are outstanding, involving unusual means of payment (e.g., payment in kind; settlement agreements, etc.);
- pledges, anthicresis rights and voluntary mortgages granted or set up for pre-existing debts which had not yet fallen due;

unless the creditor proves that it was not aware of the state of insolvency of the debtor;

(ii) *three years*, with respect to securities (pledges, anthicresis rights and judicial or voluntary mortgages) created as collateral for debts which had fallen due, unless the creditor proves his lack of knowledge of the state of insolvency of the debtor in order to rebut any claw-back action; and

(iii) *three years*, with respect to payment of due and outstanding debts, transactions for consideration and those granting a preferential right for debts (including third party's debt) simultaneously created, provided that the extraordinary commissioner proves that the other party was aware of the state of insolvency of the debtor.

The extraordinary commissioner is only entitled to initiate the intragroup claw-back action after the approval of the execution of the liquidation program (unless the *Prodi-bis* Procedure is converted into *fallimento*) and without the need of the authorization of the supervisory authority (*i.e.*, Ministry of Economic Development).

Industrial Restructuring of Large Insolvent Companies Pursuant to Marzano Law (Amministrazione Straordinaria delle Grandi Imprese in Crisi)

Introduced in 2003, the industrial restructuring of large insolvent companies is also known as the "*Marzano procedure*." It is complementary to the *Prodi-bis* Procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to be faster than the *Prodi-bis* Procedure and is aimed at saving and turning around large insolvent companies in order to preserve their value. For example, although

a company must be insolvent, the application to the Ministry of Economic Development is made together with the filing to the court for the declaration of the insolvency of the debtor.

The Marzano procedure only applies to large insolvent companies that, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including those from outstanding guarantees). The decision of whether to open a Marzano procedure is taken by the Ministry of Economic Development 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.

This procedure restructures the company's debts and sells those assets that are not strategic or do not form part of the company's core business.

The debtor must apply to the Minister of Economic Development for immediate admission to the procedure, while at the same time filing a petition with the bankruptcy court in order to confirm its insolvency status. It is the Minister, rather than the bankruptcy court, that has primary responsibility for supervising the procedure; the bankruptcy court is requested only to confirm the company's insolvency status and verify the lawfulness of the proceeding with respect to the verification of claims. If the debtor is admitted to the procedure, other insolvent companies in the same corporate group may also participate, even if they do not satisfy the relevant requirements.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry of Economic Development 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 of Economic Development, the court will declare the company bankrupt and open bankruptcy proceedings. The Recovery Plan can provide for the satisfaction of creditors' claims through a composition, which must specify any conditions of its implementation and describe any offered guarantees.

The extraordinary commissioner may bring clawback actions for the benefit of creditors during the implementation of a recovery plan. Bankruptcy rules concerning criminal bankruptcy law and bankruptcy clawback law applies to Marzano procedure. The clawback "avoidance period" is extended up to three to five years for intragroup transactions.

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 by the relevant governmental authority (e.g., Bank of Italy, Ministry of the Economic Development).

The debtor, the directors of an insolvent company, or one or more creditor(s) may apply to the bankruptcy court. The bankruptcy court must seek the advice of the government agency responsible for supervising the debtor's business. The judge may initiate proceedings by declaring the debtor insolvent. All legal actions by creditors against the debtor are then stayed, with the exception of those aiming to ascertain the amount of any claim.

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. Unlike other procedures, there is no delegated judge, as the procedure is mainly administrative in nature. The liquidator must review claims and consider whether a composition is feasible. If so, he will prepare with the debtor a plan of repayment, to be submitted to the creditors.

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 extraordinary administration proceedings.

If a composition does not appear feasible, arrangements are made for the disposal of the debtor's assets and the distribution of proceeds among the creditors in the same order of priority as in bankruptcy.

Interim financing

The Decree No. 83/2015, as amended by Law 132/2015, introduced the possibility for debtors which have filed a Composition with Creditors (*concordato preventivo*) (even pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law) or a Debt Restructuring Agreement pursuant to Article 182-*bis* of the Italian Bankruptcy Law (*accordo di ristrutturazione dei debiti*) to also obtain judicial authorization to receive:

- new interim financing with priority status (*prededucibilità*) in case of subsequent bankruptcy if an independent expert certifies that such financings are aimed at greater creditors' satisfaction (*finanziamenti interinali*) (Article 182-*quinquies*, paragraph 1, of the Italian Bankruptcy Law);
- urgent finance which is necessary for their business needs (*finanza d'urgenza*) without having to file a certification issued by an independent expert. The relevant claims shall take precedence over the other creditors' claims in case of bankruptcy (*crediti prededucibili*). The debtor must specify the purpose of the requested finance and declare that it is urgently needed and that the inability to access such finance would cause imminent and irreparable damage. The Court shall decide on this request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors. The debtor also has the possibility to obtain authorization to continue to use existing trade receivables credit lines (*linee di credito autoliquidanti*) (Article 182-*quinquies*, paragraph 2, of the Italian Bankruptcy Law).

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.

Super-priority rights granted pursuant to the above do not jeopardize or overcome the rights in rem (e.g., mortgages) of secured creditors.

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 the suspect period. The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (*i.e.*, to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (e.g., payment in kind) or new security granted with respect to pre-existing debts not yet due at the time the security is entered into after the creation of the secured obligations, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, (ii) security granted within six months prior to the declaration of insolvency with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. The transactions potentially subject to avoidance also include those contemplated by a Note Guarantee or the granting of security interests under the security documents by a guarantor and/or security

provider. If they are challenged successfully, the rights granted under the guarantees or in connection with security interests under the relevant security documents may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related security documents.

It should be noted that: (i) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions carried out by the insolvent debtor for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration, and (ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors, if made by the bankrupt entity in the two-year period prior to insolvency.

In addition, as noted above, the Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Issuer is incorporated under the laws of Italy. The documents relating to the Collateral will be governed by the laws of Italy and any jurisdiction where the Collateral is located. The Indenture, the Notes and the Note Guarantees will be governed by New York law. The Intercreditor Agreement will be governed by the laws of England and Wales. All of the directors and executive officers of the Issuer are non-residents of the United States. Because substantially all of the assets of the Issuer and the Guarantors and its and their directors and executive officers, are located outside the United States, any judgment obtained in the United States against the Issuer, a Guarantor or any such other non-U.S. resident person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although the Issuer and the Guarantors will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes and the Indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on the Issuer, any Guarantor or on such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws. It may be possible for investors to effect service of process within other jurisdictions (including Italy) upon those persons or the Issuer provided that, for example, The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

If a judgment is obtained in a U.S. court against the Issuer or a Guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for Italy, where the Issuer and the Guarantors are located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in Italy or elsewhere outside the United States.

Recognition and enforcement in Italy of final judgments rendered by U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, may not require retrial and will be enforceable in Italy, *provided* that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale privato*), among others, the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendant have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of defendant party's failure to appear before the court, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment rendered by an Italian court;
- there is no action pending in Italy among the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy (*ordine pubblico*).

In addition, pursuant to Article 67 of Italian Law No. 218 of May 31, 1995, if a judgment rendered by a U.S. court is not complied with, its recognition is challenged or its compulsory enforcement is necessary, then a proceeding shall be initiated before the competent Court of Appeal in Italy to that end. The competent Court of Appeal does not consider the merits of the case but exclusively ascertains the fulfillment of all the conditions set out above.

In original actions brought before Italian courts, the enforceability of liabilities or remedies based solely on the U.S. federal securities law is debatable. If an original action is brought before an Italian court, the Italian court may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply the U.S. law provisions or grant some of the remedies sought (e.g., punitive damages) if their application violates Italian public policy and/or any mandatory provisions of Italian law.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Freshfields Bruckhaus Deringer LLP as to matters of United States federal, New York, English and Italian law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Shearman & Sterling LLP as to matters of United States federal, New York, English and Italian law.

INDEPENDENT AUDITORS

The financial statements of Agrifarma as at and for the years ended December 31, 2018, 2019 and 2020 included in this offering memorandum have been audited by PricewaterhouseCoopers S.p.A. (“**PwC**”), independent accountants, as stated in their audit reports appearing herein. PwC, with registered office at Piazza Tre Torri 2, 20145 Milan, Italy, is registered under No. 43 in the Register of Statutory Auditors by the Italian Ministry of Economy and Finance and set out at Article 161 of the Unified Text of the Rules for the Capital Markets (*Testo Unico delle Disposizioni in materia di mercati finanziari*) and under No. 119644 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*) maintained by the Italian Ministry of the Economy and Finances in compliance with the provisions of the Legislative Decree of No. 39 of January 27, 2010. PwC is a member of ASSIREVI (*Associazione Nazionale Revisori Contabili*), the Italian association of auditing firms.

The financial statements of Maxi Zoo as at December 31, 2020 and for the year then ended, included in this offering memorandum, have been audited by KPMG S.p.A. (“**KPMG**”), independent auditors, as stated in their report appearing herein, which includes an “other matter” paragraph that states that the data of the parent company of Mazi Zoo that is disclosed in such financial statements has not been audited.

KPMG, with registered office at Via Vittor Pisani 25, 20124 Milan, Italy, is registered under No. 70623 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*) maintained by the Italian Ministry of the Economy and Finances in compliance with the provisions of Legislative Decree No. 39 of January 27, 2010. KPMG S.p.A. is a member of ASSIREVI (*Associazione Nazionale Revisori Contabili*), the Italian association of auditing firms.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to this offering memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on the Initial Purchasers or any person affiliated with any of the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to paragraph (1) above, no person has been authorized to give any information or to make any representation concerning the Securities offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Securities remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act, upon the written request of any such holder or beneficial owner. We are not currently subject to the periodic reporting or other information requirements of the Exchange Act.

The additional documents and information specified in “*Listing and General Information*” herein and not included in this offering memorandum will be available to be inspected and obtained by holders at the specified office of the Issuer during normal business hours on any weekday.

LISTING AND GENERAL INFORMATION

Listing

Application will be made to list the Notes on the Official List of the Exchange and to admit to trading on the Euro MTF Market in accordance with the rules and regulations of the Exchange. The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream.

So long as the Notes are listed on the Official List of the Exchange and are admitted to trading on the Euro MTF Market and the rules and regulations of the Exchange so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at the places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Exchange or by any other means considered equivalent by the Exchange.

For so long as the Notes are listed on the Official List of the Exchange and are admitted to trading on the Euro MTF Market and the rules and regulations of the Exchange so require, copies of the following documents may be obtained free of charge from the Issuer during normal business hours on any weekday:

- this offering memorandum;
- the organizational documents of the Issuer;
- after the Arcaplanet Acquisition Closing Date, the organizational documents of the Guarantors;
- the most recent annual consolidated financial statements, any interim financial statements and any other documents or reports to be published by the Issuer and furnished to holders of the Notes;
- the indenture governing the Notes (which includes the Note Guarantees and the form of the Notes);
- the Intercreditor Agreement; and
- the security documents.

We have appointed Deutsche Bank Luxembourg S.A. as Registrar and Listing Agent and Deutsche Bank AG, London Branch as Paying Agent and Transfer Agent to make payments on, when applicable, and transfers of, the Notes. We reserve the right to vary such appointments in accordance with the terms of the Indenture.

Litigation

Except as disclosed in this offering memorandum, the Issuer is not involved, nor has been involved during the twelve months preceding the date of this offering memorandum, in any litigation, arbitration or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on its results of operations, condition (financial or other) or general affairs and, so far as it is aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

No Material Changes

Except as disclosed in this offering memorandum, there has been no material adverse change in the financial and trading position or prospects of the Issuer and no material change in the capitalization of the Issuer since its date of incorporation.

Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 239706533 and 239706550, respectively. The ISIN for the Notes sold pursuant to Regulation S is XS 2397065330 and the ISIN for the Notes sold pursuant to Rule 144A is XS 2397065504.

Legal Information

The Issuer

The Issuer is a joint stock company (*società per azioni*) established under the laws of the Republic of Italy and was formed on June 21, 2021. The Issuer is registered with the Companies' Registry (*Registro delle Imprese*) of Milan-Monza-Brianza-Lodi under No. 11462410967. The Issuer's financial year ends on December 31.

The registered office of the Issuer is located at Via Alessandro Manzoni No. 38, Milan, Italy. The Issuer's LEI is 815600658C215B62EA21.

Guarantors

Within 150 days from (and excluding) the Arcaplanet Acquisition Closing Date and substantially simultaneously with the guarantees granted in favor of obligations under the Original Revolving Facility, subject to the Agreed Security Principles and customary guarantee limitations, the Notes are expected to be guaranteed by the Guarantors on a senior basis; *provided* that Maxi Zoo will only guarantee the Notes if the Maxi Zoo Contribution occurs on or prior to the Arcaplanet Acquisition Closing Date.

The Guarantors are listed and described below.

Maxi Zoo

Maxi Zoo Italia S.p.A. is a joint stock company (*società per azioni*) incorporated under the laws of Italy under the registration number 03503300232. The registered address of Maxi Zoo is Via XXV Aprile 5, 20016 Pero (MI), Italy. After the completion of the Maxi Zoo Contribution, Maxi Zoo will be a wholly owned direct subsidiary of the Issuer.

The Target

Noah 2 S.p.A. is a joint stock company (*società per azioni*) incorporated under the laws of Italy under the registration number 09485990965. The registered address of the Target is Via San Paolo 10, 20121, Milano (MI), Italy. After the Arcaplanet Acquisition Closing Date, Noah 2 S.p.A. will be a wholly owned direct subsidiary of the Issuer.

Agrifarma

Agrifarma S.p.A. is a joint stock company (*società per azioni*) incorporated under the laws of Italy under the registration number 01421010487, which is the sole wholly owned direct subsidiary of the Target. The registered address of Agrifarma is Via Parma 394, 16043 Chiavari (GE), Italy.

For the twelve months ended June 30, 2021, on an aggregate basis, the Guarantors generated 100% of our *pro forma* revenue from sales and services and approximately 99% of our *Pro forma* Adjusted EBITDA (excluding synergies and run-rate adjustments). As at June 30, 2021, on an aggregate basis (excluding all intragroup items, investments in subsidiaries and goodwill), the Guarantors accounted for 100% of our *pro forma* total assets (excluding investments in subsidiaries not consolidated and goodwill).

The obligations of each Guarantor under its Note Guarantee will be contractually limited under such Note Guarantee to reflect limitations under applicable Italian law with respect to maintenance of share capital, corporate benefit, financial assistance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. Until the completion of the Post Closing Mergers, the Note Guarantees and security interests to be granted by the Target Guarantors will only guarantee and secure the Issuer's obligations under Tranche B of the Notes. For a description of the relevant limitations, see "*Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations.*" As soon as reasonably practicable after the completion of the Post Closing Mergers, such Note Guarantees and security interests will be extended to also secure Tranche A of the Notes.

General

The issuance of the Notes was authorized by a resolution (*delibera*) of the sole shareholder of the Issuer passed on 20 September 2021 pursuant to Article 5.2 of the by-laws of the Issuer.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.

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Agrifarma Interim Financial Statements as at and for the six months ended June 30, 2021

Agrifarma S.p.A.
Balance Sheet
As of June 30, 2021 and December 31, 2020

(in Euro)	As of June 30, 2021	As of December 31, 2020
A) Receivables from shareholders for payments still due		
Total receivables from shareholders for payments still due (A)	—	—
B) Fixed assets		
I. Intangible fixed assets		
1) Incorporation and expansion costs	6,034,349	5,805,193
2) Development costs	492,465	434,015
3) Industrial patents and intellectual property rights	656,492	690,228
4) Concessions, licences, trademarks and similar rights	49,041,872	50,683,446
5) Goodwill	234,054,206	241,808,099
6) Assets under development and advances	1,261,070	540,558
7) Other	26,345,830	23,895,697
Total intangible fixed assets	317,886,285	323,857,236
II. Tangible fixed assets		
1) Land and buildings	79,813	80,354
2) Plant and machinery	51,173	69,652
3) Industrial and commercial equipment	6,215,336	5,696,046
4) Other assets	10,883,366	10,633,750
5) Assets under development and advances	418,187	272,734
Total tangible fixed assets	17,647,874	16,752,536
III. Financial fixed assets		
1) Equity investments in		
a) subsidiaries	5,504,402	3,974,402
d-bis) other companies	5,595	5,595
Total equity investment	5,509,997	3,979,997
2) Receivables		
a) from subsidiaries		
— due beyond one year	4,760,000	260,000
Total receivables from subsidiaries	4,760,000	260,000
d-bis) others		
— due beyond one year	337,109	378,538
Total other receivables	337,109	378,538
Total financial fixed assets	10,607,106	4,618,535
Total fixed assets	346,141,265	345,228,307
C) Current assets		
I. Inventories		
1) Raw ancillary materials and consumables	641,369	665,234
4) Finished products and goods	61,063,058	54,478,245
Total inventories	61,704,427	55,143,479
II. Receivables		
1) From customers		
— due within one year	6,112,532	7,494,900
Total receivables from customers	6,112,532	7,494,900
2) From subsidiaries		
— due within one year	1,367,473	1,403,689
Total Receivables from subsidiaries	1,367,473	1,403,689
5-bis) Taxes		
— due within one year	—	27,003
— due beyond one year	24,679	24,679
Total taxes	24,679	51,682
5 - ter) Deferred tax assets	856,041	1,050,871
Total deferred tax assets	856,041	1,050,871
5-quater) From others		
— due within one year	590,905	281,160
Total other receivables	590,905	281,160
Total receivables	8,951,629	10,282,302
IV. Cash and cash equivalents		
1) Bank and postal deposits	84,654,299	74,698,289
3) Cash in hand	687,287	610,777
Total cash and cash equivalents	85,341,586	75,309,066
Total current assets	155,997,643	140,734,847
D) ACCRUED INCOME AND PREPAID EXPENSES	2,128,777	1,293,930
Total assets	504,267,685	487,257,084

Agrifarma S.p.A.
Balance Sheet
As of June 30, 2021 and December 31, 2020

(in Euro)	As of June 30, 2021	As of December 31, 2020
SHAREHOLDERS' EQUITY AND LIABILITIES		
A) Shareholders' equity		
I. Share capital	1,121,363	1,121,363
II. Share premium reserve	17,635,394	17,635,394
III-Revaluation reserve	—	—
IV. Legal reserve	224,273	211,329
V-Statutory reserve	—	—
VI. Other reserves, shown separately		
Extraordinary reserve	22,986,625	22,986,625
Merger surplus reserve	226,776,765	226,776,765
Other reserves	6,794	—
Total other reserves	249,770,183	249,763,390
VII-Changes in hedging reserves	—	—
VIII. Retained earnings / (accumulated losses)	(13,365,521)	(20,668,417)
IX. Profit/(loss) for period	4,357,935	7,322,635
Loss covered during the period	—	—
X-Negative reserve for treasury shares in portfolio	—	—
Total shareholders' equity	259,743,627	255,385,694
B) Provisions for risks and charges		
1) Retirement benefits and similar obligations	—	2,961
2) Taxes, including deferred taxes	13,661,519	14,116,947
4) Other	166,173	360,250
Total provisions for risks and charges	13,827,692	14,480,158
C) EMPLOYEES' SEVERANCE INDEMNITY	2,601,429	2,677,048
D) Payables		
4) To banks		
— maturing within one year	147,703,873	1,455,000
— maturing after one year	—	144,295,118
Total bank payables	147,703,873	145,750,118
6) Advances		
— maturing within one year	93,462	293,235
Total advances	93,462	293,235
7) To suppliers		
— maturing within one year	64,548,029	52,984,367
Total supplier payables	64,548,029	52,984,367
9) To subsidiaries		
— maturing within one year	—	242,632
Total payables to subsidiaries	—	242,632
12) Tax payables		
— maturing within one year	4,729,588	3,712,827
Total tax payables	4,729,588	3,712,827
13) Due to social security and welfare institutions		
— maturing within one year	3,121,556	3,037,010
Total payables due to social security and welfare institutions	3,121,556	3,037,010
14) Other		
— maturing within one year	7,877,192	8,594,258
Total other payables	7,877,192	8,594,258
Total payables	228,073,699	214,614,447
E) ACCRUED EXPENSE AND DEFERRED INCOME	21,237	99,737
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	504,267,685	487,257,084

Agrifarma S.p.A.
Income Statement
For the six months ended June 30, 2021 and, 2020

(in Euro)	Six months ended June 30,	
	2021	2020
A) VALUE OF PRODUCTION:	198,810,486	167,001,346
1) Revenue from sales and services	187,339,350	157,518,690
4) Increases in fixed assets for internal work	2,087,068	905,083
5) Other income:		
– operating grants		
– other	9,384,068	8,577,573
Total other income	9,384,068	8,577,573
Total revenues and other income	198,810,486	167,001,346
B) PRODUCTION COSTS:		
6) Raw materials, consumables, goods	104,268,026	83,628,687
7) Services costs	28,539,878	22,214,214
8) Leases and rentals	14,275,859	13,518,357
9) Personnel expenses:		
a) Wages and salaries	19,560,542	18,151,725
b) Social security contributions	5,219,430	5,046,812
c) Severance indemnity	1,398,351	1,293,763
e) Other personnel costs	133,816	478,085
Total personnel expenses	26,312,140	24,970,385
10) Amortization, depreciation and impairments:		
a) amortization of intangible assets	12,752,124	12,461,774
b) depreciation of tangible assets	2,211,970	2,198,156
c) Impairment of fixed assets	(87,408)	196,530
d) Provisions for doubtful accounts included in current assets and cash and cash equivalents	—	—
Total amortization, depreciation and impairments	14,876,686	14,856,460
11) Change in inventories of raw materials, consumables and goods	(6,560,783)	1,351,307
12) Provisions for risks	—	—
13) Other provisions	—	—
14) Other operating expenses	2,347,239	2,111,614
Total production costs	184,059,045	162,651,022
Difference between value and cost of production (A-B)	14,751,441	4,350,324
C) Financial income and charges		
16) Other financial income:		
d) other income:		
– from other	817	3,421
Total financial income other than previous	817	3,421
17) Interests and financial charges		
– from other	4,652,757	3,336,368
Total Interests and financial charges	4,652,757	3,336,368
17-bis) Foreign exchange gains / (losses)	(9,628)	(13,148)
Total financial income/(charges)	(4,661,568)	(3,346,094)
D) Valuation adjustments to financial assets and liabilities:	—	—
Profit/(loss) before taxes (A-B±C±D)	10,089,873	1,004,230
20) Income tax expense		
– current taxes	5,992,536	2,652,361
– prior year taxes	194,829	(3,020,826)
– deferred taxes	(455,427)	(456,720)
Total income tax expense	5,731,938	(825,185)
21) Profit/(loss) for the period	4,357,935	1,829,415

Agrifarma S.p.A.

Cash Flow Statement

As of for the six months ended June 30, 2021 and 2020

(in Euro)	Six months ended June 30,	2020
A. Cash flow from operating activities		
Profit/ (loss) for the period	4,357,935	1,829,415
Income taxes	5,731,938	(825,185)
Interest expense/(interest income)	4,661,568	3,346,095
(Gains)/ losses on disposals of assets	10,857	—
1. Profit/(loss) for the six months before taxation, interest, dividends and gains/losses on disposals	14,762,299	4,350,325
<u>Adjustments for non-monetary items that do not have a corresponding item in net working capital</u>		
Allocation to provisions	1,398,351	1,293,763
Amortization and depreciation of fixed assets	14,964,094	14,659,930
Impairment losses	61,450	9,001
Value adjustments of financial assets and liabilities of derivative financial instruments that do not involve monetary movements	—	—
Other increases/(decreases) adjustments for non-monetary items	—	—
Total adjustments for non-monetary items that do not have a corresponding item in net working capital	16,423,895	15,962,694
2. Cash flow before changes in the net working capital	31,186,194	20,313,019
<u>Changes in net working capital</u>		
(Increase)/Decrease in inventories	(6,560,948)	1,351,307
(Increase)/Decrease in receivables from customers	1,382,368	1,932,199
Increase/(Decrease) in payables to suppliers	11,563,662	(10,960,535)
(Increase)/Decrease in accrued income and prepaid expenses	(834,847)	(391,066)
Increase/(Decrease) in accrued expenses and deferred income	(78,500)	(82,732)
Other changes in net working capital	(2,894,249)	(613,981)
Total changes in net working capital	2,577,486	(8,764,808)
3. Cash flow after changes in net working capital	33,763,680	11,548,211
<u>Other adjustments</u>		
Interest collected/(paid)	(2,618,769)	(2,679,207)
(Income tax paid)	(4,963,292)	—
(Use of provisions)	(199,739)	(567,477)
Total other adjustments	(7,781,800)	(3,246,684)
Cash flow from operating activities (A)	25,981,880	8,301,527
B. Cash flow from investing activities		
<u>Tangible fixed assets</u>		
(Purchases)	(3,202,739)	(1,797,813)
Proceeds from disposals	84,573	—
<u>Intangible fixed assets</u>		
(Purchases)	(6,842,621)	(2,992,213)
Proceeds from disposals	—	—
<u>Financial assets</u>		
(Purchases)	(6,030,000)	—
Proceeds from disposals	41,427	41,211
<u>Financial assets not held as fixed assets</u>		
(Purchases)	—	—
Proceeds from disposals	—	—
(Acquisition of businesses net of cash and cash equivalents)	—	—
Cash flow from investing activities (B)	(15,949,360)	(4,748,815)
C. Cash flow from financing activities		
<u>Third party financing</u>		
Increase/(decrease) of short term payables due to banks	—	—
Opening of new loans	—	—
(Repayment of loans)	—	—
<u>Equity</u>		
Paid capital increase	—	—
(Capital reimbursement)	—	—
Sale (Purchase) of treasury shares	—	—
(Dividends and advances on dividends paid)	—	—
Cash flow from financing activities (C)	—	—
Increase (decrease) in cash and cash equivalents (A ± B ± C)	10,032,520	3,552,712
Exchange effects on cash and cash equivalents	—	—
Cash and cash equivalents at beginning of the period	74,698,289	52,042,730
Bank and postal deposits	610,777	592,862
Total Cash and cash equivalents at beginning of the period	75,309,066	52,635,592
Cash and cash equivalents at end of period	—	—
Bank and postal deposits	84,654,299	55,569,636
Cash in hand	687,287	618,668
Total Cash and cash equivalents at end of the period	85,341,586	56,188,304
Of which not freely usable	—	—

Agrifarma S.p.A.

Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

General information

Agrifarma S.p.A. (the “**Company**” or “**Agrifarma**”) is a company incorporated in Italy, organized under Italian law, with registered office in Chiavari (GE), while the administrative headquarters is located in Carasco (GE).

The Company operates more than 370 stores, located in 17 different Italian regions, and with a strong e-commerce sales network.

The Company is controlled by Noah 2 S.p.A., which directly holds 100% of the share capital. There are no subjects exercising management and coordination over the Company. On June 24, 2021 Shiba BidCo S.p.A. entered into an agreement to acquire the entire issued share capital of Noah 2. S.p.A. (the “**Arcaplanet Acquisition**”)

The closing of the Arcaplanet Acquisition is subject to the satisfaction of certain closing conditions, including customary antitrust approvals and the performance of certain closing actions.

These unaudited interim condensed financial statements as of and for the six months ended June 30, 2021 together with the notes thereto (together the “**Unaudited Interim Condensed Financial Statements**”) were approved by the Board of Directors on 15th September, 2021.

Basis of preparation

The Unaudited Interim Condensed Financial Statements have been prepared for inclusion in the offering memorandum to be prepared in connection with the issuance of senior secured notes by Shiba BidCo 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.

The Unaudited Interim Condensed Financial Statements have been prepared in accordance with OIC 30, ‘Interim financial reporting’, which governs interim financial reporting. OIC 30 permits a significantly lower amount of information to be included in interim financial statements from what is required for annual financial statements prepared in accordance with the accounting principles established by Organismo Italiano di Contabilità (O.I.C.), the Italian Accountancy Body (“**Italian GAAP**”). In particular, the notes have been prepared in accordance with OIC 30 par 3.5. The Unaudited Interim Condensed Financial Statements should be read in conjunction with the Agrifarma financial statements for the year ended December 31, 2020 (the “**Agrifarma 2020 Financial Statements**”) which have been prepared in accordance with Italian GAAP.

The Unaudited Interim Condensed Financial Statements have been prepared in accordance with the general principles of prudence and accruals on a going-concern basis. Captions have been recognised and presented in accordance with the substance over form principle, if in compliance with the Italian Civil Code and the OIC.

The recognition, classification and measurement criteria and accounting policies adopted in preparing these Unaudited Interim Condensed Financial Statements are the same as those adopted in preparing the Agrifarma 2020 Financial Statements. This Unaudited Interim Condensed Financial Statements has been prepared in accordance with OIC 30 with reference of the followings:

- Revenue from suppliers for promotional activities and discount on purchases have been estimated using all available information mainly the past experience in accordance with OIC 30 paragraph 3.4.4.
- The amortization rates applied during the period is equal to half of the annual one in accordance with OIC 30 paragraph 3.4.5.
- Inventories are recognised at the purchase cost, including all directly attributable costs and ancillary charges and indirect costs less, as in previous years, discount on purchases. These amounts, in accordance with OIC 30 paragraph 3.4.4. have been estimated using all available information mainly the past experience.
- Income taxes have been recorded in accordance with OIC 30 par 3.4.7., following the recommendations established by the O.I.C.

Agrifarma S.p.A.

Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

No exceptional events took place during the periods, which would have led the Company to depart from the accounting policies, as permitted by article 2423.5 of the Italian Civil Code, in order to give a true and fair view of its financial position and results of operations. Moreover, the Company did not make any revaluations under specific laws.

The preparation of the Unaudited Interim Condensed Financial Statements requires management to make estimates that affect the carrying amount of assets and liabilities and the related disclosures. Actual results may differ. Estimates are revised regularly and the effect of any changes, if not due to errors, are recognized in the profit and loss account when the estimates are changed, if they affect just one period, and also in the following periods, if they affect both the current and subsequent periods.

Amounts are expressed in Euro.

Seasonality

Historically, the profit and loss results of the Company have not shown significant sensitivity to seasonal events.

INFORMATION ON THE BALANCE SHEET

1. ASSETS

1.1 Fixed assets

1.1.1 Intangible fixed assets

The following table sets forth a breakdown of intangible fixed assets and movements during the period:

(in Euro)	Incorporation and expansion costs	Development costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Goodwill	Assets under development and advances	Other intangible fixed assets	Total Intangible fixed assets
<i>As of January 1, 2021</i>								
Cost	21,823,581	1,264,477	3,262,848	64,757,833	306,946,345	987,644	37,609,275	436,652,003
Amortization (Accumulated depreciation)	(16,018,388)	(830,462)	(2,278,212)	(14,074,387)	(65,138,246)	—	(13,576,617)	(111,916,312)
Impairment losses	—	—	(294,408)	—	—	(447,086)	(136,961)	(878,455)
Carrying value as of January 1, 2021	5,805,193	434,015	690,228	50,683,446	241,808,099	540,558	23,895,697	323,857,236
<i>Changes during the period</i>								
Increases for acquisitions	1,602,208	256,521	104,560	—	—	720,512	4,158,820	6,842,621
Decreases for disposals and divestments (of the carrying value)	—	—	—	—	—	—	—	—
Depreciation for the period	(1,373,051)	(198,070)	(134,700)	(1,641,574)	(7,753,893)	—	(1,650,835)	(12,752,124)
Impairment during the period	—	—	(3,595)	—	—	—	(57,853)	(61,448)
Total changes	229,156	58,451	(33,736)	(1,641,574)	(7,753,893)	720,512	2,450,132	(5,970,951)
<i>As of June 30, 2021</i>								
Cost	23,168,238	1,520,998	3,282,435	64,757,833	306,946,345	1,708,156	41,604,998	443,327,873
Amortization (Accumulated depreciation)	(17,133,888)	(1,028,532)	(2,331,593)	(15,715,961)	(72,892,139)	—	(15,227,452)	(124,668,436)
Impairment losses	—	—	(294,349)	—	—	(447,086)	(31,717)	(773,152)
Carrying value as of June 30, 2021	6,034,349	492,466	656,492	49,041,872	234,054,206	1,261,070	26,345,830	317,886,285

The main increases that happened in the period are a direct consequence of the Company's normal expansion policy.

In particular, the increases in the items incorporation and expansion costs, and Other intangible fixed assets are mainly due to:

- the incorporation costs incurred during the period for the opening of new stores (+€1,378 thousand);
- the costs of improvements on third party assets to open new stores (+€3,845 thousand).

Agrifarma S.p.A.

Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

The decreases in intangible fixed assets are mainly due to the normal amortization process, with particular regard to the amortization of the post-merger goodwill of Noah3, the amortization of the ARCAPLANET brand and the amortization of post-merger goodwill of Mondial Pet Distribution S.p.A..

The following additional information is provided below.

Incorporation and expansion costs

Incorporation and expansion costs amounting to Euro 6,034,349 at June 30, 2021 includes the set-up costs for the establishment and amendments to the deed of incorporation of the Company, the costs for the merger by reverse incorporation of Noah3, Saluki and Angelica, the costs for direct mergers of Zoomarket Group Sardegna S.r.l. and Mondial Pet Distribution S.p.A., the expenses for the purchase of the business unit from Country Shop S.r.l., the expenses for the purchase of the business unit from Zoodom Italia S.r.l. and some start-up costs incurred during the financial years for the opening of new points of sale or for the adaptation of existing points of sale, these costs have been capitalised because they have multi-year usefulness.

Development costs

Development costs amounting to Euro 492,466, at June 30, 2021 relates to the expenses incurred for the design, construction and testing of new product lines.

Industrial patents and intellectual property rights

Industrial patents and intellectual property rights amounting to Euro 656,492, at June 30, 2021 relates exclusively to the purchase of software licenses. This item is net of an impairment provision equal to Euro 294,408.

Concessions, licenses, trademarks and other similar rights

Concessions, licenses, trademarks and other similar rights amounting to Euro 49,041,872, at June 30, 2021 mainly includes the value of the ARCAPLANET trademark allocated after the reverse merger operation (i.e. the reverse merger of Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l., into Agrifarma) which had legal effect on 1 December 2016 and the costs relating to the registration and maintenance of private trademarks.

The tax effect, determined with the tax rates in force, in accordance with accounting principle OIC 4, is recorded in the deferred tax liabilities.

This book value was the subject of a appraisal dated January, 31 2017 about the value of the ARCAPLANET brand which confirmed the book value as of 1 December 2016 for an estimated useful life of 20 years.

To date, no elements have emerged such as to suggest brand value impairment.

Goodwill

Goodwill mainly refers to:

- the allocation of the deficit from the merger by reverse incorporation of Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l., into Agrifarma S.p.A. which is amortized over a useful life of 19 and a half years and amounts to Euro 200,869,397 net of amortization at June 30, 2021;
- the allocation of the deficit from the merger by incorporation of Mondial Pet Distribution S.p.A. which is amortized over a useful life of 20 years and amounts to Euro 24,940,378 net of amortization at June 30, 2021;
- the allocation of the deficit from the merger by incorporation of Zoomarket Group Sardegna S.r.l. which is amortized over a useful life of 20 years from the date of registration which amounts to Euro 3,400,559 net of amortization at June 30, 2021.

Assets under development and advances

Assets under development and advances, amounting to Euro 1,261,070, at June 30, 2021 refer to advances that have been paid to suppliers for improvement works not yet started on some points of sale and for the implementation of new software. This item is net of an impairment provision equal to Euro 447,086.

Agrifarma S.p.A.

Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

Please refer to the table above “1.1.1 Intangible fixed assets” for others movements.

Breakdown of the item “Other intangible fixed assets”

“Other intangible fixed assets” amounting to Euro 26,345,829 at June 30, 2021 refers to:

- Improvements to third party assets (€25,913 thousand);
- Non competition agreement costs (€7 thousand);
- Other multi-year costs (€426 thousand);

It should be noted that the Other intangible fixed assets, as indicated above, are mainly related to the expenses incurred by the Company on third party properties leased and used as points of sale. These expenses are amortized over the shorter of the expected useful life and the residual period of the lease. The increase in these expenses is due to the expansionary policy of the companies which provides for the continuous opening of points of sale. This item is net of a provision for impairment equal to Euro 31,717.

1.1.2 Tangible fixed assets

The following table sets forth a breakdown of tangible fixed assets and movements during the period:

(in Euro)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible fixed assets under development and advances	Total Tangible fixed assets
<i>As of January 1, 2021</i>						
Cost	98,689	475,264	13,124,117	22,207,986	272,734	36,178,790
Accumulated Amortization (Accumulated depreciation) . . .	(18,335)	(405,612)	(7,428,071)	(11,536,381)	—	(19,388,399)
Impairment losses	—	—	—	(37,855)	—	(37,855)
Net book value as of January 1, 2021	80,354	69,652	5,696,046	10,633,750	272,734	16,752,536
<i>Changes during the period</i>						
Increases for acquisitions	941	—	1,273,980	1,782,364	145,453	3,202,739
Decreases for disposals and divestments (of the carrying value)	—	(7,501)	(10,606)	(77,323)	—	(95,430)
Depreciation for the period	(1,482)	(10,978)	(744,084)	(1,455,425)	—	(2,211,970)
Impairment during the period . . .	—	—	—	—	—	—
Total changes	(541)	(18,479)	519,290	249,616	145,453	895,339
<i>As of June 30, 2021</i>						
Cost	99,630	467,465	14,335,915	23,506,137	418,187	38,827,326
Amortization (Accumulated depreciation)	(19,817)	(416,292)	(8,120,579)	(12,584,915)	—	(21,141,603)
Impairment losses	—	—	—	(37,855)	—	(37,855)
Net book value as of June 30, 2021	79,813	51,173	6,215,336	10,883,366	418,187	17,647,874

The increases in tangible fixed assets, refer mainly to purchases of equipment related to the new store openings, as well as office and department furniture, furnishings and equipment, ordinary and electronic office machines, transport vehicles and car.

The item “Other tangible fixed assets” amounting to Euro 10,883,366 refers to:

- Furniture and fixtures (€8,313 thousand);
- Electronic office equipment (€1,898 thousand);
- Cars (€530 thousand);

Agrifarma S.p.A.

Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

- Transport Vehicles (€142 thousand).

1.1.3. Financial fixed assets

Equity Investments

The following table sets forth a breakdown of equity investments and movements during the period:

(in Euro)	Equity investments in subsidiaries	Equity investments in other companies	Total equity investments
<i>As of January 1, 2021</i>			
Cost	3,974,402	5,595	3,979,997
Carrying value as of January 1, 2021	<u>3,974,402</u>	<u>5,595</u>	<u>3,979,997</u>
<i>Changes of the period</i>			
Other changes	1,530,000	—	1,530,000
Total changes	<u>1,530,000</u>	<u>—</u>	<u>1,530,000</u>
<i>As of June 30, 2021</i>			
Cost	5,504,402	5,595	5,509,997
Carrying value of June 30, 2021	<u>5,504,402</u>	<u>5,595</u>	<u>5,509,997</u>

The increase in Financial fixed assets as of June 30, 2021 relates to a capital injection in First One Srl to support its growth process.

First One srl is a newco, created in 2020, with the aim to develop a production plant to support Agrifarma growth.

Please refers to the Agrifarma 2020 Financial Statements, for further information relating to equity investments in subsidiaries.

Non Current Receivables

The following table sets forth a breakdown of non current receivables and movements during the period:

(in Euro)	Receivables from subsidiaries	Other	Total non current receivables
<i>As of January 1, 2021</i>			
Cost	260,000	378,538	638,538
Carrying value as of January 1, 2021	<u>260,000</u>	<u>378,538</u>	<u>638,538</u>
<i>Movements of the period</i>			
Other changes	4,500,000	(41,429)	4,458,571
Total changes	<u>4,500,000</u>	<u>(41,429)</u>	<u>4,458,571</u>
<i>As of June 30, 2021</i>			
Cost	4,760,000	337,109	5,097,109
Carrying value of June 30, 2021	<u>4,760,000</u>	<u>337,109</u>	<u>5,097,109</u>

Non current receivables from subsidiaries refer to:

- A loan amounting to Euro 4,500,000, granted during the current period, at market interest rates, to the subsidiary First One Srl to support its growth process;
- An interest free loan, granted to the subsidiary Arcaplanet SA, amounting to Euro 260,000.

Other non current receivables relates to deposits with the lessors of the commercial properties and service providers (multiutilities).

Agrifarma S.p.A.

Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

1.2 Current assets

1.2.1 Inventories

The following table sets forth a breakdown of inventories and movements during the period:

(in Euro)	As of January 1, 2021	Changes during the period	As of June 30, 2021
Raw materials, consumables and goods	665,234	(23,865)	641,369
Finished products and goods	54,478,245	6,584,814	61,063,058
Total	55,143,479	6,560,949	61,704,427

The increase of inventories is mainly driven by the goods acquired during the period to allow the fitting of the new stores.

Inventories of finished products and goods are measured net of an obsolescence provision amounting to Euro 1,683,130 at June 30, 2021.

The following tables sets forth the movements in the obsolescence provision during the period.

(in Euro)	As of January 1, 2021	Changes during the period	As of June 30, 2021
Obsolescence provision	1,732,481	(49,351)	1,683,130

1.2.2 Receivables

The following table sets forth a breakdown of receivables as of June 30, 2021:

(in Euro)	Current	Non-current	Total face value	(Risk/impairment provisions)	Net value
From customers	6,138,666	—	6,138,666	(26,134)	6,112,532
From subsidiaries	1,367,473	—	1,367,473	—	1,367,473
Tax receivables	—	24,679	24,679	—	24,679
Deferred tax assets	856,041	—	856,041	—	856,041
From others	613,084	—	613,084	(22,179)	590,905
Total	8,070,909	24,679	8,999,943	(48,313)	8,951,629

From customers:

Receivables from customers, amounting to Euro 6,112,532 at June 30, 2021, mainly relate to receivables from suppliers for promotional activities (net of credit notes to be issued).

With regard to such receivables, it should be noted that a bad debt provision has been recorded, amounting to Euro 26,134, deriving in part from the merger of Mondial Pet Distribution S.p.A., in order to align the book value of the receivables with their presumed realisable value.

Receivables from subsidiaries:

Receivables from subsidiaries, amounting to Euro 1,367,473, as of June 30, 2021 consist of trade receivables for the supply of goods to the subsidiaries Arcawip S.r.l. and Arcaplanet SA.

Deferred tax assets:

Deferred tax assets, amounting to Euro 856,041 as of June 30, 2021, relates to temporary differences between statutory profit and taxable income that will be reversed in future periods. The deferred tax assets was recognised as there is a reasonable certainty that these temporary differences will be reflected in the Company's future taxable income.

Other receivables:

Other receivables as of June 30, 2021 mainly includes:

Agrifarma S.p.A.

Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

- Supplier advances (€407 thousand);
- INAIL receivables (€94 thousand);
- Other sundry receivables (€89 thousand).

1.2.3 Cash and cash equivalents

The following table sets forth a breakdown of cash and cash equivalents and movements during the period:

(in Euro)	As of January 1, 2021	Changes during the period	As of June 30, 2021
Bank and postal deposits	74,698,289	9,956,011	84,654,299
Cash in hand	610,777	76,510	687,287
Total	<u>75,309,065</u>	<u>10,032,521</u>	<u>85,341,586</u>

1.3 Accrued income and prepaid expenses

Accrued income and prepaid expenses amount to Euro 2,128,777 as of June 30, 2021 (Euro 1,293,930 at December 31, 2020) and mainly relate to costs pertaining to the second half of 2021 and subsequent financial years for insurance premiums, utilities, maintenance fees, condominium expenses, rent payable and leasing fees.

2. SHAREHOLDERS' EQUITY

Changes in shareholders' equity for the six months ended June 30, 2021

(in Euro)	As of January 1, 2021	Dividends distribution	Reclassifications	Other movements	Profit/(loss) for the period	As of June 30, 2021
I. Share capital	1,121,363	—	—	—	—	1,121,363
II. Share premium reserve	17,635,394	—	—	—	—	17,635,394
III. Revaluation reserves	—	—	—	—	—	—
IV. Legal reserve	211,329	—	—	12,944	—	224,273
V. Statutory reserves	—	—	—	—	—	—
VI. Other reserves,						
Extraordinary reserve	22,986,625	—	—	—	—	22,986,625
Merger surplus reserve	226,776,765	—	—	—	—	226,776,765
Other	—	—	—	6,794	—	6,794
Total other reserves	249,763,390	—	—	—	—	249,770,184
Profits (losses) carried forward	(20,668,417)	—	—	7,302,897	—	(13,365,521)
Profit/(loss) for the period	7,322,635	—	—	(7,322,635)	4,357,935	4,357,935
Total Shareholders' Equity	<u>255,385,694</u>	—	—	—	<u>4,357,935</u>	<u>259,743,627</u>

To complete the information provided on shareholders' equity, the following additional information is specified below.

Share capital:

The Share capital of the company amounts to Euro 1,121,263 and comprises 1,121,363 ordinary shares with a nominal value of Euro 1.00 each.

The share capital at June 30, 2021 is fully subscribed by Noah 2 S.p.A.

Share premium reserve:

The share premium reserve amounting to Euro 17,635,394 includes (i) Euro 2,400,000 deriving from the share capital increase approved by the Company on December 23, 2005 (ii) Euro 300,114, deriving from the share capital increase subscribed on December 2, 2010 and (iii) Euro 14,935,280 related to the share capital increase resolved on May 29, 2018.

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Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

Legal reserve:

The legal reserve amounts to Euro 224,273 and, due to the capital increase carried out during the year, has not yet reached the limit envisaged by art. 2430 of the Italian Civil Code.

Merger surplus reserve

The merger surplus reserve, amounting to Euro 226,776,765, was generated on December 1, 2016 from the increase in shareholders' equity that Agrifarma had following the legal effectiveness of the reverse merger with which it incorporated Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l.

3. LIABILITIES

3.1 Provision for risks and charges

Provisions for risks and charges amounted to Euro 13,827,692 as of June 30, 2021 (Euro 14,480,158 at December 31, 2020) and includes:

- Tax provisions including deferred taxes (€13,662 thousand);
- Other provisions (€166 thousand);

It should be noted that, in order to recognise the deferred taxation on the part of the merger deficit (not tax deductible) allocated to the ARCAPLANET brand, a provision for deferred taxes, equal to Euro 13,661,519, was originally set aside as of 1 December 2016 (effective date of the merger by incorporation of Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l.), for the amount of Euro 17,865,750 and subsequently released at 31 December 2016 for the amount of Euro 87,472, in subsequent years for the Euro 915,114 for each year, while in the 2020 financial year for the amount of Euro 917,621.

The release for the current period, equal to Euro 455,427, corresponds to the part of deferred taxes relating to the depreciation of the ARCAPLANET brand which happened during the current period.

The provision for deferred taxes recognised in interim condensed financial statements at June 30, 2021 was quantified using the IRES rate at 24% and the IRAP rate at 3.9%.

3.2 Payables

The following table sets forth a breakdown of payables as of June 30, 2021 and the movements during the period:

(in Euro)	As of January 1, 2021	Changes during the period	As of June 30, 2021
Bank payables	145,750,118	1,953,755	147,703,873
Advances	293,235	(199,773)	93,462
Payables to suppliers	52,984,367	11,563,662	64,548,029
Payables to subsidiaries	242,632	(242,632)	—
Tax payables	3,712,827	1,016,761	4,729,588
Payables due to social security and welfare institutions	3,037,010	84,546	3,121,556
Other payables	8,594,258	(717,066)	7,877,192
Total	214,614,447	13,459,252	228,073,699

There were no payables due after more than 5 years.

Bank payables:

Bank payables, equal to Euro 147,703,873, are mainly made up of the loan disbursed to Noah 3 S.p.A. in order to carry out the acquisition of Saluki SA, Angelica S.r.l. and Agrifarma S.p.A.. The loan was recognised in the Agrifarma S.p.A. condensed interim financial statements at 30 June 2021 as a result of the reverse merger that happened in 2016.

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Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

In accordance with OIC 19, paragraph 23, an entity classifies a financial liability as current / non current taking into consideration the contractual events occurred by the date of the Interim Condensed Financial Statements, which may determine a change in the original maturity of the borrowings.

The Company has classified the financial liability as current mainly based on the following:

- the loan agreement provides that the lending bank could request an early repayment of the loan upon the occurrence of a change of control;
- on 24 June 2021 the ultimate parent company of Agrifarma entered into a shareholder purchase agreement to sell the entire issued share capital of Noah 2 SpA, parent company of Agrifarma. The closing of this transaction, which is mainly subject to certain antitrust approvals, is expected to be incurred by the end of 2021 / beginning of 2022;
- the antitrust approval of the transaction is not an event under the control of the Company.

Since Agrifarma does not have the unconditional right to defer its settlement of the financial liability for at least 12 months after the end of interim period, the Company classified the financial liability as current.

The impact in profit and loss of amortized cost at the period end is equal to Euro 1,453,681.

Advances:

Payables for advances amounted to Euro 93,462 and mainly relate to advances paid by customers.

Payables to suppliers:

Trade payables, which amount to a total of Euro 64,548,029, includes payables for invoices received, net of credit notes to be received and payables for invoices to be received. These payables are all commercial in nature in relation to goods and services purchased during the period and are all due within the following year.

The increase of trade payables is mainly driven by the goods acquired during the period to allow the fitting of the new stores.

Tax payables:

Tax payables, amounting to Euro 4,729,588 mainly represent the payable to the tax authorities for IRPEF and additional regional and municipal withholdings made to employees and collaborators (Euro 969,578 as of June 30, 2021) and paid in July 2021, the payable to the tax authorities for IRES, equal to Euro 2,182,352 as of June 30, 2021, the payable to the tax authorities for IRAP of Euro 416,992 as of June 30, 2021 and the payable to the tax authorities for VAT of Euro 1,143,748 as of June 30, 2021.

Payables due to pension and social security institutions:

Payables to pension and social security institutions, amounting to Euro 3,121,556, mainly consists of social security charges to be paid essentially to INPS and payables for supplementary pension provisions.

Other payables:

Other payables as of June 30, 2021 mainly relates to:

- Payables to personnel for Euro 6,299,389, for accrued and unpaid wages, accrued and unused holidays, and year-end bonuses and payables to directors.
- other payables for Euro 1,415,162, mainly related to payables to directors (Euro 499,477);
- payables relating to the purchase of the business branch of Country Shop S.r.l. (Euro 162,641).

3.2.1 Payables secured by collateral on Company assets

Information concerning the debts secured by collateral on corporate assets is provided below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

Agrifarma S.p.A.

Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

Payables to banks are the only class of payables secured by collateral.

Payables to banks mainly include the loan with UniCredit S.p.A. The following table sets forth the breakdown of bank loans by counterparty for periods indicated.

(in €)	As of June 30, 2021	
	Current	Non-current
Financial institution:		
UniCredit S.p.A.	147,588,667	—
Total	147,588,667	—

The following table provides details of the main bank borrowings in place as of June 30, 2021.

Financial institution	Nominal amount (in €)	Repayment conditions	Interest rate	Maturity
UniCredit S.p.a.	102,000,000.00	Bullet payment	3,50% + Euribor six months	*
UniCredit S.p.a.	3,000,000.00	Bullet payment	3,50% + Euribor six months	*
UniCredit S.p.a.	3,763,667.00	3 installment	3,00% + Euribor six months	*
UniCredit S.p.a.	3,825,000.00	3 installment	3,00% + Euribor six months	*
UniCredit S.p.a.	35,000,000.00	Bullet payment	3,50% + Euribor six months	*

It should be noted that the bank borrowings referred to above are expected to be refinanced on closing of the Arcaplanet Acquisition and as such have been classified as current on the balance sheet. Please refer to the paragraph above “Bank Payables” for more information.

4. COMMITMENTS, GUARANTEES GRANTED AND CONTINGENT LIABILITIES

Guarantees and collateral security, commitments and contingent liabilities

As of June 30, 2021 date, the Company had no guarantees and collateral security, commitments and contingent liabilities other than those reflected in the interim condensed financial statements.

INFORMATION ON THE INCOME STATEMENT

5. INCOME STATEMENT

5.1 Revenue from sales and services

The following table provides details of revenue from sales and services by category for the six months ended June 30, 2021 and 2020.

(in Euro)	Six months ended June 30, 2020	Six months ended June 30, 2021
Revenue from retail sales	155,569,235	185,451,654
Other revenues	1,949,455	1,887,696
Total	157,518,690	187,339,350

The following table provides details of revenue from sales and services by geographic area for the six months ended June 30, 2021 and 2020:

(in Euro)	Six months ended June 30, 2020	Changes	Six months ended June 30, 2021
Italy	157,230,481	29,646,827	186,877,308
Non-UE	288,208	152,020	462,043
Total	157,518,690	29,798,846	187,339,350

5.2 Increases in fixed assets for internal work

The following table sets forth a breakdown of increases in fixed assets for internal work for the six months ended June 30, 2020 and 2021:

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Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

(in Euro)	Six months ended June 30, 2020	Changes	Six months ended June 30, 2021
Improvements to intangible fixed assets	905,083	1,181,986	2,087,068
Total	905,083	1,181,986	2,087,068

5.3 Other income

The following table sets forth a breakdown of other income for the six months ended June 30, 2020 and 2021:

(in Euro)	Six months ended June 30, 2020	Changes	Six months ended June 30, 2021
Real estate earnings	184,910	(36,347)	148,564
Expense reimbursements	78,831	24,766	103,596
Income from promotional activities	8,033,140	667,499	8,700,639
Insurance compensation	71,644	(8,105)	63,539
Capital gains of a non-financial nature	—	2,786	2,786
Contingencies and contingent assets	58,288	222,016	280,304
Sundry	150,760	(66,121)	84,639
Total	8,577,573	806,494	9,384,068

5.4 Production Costs

Service costs

The following table sets forth a breakdown of service costs for the six months ended June 30, 2021 and 2020:

(in Euro)	Six months ended June 30, 2020	Changes	Six months ended June 30, 2021
Transport	4,193,285	474,092	4,667,377
Warehousing	3,380,761	575,400	3,956,160
External processing	217,916	636,359	854,275
Electricity	1,898,992	155,889	2,054,880
Gas	53,625	21,697	75,322
Water	32,965	11,666	44,631
Maintenance and repair	380,544	246,286	626,829
Technical services and consulting	969,596	3,513,763	4,483,359
Directors' fees	566,500	58	566,559
Auditors' fees	80,533	2,479	83,012
Advertising	6,808,699	60,102	6,868,801
Legal fees and consulting	41,447	(421)	41,027
Tax, administrative and sales consulting	140,102	181,769	321,871
Telephone expenses	219,649	9,409	229,058
Services of a non-financial nature provided by financial institutions and banks	740,386	148,890	889,276
Insurance	217,274	21,483	238,758
Representation expenses	7,686	(4,148)	3,538
Travel and mission expenses	134,665	24,952	159,617
Secondment	30,293	(30,293)	—
Other	2,099,297	276,232	2,375,529
Total	22,214,214	6,325,664	28,539,878

Technical services and consulting increase was related with the advisors costs related to the sale of Agrifarma and the purchase agreement signed in June 2021.

Agrifarma S.p.A.

Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

Leases and Rentals

The following table sets forth a breakdown of leases and rentals for the six months ended June 30, 2021 and 2020:

(in Euro)	Six months ended June 30, 2020	Changes	Six months ended June 30, 2021
Rent and lease liabilities	13,258,708	816,701	14,075,409
Asset lease instalments	36,657	(619)	36,038
Other	222,991	(58,579)	164,412
Total	<u>13,518,357</u>	<u>757,503</u>	<u>14,275,859</u>

The costs relating to rent increased during the current period due to the effect of the opening of new stores.

Personnel expenses

Personnel expenses amount to Euro 26,312,140 with an increase of 1,341,756 compared to the previous period.

The movement in personnel expenses is linked to the fact that, since July 2020, with the opening of the new points of sale, new employees were hired with consequent important recruitment and training work.

Other costs are stable compared with the previous period and mainly related to the waste tax, the advertising tax and gifts.

Amortization, depreciation and impairments

Amortization, depreciation and impairments for the six months ended June 30, 2021 amount to Euro 14,876,686 (Euro 14,856,460 for the six months ended June 30, 2020).

Please referred to the table 1.1.1. “*Intangible fixed assets*” and 1.1.2 “*Tangible fixed assets*” for more information.

Other operating expenses

The following table sets forth a breakdown of other operating expenses for the six months ended June 30, 2021 and 2020:

(in Euro)	Six months ended June 30, 2020	Changes	Six months ended June 30, 2021
Stamp tax	17,409	8,625	26,034
ICI/IMU (Local Property Tax/Municipal Property Tax)	5,965	(2,116)	3,849
Registration fee	60,679	11,213	71,892
Chamber of Commerce fees	20,815	2,198	23,013
Magazine and newspaper subscriptions	1,263	376	1,639
Social and welfare expenses	10,258	—	10,258
Contingencies and contingent liabilities	138,412	312,237	450,649
Capital losses of a non-financial nature	—	13,643	13,643
Other operating expenses	<u>1,856,813</u>	<u>(110,550)</u>	<u>1,746,262</u>
Total	<u>2,111,614</u>	<u>235,625</u>	<u>2,347,239</u>

The most significant items included under other miscellaneous operating expenses are the waste tax (Euro 571,698), the advertising tax (Euro 441,267) and gifts (Euro 600,802).

Agrifarma S.p.A.

Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

5.5 Financial income and charges

5.5.1 Interest and other financial expenses

The following table sets forth a breakdown of interest and other financial expenses for the six months ended June 30, 2020 and 2021:

(in Euro)	Six months ended June 30, 2020	Changes	Six months ended June 30, 2021
Bank payables	3,336,313	1,316,396	4,652,709
Other	54	(6)	48
Total	<u>3,336,368</u>	<u>1,316,389</u>	<u>4,652,757</u>

The increase is mainly driven to the impact of the amortized cost due to the classification of the financial liability as current. For further information refer to paragraph 3.2.

5.5.2 Foreign exchange gains and losses

The following table sets forth a breakdown of foreign exchange gains and losses for the six months ended June 30, 2021 and 2020:

(in Euro)	Six months ended June 30, 2020	Changes	Six months ended June 30, 2021
Exchange gains	5,134	860	5,994
Exchange losses	18,282	(2,660)	15,622

5.6 Income tax expense

Income tax expense is recognised based on profit before taxes, using the effective annual income tax rate expected for the full financial year.

The following table sets forth a breakdown of income tax expense for the six months ended June 30, 2021 and 2020:

(in Euro)	Six months ended June 30, 2020	Changes	Six months ended June 30, 2021
– current taxes	2,652,361	3,340,175	5,992,536
<i>Of which:</i>			
<i>IRES</i>	<i>1,824,634</i>	<i>2,915,214</i>	<i>4,739,848</i>
<i>IRAP</i>	<i>827,727</i>	<i>424,961</i>	<i>1,252,688</i>
– prior year taxes	(3,020,826)	3,215,655	194,829
– deferred taxes	(456,720)	1,293	(455,427)
Total	<u>(825,185)</u>	<u>6,557,123</u>	<u>5,731,938</u>

Deferred taxes mainly contain the reversals relating to the initial recognition of the “Provision for deferred taxes” which directly affected shareholders’ equity in 2016. The portion of the deferred tax provision relating to the amortization of the ARCAPLANET brand pertaining to the period was released in the current period. This release is equal to Euro 455,427.

The decrease in the item “*prior year taxes*” is strictly connected with the lower IRES for the 2019 financial year which, when quantifying the benefit relating to the patent box, revealed an asset in the previous period, as well as the IRES credit deriving from the supplementary declarations presented to recover the ACE benefit of Noah 3 S.p.A. for the years 2016 and 2017.

Workforce

The average number of employees at the end of the period (June 30, 2021) was equal to 1.573.

Related party transactions

No materially significant transactions or transactions at other than market conditions were conducted with related parties

Agrifarma S.p.A.

Notes to the condensed interim financial statements As of for the six months ended June 30, 2021

Atypical/unusual transactions

There were no atypical/unusual transactions during the periods.

Off-balance sheet transactions

It is noted that there were no off-balance sheet transactions that could have a material effect on the company's operating results, financial position or cash flows.

Assets under finance lease

The Company entered into a finance lease contract in 2019. The following information is disclosed with regard to such transaction, which transfers the risks and benefits of ownership to the lessee:

(in Euro)		Balance sheet — Financial leasing method	
Tangible fixed assets	835,000	Shareholders' equity	37,962
Accumulated depreciation	(50,106)	Financial debt	662,080
		Provisions for risks and charges taxes, including deferred taxes	14,836
Deferred tax assets	—		
Adjustment of prepayments	(70,116)		
Total assets	714,878	Total shareholders' equity and liabilities	714,878
(in Euro)		Profit and loss — Financial leasing method	
		Reversal of lease payments	36,456
Depreciation for the period	(12,527)		
Interest expenses	(4,064)		
Deferred taxes	(5,648)		
Total costs	(22,648)	Total revenues	36,456
Profit/(loss) for the period			14,217

Subsequent events

After the close of the period up to the date of approval of this Unaudited Interim Condensed Financial Statement 6 new stores were opened. No further significant events occurred after June 30, 2021.

Maxi Zoo Interim Financial Statements as at and for the six-month period ended 30 June 2021

MAXI ZOO ITALIA S.p.A.

Balance Sheet

	30/06/2021	31/12/2020	30/06/2020
Assets			
B) Fixed assets			
I - Intangible fixed assets	—	—	—
1) start-up and capital costs	6,673	6,673	9,927
5) goodwill	102,844	120,606	138,368
7) other	5,507,077	5,370,480	5,018,931
<i>Total intangible fixed assets</i>	<i>5,616,594</i>	<i>5,497,759</i>	<i>5,167,226</i>
II - Tangible fixed assets	—	—	—
2) plant and machinery	271,767	268,517	255,859
3) industrial and commercial equipment	6,882,541	7,260,883	7,136,305
4) other assets	234,674	279,767	324,701
5) assets under construction	20,827	—	4,185
<i>Total tangible fixed assets</i>	<i>7,409,809</i>	<i>7,809,167</i>	<i>7,721,051</i>
III - Financial fixed assets	—	—	—
1) equity investments	—	—	—
d-bis) other companies	125	125	125
<i>Total equity investments</i>	<i>125</i>	<i>125</i>	<i>125</i>
2) financial receivables	—	—	—
d-bis) from others	78,172	128,664	64,024
due within one year	78,172	128,664	64,024
<i>Total financial receivables</i>	<i>78,172</i>	<i>128,664</i>	<i>64,024</i>
<i>Total financial fixed assets</i>	<i>78,297</i>	<i>128,789</i>	<i>64,149</i>
<i>Total fixed assets (B)</i>	<i>13,104,700</i>	<i>13,435,715</i>	<i>12,952,425</i>
C) Current assets			
I - Inventory	—	—	—
4) finished goods	17,835,840	16,053,090	14,298,785
<i>Total inventory</i>	<i>17,835,840</i>	<i>16,053,090</i>	<i>14,298,785</i>
II - Receivables	—	—	—
1) trade receivables	161,676	430,475	415,376
due within one year	161,676	430,475	415,376
5) from subsidiaries of parent	35,806	2,139,701	924,997
due within one year	35,806	2,139,701	924,997
5-bis) tax receivables	—	72,972	11
due within one year	—	72,972	11
5-ter) deferred tax assets	—	—	515,674
due within one year	—	—	515,674
5-quater) from others	853,269	870,994	983,846
due within one year	853,269	870,994	983,846
<i>Total receivables</i>	<i>1,050,751</i>	<i>3,514,142</i>	<i>2,839,904</i>
III - Current financial assets	—	—	—
cash pooling arrangements	20,507,108	18,448,588	15,122,604
<i>Total current financial assets</i>	<i>20,507,108</i>	<i>18,448,588</i>	<i>15,122,604</i>
IV - Cash and cash equivalents	—	—	—
1) bank and postal accounts	2,808	3,437	6,215
3) cash-in-hand and cash equivalents	1,522,043	1,488,000	1,445,153
<i>Total cash and cash equivalents</i>	<i>1,524,851</i>	<i>1,491,437</i>	<i>1,451,368</i>
<i>Total current assets (C)</i>	<i>40,918,550</i>	<i>39,507,257</i>	<i>33,712,661</i>
D) Prepayments and accrued income	556,670	460,821	865,674
<i>Total assets</i>	<i>54,579,920</i>	<i>53,403,793</i>	<i>47,530,760</i>

	<u>30/06/2021</u>	<u>31/12/2020</u>	<u>30/06/2020</u>
Liabilities			
A) Shareholder's equity	18,991,049	26,519,690	24,349,288
I - Share Capital	120,000	120,000	120,000
IV - Legal reserve	24,000	24,000	24,000
VI - Other reserves, shown separately	—	—	—
Capital contributions	17,558,167	17,558,167	17,558,167
Misc. other reserves	217,526	5,327,527	4,716,051
<i>Total other reserves</i>	<i>17,775,693</i>	<i>22,885,694</i>	<i>22,274,218</i>
VIII - Profit (loss) carried forward	—	—	611,479
IX - Profit (loss) for the year	1,071,356	3,489,996	1,319,591
Total shareholder's equity	18,991,049	26,519,690	24,349,288
B) Provisions for liabilities and charges			
4) other provisions	3,886,990	3,682,801	3,559,619
<i>Total provisions for risks and charges</i>	<i>3,886,990</i>	<i>3,682,801</i>	<i>3,559,619</i>
C) Employees' leaving entitlement	4,076,471	3,711,092	3,391,625
D) Payables			
6) advances	72,381	124,177	49,571
due within one year	72,381	124,177	49,571
7) trade payables	11,236,135	11,953,519	9,500,354
due within one year	11,236,135	11,953,519	9,500,354
11-bis) payables to subsidiaries of parent	1,656,926	2,741,889	1,405,242
due within one year	1,656,926	2,741,889	1,405,242
12) tax payables	2,301,476	872,509	2,072,505
due within one year	2,301,476	872,509	2,072,505
13) payables to pension and social security institutions	585,907	427,343	424,093
due within one year	585,907	427,343	424,093
14) other payables	11,772,586	3,370,773	2,778,464
due within one year	11,772,586	3,370,773	2,778,464
<i>Total payables</i>	<i>27,625,412</i>	<i>19,490,210</i>	<i>16,230,229</i>
<i>Total liabilities</i>	<i>54,579,920</i>	<i>53,403,793</i>	<i>47,530,760</i>

MAXI ZOO ITALIA S.p.A.

Profit and loss account

	Six months ended 30/06/2021	Year ended 31/12/2020	Six months ended 30/06/2020
A) Value of production			
1) revenues from sales and services	73,398,896	124,562,717	55,650,176
5) other revenues and income	—	—	—
Other	1,291,199	3,300,237	1,351,006
<i>Total other revenues and income</i>	<u>1,291,199</u>	<u>3,300,237</u>	<u>1,351,006</u>
<i>Total value of production</i>	<u>74,690,095</u>	<u>127,862,954</u>	<u>57,001,182</u>
B) Costs of production			
6) raw materials, consumables, supplies and goods	46,013,413	70,533,710	29,548,741
7) services	6,282,786	12,892,863	5,522,845
8) use of third party assets	6,873,432	12,724,496	6,232,081
9) personnel expenses	—	—	—
a) wages and salaries	9,305,136	17,055,374	8,244,873
b) social security contributions	2,622,733	4,649,983	2,298,094
c) employees' leaving entitlement	691,696	1,218,735	595,324
e) other costs	248,795	72,933	183,811
<i>Total personnel expenses</i>	<u>12,868,360</u>	<u>22,997,025</u>	<u>11,322,102</u>
10) Amortisation, depreciation and write-downs	—	—	—
a) amortisation of intangible fixed assets	924,534	1,721,386	854,129
b) depreciation of tangible fixed assets	1,023,761	2,104,569	1,056,186
d) Write-downs of receivables in current assets and cash & cash equivalents	—	877	—
<i>Total depreciation, amortisation and write-downs</i>	<u>1,948,295</u>	<u>3,826,832</u>	<u>1,910,315</u>
11) change in raw materials, consumables, supplies and goods	(1,749,358)	(1,614,454)	78,277
14) other operating costs	913,867	1,910,223	565,109
<i>Total costs of production</i>	<u>73,150,795</u>	<u>123,270,696</u>	<u>55,179,470</u>
Operating profit (A-B)	<u>1,539,300</u>	<u>4,592,259</u>	<u>1,821,712</u>
C) Financial income and charges			
16) other financial income	—	—	—
d) other income	—	—	—
from others	74,427	109,740	43,261
<i>Total other income</i>	<u>74,427</u>	<u>109,740</u>	<u>43,261</u>
<i>Total other financial income</i>	<u>74,427</u>	<u>109,740</u>	<u>43,261</u>
17) Interest and other financial charges	—	—	—
other	—	(73,624)	—
<i>Total interest and other financial charges</i>	<u>—</u>	<u>(73,624)</u>	<u>—</u>
<i>Total financial income (charges) (15+16-17+-17-bis)</i>	<u>74,427</u>	<u>36,116</u>	<u>43,261</u>
Pre-tax profit (A-B+-C+-D)	<u>1,613,727</u>	<u>4,628,374</u>	<u>1,864,973</u>
20) Income taxes, current and deferred			
current taxes	542,371	622,705	545,382
taxes relating to previous years	—	—	—
deferred taxes	—	515,674	—
<i>Total income taxes, current and deferred</i>	<u>542,371</u>	<u>1,138,379</u>	<u>545,382</u>
21) Profit (loss) for the year	<u>1,071,356</u>	<u>3,489,996</u>	<u>1,319,591</u>

MAXI ZOO ITALIA S.p.A.
Cash flow statement, indirect method

	Six months ended 30/06/2021	Year ended 31/12/2020	Six months ended 30/06/2020
A) Cash flows from operating activities (indirect method)			
Net profit for the year	1.071.356	3,489,996	1,319,591
Income taxes	542.371	1,138,379	545,382
Interest expense (income)	(74.427)	(36,116)	(43,261)
<i>1) Profit for the year before income taxes, interest, dividends and gains/losses on sales of assets</i>	<i>1.539.300</i>	<i>4,592,259</i>	<i>1,821,712</i>
Non-monetary adjustments that do not affect net working capital			
Accruals to provisions	1.206.324	1,122,528	595,324
Amortisation and depreciation	1.948.295	3,825,955	1,910,315
Other non-monetary increases (decreases)	—	(5)	(4,185)
<i>Total non-monetary adjustments that do not affect net working capital</i>	<i>3.154.620</i>	<i>4,948,478</i>	<i>2,501,453</i>
<i>2) Cash flows before changes in net working capital</i>	<i>4.693.920</i>	<i>9,540,737</i>	<i>4,323,165</i>
Changes in net working capital			
Increase in inventories	(1.782.751)	(1,999,586)	(245,281)
Decrease (increase) in trade receivables	268.799	(311,911)	(296,812)
Increase (decrease) in trade payables	(717.384)	2,597,270	144,105
Increase in prepayments and accrued income	(95.849)	(78,691)	(483,544)
Other decreases (other increases) in net working capital	1.904.806	266,118	554,348
<i>Total changes in net working capital</i>	<i>(422.378)</i>	<i>(59,036)</i>	<i>(327,185)</i>
<i>3) Cash flows after changes in net working capital</i>	<i>4.271.542</i>	<i>9,481,701</i>	<i>3,995,981</i>
Other adjustments			
Interest collected (paid)	74.427	36,116	43,261
Income taxes	—	(170,234)	(545,382)
Utilisation of provisions	(636.754)	(279,350)	(323,260)
Other collections/(payments)	—	—	128,465
<i>Total other adjustments</i>	<i>(526.330)</i>	<i>(413,468)</i>	<i>(696,915)</i>
Cash flows generated by operating activities (A)	<u>3.709.212</u>	<u>9,068,233</u>	<u>3,299,065</u>
B) Cash flows from investing activities			
Tangible fixed assets			
(Investments)	(624.402)	(1,888,545)	(295,600)
Intangible fixed assets			
(Investments)	(1.043.369)	(1,053,101)	(307,572)
Financial fixed assets			
(Investments)	—	(50,580)	—
Divestments	50.492	—	14,060
Current financial assets			
(Investments)	(2.058.520)	(6,045,195)	(2,719,210)
Cash flows used in investing activities (B)	<u>(3.675.800)</u>	<u>(9,037,421)</u>	<u>(3,308,322)</u>
C) Cash flows from financing activities			
Third-party funds			
Increase (decrease) in current bank loans and borrowings	—	(43)	(43)
Cash flows generated by (used in) financing activities (C)	<u>—</u>	<u>(43)</u>	<u>(43)</u>
Increase (decrease) in cash and cash equivalents (A ± B ± C)	33.413	30,769	(9,300)
Opening cash and cash equivalents			
Bank and postal accounts	3,437	2,053	2,053
Cash-in-hand and cash equivalents	1,488,000	1,458,615	1,458,615
Total opening cash and cash equivalents	1.491.437	1,460,668	1,460,668
Closing cash and cash equivalents			
Bank and postal accounts	2.808	3,437	6,215
Cash-in-hand and cash equivalents	1.522.043	1,488,000	1,445,153
Total closing cash and cash equivalents	<u>1.524.851</u>	<u>1,491,437</u>	<u>1,451,368</u>

MAXI ZOO ITALIA S.p.A.

Notes to the condensed interim financial statements: first part

The condensed interim financial statements of Maxi Zoo Italia S.p.A. (hereinafter also the “Company”), prepared in accordance with the provisions of articles 2423 *et seq.* of the Italian Civil Code, interpreted and supplemented by the accounting standards issued by the Italian Standards Setter, *Organismo Italiano di Contabilità* (the “OIC accounting standards”), consists of the following documents: balance sheet, profit and loss account, cash flow statement and notes to the condensed interim financial statements. Specifically, the condensed interim financial statements has been prepared with reference to the guidance contained in OIC 30.

The cash flow statement shows the positive or negative changes in cash and cash equivalents that took place in the periods in question and has been prepared using the indirect method in the format provided for by OIC 10.

The balance sheet, profit and loss account and cash flow statement have been prepared in euro units, without decimal places. The values reported in the notes are expressed in euro units, unless otherwise specified [Article 2423, paragraph 6 of the Italian Civil Code].

Captions with a nil balance in both the current and previous years have been omitted.

Additional information is provided when that required by the specific legal provisions is insufficient to give a true and fair view.

Pursuant to Article 2497 *et seq.* of the Italian Civil Code, the Company is subject to the management and coordination of Fressnapf Beteiligungs GmbH.

Maxi Zoo Italia S.p.A. is a subsidiary of Fressnapf Beteiligungs GmbH, a company incorporated under German law with registered office at Westpreussenstrasse 32/38, Krefeld (Germany), which prepares the consolidated financial statements of the largest group of companies of which the Company is a part. These consolidated financial statements are available at Maxi Zoo Italia S.p.A.

Going concern

Pursuant to Article 2423-*bis*, paragraph 1, no. 1 of the Italian Civil Code and the requirements of OIC no. 11, paragraph 21-24, the Directors appropriately carried out a prior verification that the going concern principle can be applied.

Basis of preparation

The condensed interim financial statements captions have been valued in accordance with the general principles of prudence and accrual, on a going concern basis. Captions have been recognised and presented taking into account the substance of the transaction or contract, where compatible with the provisions of the Italian Civil Code and the OIC accounting standards.

The company has also complied with the principles of measurement consistency, materiality and comparability of information.

As a result:

The company measures the individual assets and liabilities separately, in order to avoid offsetting profits on certain items against losses on other items. Specifically, the company recognises profits only if realised before the reporting date, whereas it considers risks and losses on an accruals basis, even when they become known after the reporting date .

The company recognises income and expense pertaining to the year regardless of when it is collected or paid. They are, therefore, recognised in the profit and loss account on an accruals basis in order to be included in the net profit or loss for the year.

The directors carried out a forward-looking assessment of the company’s ability to continue as a going concern in the foreseeable future, i.e., for at least twelve months from the reporting date. The assessment carried out did not identify any significant uncertainties in this respect.

The identification of rights, obligations and conditions was based on the contractual terms of transactions and the comparison of these with the provisions of the accounting standards to ascertain the correctness of the recognition or derecognition of assets and liabilities and profit and loss account items.

The valuation criteria have not been changed since the previous period in order to compare the Company's financial statements over time.

During the period, there were no exceptional cases requiring derogation from the valuation criteria pursuant to Article 2423, paragraph 5, of the Italian Civil Code due to incompatibility with a true and fair view of the company's financial position and results of operations. Furthermore, no assets were adjusted pursuant to special laws during the period.

The relevance of the individual elements comprising the financial statement items was assessed within the overall context of the condensed interim financial statements. In order to quantify relevance, both qualitative and quantitative elements have been accounted for.

In application of the principle of relevance pursuant to Article 2423, paragraph 4, of the Italian Civil Code, comments on the items in the condensed interim financial statements have been omitted from the notes, including if specifically required under Article 2427 of the Italian Civil Code or other provisions, in cases where both the amount of such items and the related information are irrelevant for the purposes of providing a true and fair view of the Company's financial position, results of operations and cash flows.

For each item in the balance sheet, profit and loss account and cash flow statement, the corresponding figures are indicated at half-yearly intervals, i.e. as at 31 December 2020 and 30 June 2020.

Basis of presentation

The balance sheet, profit and loss account, cash flow statement and accounting information contained in these notes conform to the accounting records from which they were directly taken.

None of the items have been grouped and preceded by Arabic numerals for presentation in the balance sheet and profit and loss account, as optionally provided for by Article 2423-ter of the Italian Civil Code.

Pursuant to Article 2424 of the Italian Civil Code, we confirm that there are no assets or liabilities that fall under more than one item in the balance sheet.

Accounting policies

The accounting policies comply with the requirements of the Italian Civil Code and the guidance in the reporting standards issued by the Italian Accounting Standard Setter. They are unchanged from the previous year and are explained below in the notes to the financial statements captions to which they refer.

Pursuant to Article 2427, paragraph 1, no. 1 of the Italian Civil Code, the most significant valuation criteria adopted in compliance with the provisions of Article 2426 of the Italian Civil Code are described, particularly in the case of financial statement items for which various valuation and adjustment criteria are legally acceptable or for which no specific criteria are established.

Intangible fixed assets

Intangible fixed assets are recognised, with the prior consent of the Board of Statutory Auditors where required, at purchase or production cost and are shown net of amortisation and any write-downs. The purchase cost also includes ancillary costs. The production cost includes all directly attributable costs and other costs, to the extent reasonably attributable, relating to the production period until the moment from which the asset can be used.

Multi-year expenses, which include establishment and expansion costs and start-up costs are recognised with the consent of the Board of Statutory Auditors when it can be demonstrated that they have a future useful life, there is an objective correlation with the relevant future benefits the Company will enjoy, and it is reasonably certain that they can be recovered.

Intangible fixed assets, consisting of intellectual property rights and licences, are recognised as assets only if individually identifiable, if the Company acquires the right to benefit from the future economic benefits deriving from the asset and may limit third-party access to such benefits, and if their cost can be estimated with sufficient reliability.

Goodwill is recognised in assets with the consent of the Board of Statutory Auditors only if it is acquired for consideration, has a quantifiable value, consists of expenses and costs with utility deferred over time that therefore ensure future economic benefits, and the principle of the recoverability of the related cost is satisfied.

Leasehold improvements and incremental expenses on third-party assets are recognised under other intangible fixed assets if they are not separable from the assets. Otherwise, they are recognised under the specific tangible asset items.

Advances to suppliers for the purchase of intangible fixed assets are recognised as assets on the date on which the obligation to pay the relevant amounts arises. Intangible fixed assets in progress are recognised at the date on which the first costs of construction of the asset are incurred and include internal and external costs incurred to create it.

Intangible fixed assets are systematically amortised and the amortisation attributed to each period relates to the distribution of the cost incurred over the entire duration of use. The amortisation is calculated from the moment that the asset is available and ready for use. The systematic nature of amortisation depends on the correlation of the expected benefits.

Intangible fixed assets are amortised on a straight-line basis as follows:

- Start-up and capital costs are amortised over a period of five years.
- Development costs are amortised over a period deemed appropriate of three years.
- Intangible fixed assets (patent rights, intellectual property rights, concessions, licences and trademarks) are amortised over the shorter of their legal or contractual term and their residual useful life. The estimated useful life of trademarks is no more than 20 years.
- Goodwill is systematically amortised according to its useful life with reference to the time period within which the economic benefits associated with it are likely to arise. As it is difficult to reliably estimate useful life, goodwill is amortised over a period deemed appropriate of ten years.
- Other assets — leasehold improvements: these are amortised over the shorter of the period of future utility of the expenses incurred and the residual period of the lease, taking into account any renewal period, if this depends on the Company.

Intangible fixed assets are revalued, to the extent of their recoverable amount, only if special laws require or permit so.

As provided in Article 10 of Law no. 72 of 19 March 1983, and referred to in the subsequent monetary revaluation legislation, no monetary revaluation has ever been carried out on the intangible fixed assets currently in the balance sheet.

If there are indicators of impairment of tangible and intangible fixed assets at the reporting date, the recoverable amount is estimated.

If their recoverable amount, understood as the greater of their value in use and their fair value, less selling costs, is less than the corresponding net carrying amount, the assets are written down.

It was not necessary to carry out write-downs pursuant to Article 2426, paragraph 1, no. 3 of the Italian Civil Code since, as required by accounting standard OIC 9, no indicators of potential impairment of the intangible fixed assets were found.

Tangible fixed assets

Tangible fixed assets are recognised at purchase or production cost, adjusted for accumulated depreciation and any write-downs. The purchase cost is the cost actually incurred to purchase the asset and also includes ancillary costs. The production cost includes all direct and general production costs, to the extent reasonably attributable to fixed assets, relating to the production period until the moment from which the asset can be used.

Ordinary maintenance costs, relating to maintenance and recurring repairs carried out to maintain assets in a good state of operation to ensure that they fulfil their expected useful life, capacity and original productivity, are recognised in the profit and loss account in the year in which they are incurred.

Extraordinary maintenance costs, consisting of extensions, upgrades, replacements and other improvements relating to the asset resulting in a significant and measurable increase in the capacity, productivity or safety of the assets or prolong their useful life, can be capitalised within the limits of the recoverable value of the asset.

Depreciation is calculated systematically and consistently, based on the residual useful life of the assets.

The following depreciation rates are applied:

Plant and machinery	7 years on a straight-line basis
Industrial and commercial equipment	8 years on a straight-line basis
Vehicles for lifting and internal transport	5 years on a straight-line basis
Electronic and electromechanical machinery	5 years on a straight-line basis
Ordinary office furniture and machines	8 years on a straight-line basis
Miscellaneous equipment	3 years on a straight-line basis

Assets under constructions are not subject to depreciation. Obsolete tangible fixed assets and in general those that are permanently no longer used or usable in the production cycle are not depreciated and are valued at the lower of their net carrying amount and their recoverable value.

Tangible fixed assets are only written up within the limits of their recoverable value where the law so provides or permits.

As provided in Article 10 of Law no. 72 of 19 March 1983, and referred to in the subsequent monetary revaluation legislation, no monetary revaluation has ever been carried out on the tangible fixed assets currently in the balance sheet.

It was not necessary to carry out write-downs pursuant to Article 2426, paragraph 1, no. 3 of the Italian Civil Code since, as required by accounting standard OIC 9, no indicators of potential impairment of the intangible fixed assets were found.

The depreciation criteria for tangible fixed assets are the same as those used in the previous year.

Impairment of tangible and intangible fixed assets

If there are indicators of impairment of tangible and intangible fixed assets at the reporting date, the recoverable amount is estimated.

If their recoverable amount, understood as the greater of their value in use and their fair value, less selling costs, is less than the corresponding net carrying amount, the assets are written down.

When it is not possible to estimate the recoverable value of an individual asset, this analysis is carried out in relation to the “cash-generating unit” (hereinafter “CGU”), i.e. the smallest identifiable group of assets that includes the asset being valued and generates cash inflows that are completely independent of the cash inflows generated by other assets or groups of assets.

Value in use is determined on the basis of the present value of the future cash flows that are expected to arise from the asset over its useful life, as indicated in the most recent plans approved by the administrative body for the years 2019-2021. Cash flows for years subsequent to those referred to in these plans are determined through projections of the same plans.

Future cash flows are estimated by referring to the current condition of fixed assets and therefore do not include inflows or outflows that are expected to result from future restructuring to which the Company is not yet committed, or from the improvement or optimisation of the return on the fixed asset.

The discount rate used to calculate present value is the pre-tax rate that reflects current market valuations of the time value of money as well as the specific risks of the asset for which the estimated future cash flows have not been adjusted.

This rate is estimated through the weighted average cost of the Company’s capital.

The fair value is determined with a priority reference of any price agreed in a binding sale agreement established in a free transaction or the market price in an active market. If there is no binding sale agreement or any active market, the fair value is determined on the basis of the available information that best reflects the amount that the Company could obtain, at the reporting date, by selling the asset in a free transaction between informed, willing parties. The result of recent transactions involving similar assets undertaken within the sector in which the Company operates is considered when determining this amount.

To determine the recoverable amount, selling costs are subtracted from the fair value.

In the event of impairment, this initially decreases the value of goodwill, if this exists, and then decreases other assets, in proportion to their net carrying amount.

The impairment is written back if the reasons for it no longer exist. The write-back is made up to the value that the asset would have had if the adjustment had never taken place, i.e. taking into account the depreciation or amortisation that would have occurred without the write-down. Impairment losses recognised on goodwill and over multiple years cannot be written back.

Financial fixed assets

Equity investments and debt securities intended to remain among the company's assets in the long term because this is what the company's management wishes and the company is able to hold them for an extended period, are classed as long-term investments. Otherwise, they are recorded as current assets.

Receivables are classified as long-term investments or current assets according to the criterion of their intended purpose with respect to ordinary operations. Accordingly, regardless of maturity, financial receivables are classed as long-term investments, whereas trade receivables are classed as current assets. The valuation criterion for receivables is set out below.

Equity investments

Equity investments are initially recognised at purchase or creation cost, including the related transaction costs. Transaction costs consist of costs directly attributable to the transaction, such as, for example, banking and financial brokerage costs, fees, expenses and taxes.

The carrying amount of equity investments increases as the result of paid capital increases or the waiver of receivables held by the Company with respect to its investee companies. Free capital increases do not increase the value of the equity investments.

If the equity investments are impaired at the reporting date, their carrying amount is reduced to the lower recoverable amount, which is determined on the basis of future benefits expected to flow to the Company, until the carrying amount is reduced to zero. In cases where the Company is obliged to bear the losses generated by the investee companies, a provision may be necessary to cover the relevant portion of their equity deficits.

If the reasons for the write-down cease to apply in subsequent years, the value of the equity investment is written back, up to a maximum value of the original cost.

Financial receivables

Financial receivables are recognised at their estimated realisable value as provided for by article 2426.1.8 of the Italian Civil Code. When necessary, they are adjusted to this value through the provision for bad debts.

Inventory

Inventory is initially recognised at purchase or production cost and subsequently measured at the lower of the cost and the corresponding realisable value that can be inferred from the market.

Purchase cost means the actual purchase price plus ancillary charges. As well as the price of the material, the purchase cost of materials includes transport costs, customs duties, other taxes and other costs directly attributable to that material. Returns, trade and other discounts and rewards are deducted from costs.

The purchase cost is determined using the weighted average cost method.

The realisable value on the basis of market performance is equal to the estimated selling prices of the goods and finished products in the normal course of business, net of the estimated costs of completion and direct selling costs. To determine realisable value on the basis of market performance, account is taken, *inter alia*, of the rate of obsolescence and the turnaround time of inventories.

Obsolete, perishable or slow-moving stocks have therefore been written down by creating a specific provision in relation to their possibility of use or realisation determined on the basis of turnover indices. If the assumptions for the write-down cease to apply in whole or in part as a result of an increase in the realisable value based on the market, the value adjustment made is cancelled up to the limits of the cost originally incurred.

Receivables

Receivables are rights to receive fixed or determinable amounts of cash or its equivalent from customers or other third parties at identified or identifiable due dates.

Receivables are recognised at amortised cost, considering the time value of money and their estimated realisable value. The amortised cost criterion is not applied in cases where its effects are irrelevant, generally for short-term receivables or when the transaction costs, fees paid between the parties and any other difference between the initial value and value on maturity of the receivable are insignificant.

Furthermore, pursuant to article 12.2 of Legislative decree no. 139/2015, the company opted not to recognise receivables arising before 1 January 2016 at amortised cost and did not discount them.

In this case, receivables are initially recognised at their nominal amount, net of bonuses, discounts and allowances contractually provided for or, in any case, granted. They are subsequently measured at their nominal amount plus interest calculated at the nominal interest rate, reduced by principal and interest collected and net of estimated write-downs and expected credit losses recognised to adjust their carrying amount to their estimated realisable value.

With reference to the estimated realisable value, the carrying amount of the receivables is adjusted through an impairment provision to take into account the probability that the receivables are impaired. To this end, specific indicators, indicators based on experience and any other useful factor that make it probable that receivables will become impaired, are taken into consideration. The provision for doubtful debts is estimated through an analysis of individual receivables that are individually significant and at portfolio level for the remaining receivables, determining the losses that are expected to be incurred on the receivables outstanding at the reporting date.

Receivables are derecognised when the contractual rights to the cash flows from the receivable are extinguished or when the ownership of the rights to the cash flows from the receivable is transferred and substantially all the risks related to the receivable are transferred with it.

When the receivable is derecognised under the above conditions, the difference between the consideration and the carrying amount of the receivable at the time of assignment is recognised in the profit and loss account as a loss on receivables, unless the assignment agreement allows for other economic items of different kinds, including financial ones, to be identified.

Current financial assets

Cash pooling

The Company participates in the cash pooling arrangement managed by Fressnapf Holding SE.

Withdrawals from the pool account constitute a payable to the company administering the cash pooling programme, whereas the cash paid into the pool account represents a receivable from this company.

Pursuant to Article 2423-ter, paragraph 3, of the Italian Civil Code, and having verified the short-term maturities pursuant to OIC 14, the company has recognised the receivable from the company that administers the group's cash pooling programme in the specific item C.3.7) under "Financial assets not categorised as fixed assets"; this item has been specifically added to the items provided for in Article 2424 of the Italian Civil Code.

Cash and cash equivalents

These are the positive balances of bank and postal accounts and cheques, as well as the cash-in-hand and cash equivalents at year end. Bank and postal account deposits and cheques are recognised at their estimated realisable value while cash and revenue stamps are recognised at their nominal amount.

Prepayments and accrued income and accrued expenses and deferred income

Accrued income and accrued expenses respectively represent the portions of income and costs accrued in the period with financial effects arising in subsequent years.

Prepaid expenses and deferred income respectively represent the portions of costs and income that manifest financially during the period or in previous years but which pertain to one or more subsequent years.

Shareholder's equity

Transactions between the Company and its owners (acting as owners) may give rise to receivables from or payables to them. The Company recognizes a receivable from shareholders when shareholders assume an obligation to the Company and registers a payable when it assumes an obligation to shareholders.

Payments made by shareholders without a repayment obligation are recognised under the relevant item of shareholders' equity, while loans received by shareholders with a repayment obligation are recognised under payables.

Provisions for risks and charges

Provisions for risks and charges are liabilities of a specific, certain or probable nature, of uncertain timing or amount. In particular, provisions for liabilities represent liabilities of a specific nature that are likely to be incurred, whose values are estimated, while provisions for charges represent liabilities of a specific nature that are certain to be incurred, estimated in the amount or at the date of occurrence, connected to obligations that are already assumed at the reporting date but will be booked in subsequent years.

Provisions for risks and charges are entered as a priority among the profit and loss account items of the relevant classes, and are classed according to the nature of the costs. Provisions are measured on a best estimate of costs basis, including legal fees, at each reporting date. If the measurement of provisions gives a range of values, the provisions represent the best feasible estimate between the upper and lower limits of the range of values.

Provisions are subsequently used directly and only for those expenses and liabilities for which they were originally established. Any negative differences or surpluses compared with the charges actually incurred are recognised in the profit and loss account, consistently with the original provision.

Employees' leaving entitlement

The Italian employees' leaving entitlement (TFR) is the benefit to which employees are entitled in any case of termination of employment pursuant to article 2120 of the Italian Civil Code and considering the changes in legislation introduced by Law no. 296/2006. It corresponds to the total indemnities accrued, considering all forms of ongoing remuneration, net of advances paid and partial advances paid under collective or individual agreements or company agreements for which no repayment is required, and net of portions transferred to supplementary pension funds or to the treasury fund managed by the INPS (the Italian national social security institute).

The related liability is equal to what would have been paid to employees if the employment relationship had been terminated at the reporting date.

The amount due to employees who had already left the company at the reporting date but that will be paid in the following year is reclassified to payables.

Payables

Payables are liabilities of a specific nature that are certain to be incurred consisting of obligations to pay fixed or determinable amounts of cash and cash equivalents to lenders, suppliers and other parties. Payables are classed among the various debt items on the basis of their nature (or origin) with respect to ordinary operations, regardless of the time limit within which the liabilities are to be repaid.

Payables arising from purchases of goods are recognised when the process of producing the goods is completed and the substantial transfer of ownership has taken place, assuming the transfer of risks and benefits as the reference parameter. Payables for services are recognised when the services are received, i.e. when the service has been performed. Loan payables and payables arising for reasons other than the purchase of goods and services are recognised when the Company's obligation to pay the counterparty arises. Payables for advances from customers are recognised when the right to collect the advance arises.

Payables are recognised at amortised cost, considering the time value of money.

The amortised cost criterion is not applied in cases where its effects are insignificant, generally for short-term payables or when the transaction costs, fees paid between the parties and any other difference between the initial value and value on maturity of the payable are insignificant.

Furthermore, pursuant to Article 12, paragraph 2, of Legislative Decree 139/2015, the Company opted not to apply the amortised cost criterion and the discounting of all payables arising before 1 January 2016.

These payables are initially recognised at their nominal value net of rewards and discounts provided for in the contract or in any case granted and are subsequently valued at their nominal value, plus interest expense calculated at the nominal interest rate, less receipts for capital and interest.

In the event of early repayment, the difference between the residual carrying amount of the debt and the disbursement relating to the repayment is recognised in the profit and loss account under financial income/ expenses.

Payables are wholly or partly derecognised from the condensed interim financial statements when contractual and/or legal obligations are extinguished due to fulfilment or other causes, or transferred.

Revenues and costs

Revenues are stated net of returns, allowances, discounts and premiums, as well as taxes directly related thereto, in compliance with the accruals concepts.

Revenues from the sale of goods are recognised upon the substantial rather than formal transfer of title, with the transfer of risks and benefits being the key parameter.

Revenues from the provision of services are recognised when the service is provided, i.e. when it has been performed; in the specific case of ongoing services, the relevant revenues are recognised according to the portion that has accrued.

Costs and charges are stated net of returns, allowances, discounts and premiums, as well as taxes directly related to the sale of goods or provision of services, in compliance with the accruals, prudence and revenue-matching principles, in the related captions as required by OIC 12.

Costs and charges are recognised when the transfer of assets has been completed and the exchange has already taken place, i.e. the substantial and non-formal transfer of ownership has taken place, assuming the transfer of risks and benefits as the reference parameter.

Costs and charges relating to foreign currency transactions are determined at the exchange rate in effect on the date the relevant transaction is completed.

The increase in the amounts constituting the profit and loss account item under analysis is directly related to the incremental revenue trend described above.

Income taxes

Current taxes are calculated on the basis of a realistic estimate of taxable income for the period, determined in accordance with tax law, and applying the tax rates in force at the reporting date. The relevant tax liability is recognised in the balance sheet net of payments on account made, withholdings and tax credits which are offsetable and do not need to be refunded; if the payments on account, withholdings and credits exceed the taxes owed, the relevant tax receivable will be recognised. Tax receivables and payables are valued according to the amortised cost criterion, except in cases where they are due within 12 months.

Deferred tax liabilities and assets are recognised in the period in which temporary differences arise and are calculated by applying the tax rates in effect in the period in which the temporary differences are reversed, if the rates have already been established by the reporting date; otherwise they are calculated at the rates in effect at the reporting date.

Deferred tax assets on deductible temporary differences and the benefit related to the tax loss carryforward are recorded and kept on the balance sheet only if their future recovery through future taxable income is reasonably certain or if sufficient taxable temporary differences become available in the years in which the deferred tax assets are reversed.

Use of estimates

The preparation of financial statements requires the use of estimates which has an effect on the reported amounts of assets and liabilities and the relevant notes to the financial statements. The final results may differ from these estimates. The estimates are reviewed periodically and the effects of changes in estimates, where not caused by incorrect estimates, are recognised in the profit and loss account for the period in which the changes occur, if they affect only that period, and also in subsequent years if the changes affect both the current and subsequent periods.

We point out the existence of few estimated items for which the year-end estimates may differ significantly from the one made in this condensed interim financial statements, as a complete set of information will only become available at year-end.

Specifically, we refer to the year-end rebates from suppliers.

Post-balance sheet events

Events occurring after the end of the period with conditions already existing at the reporting date, requiring changes to the values of assets and liabilities, in accordance with the relevant accounting standard, are recognised in the condensed interim financial statements, in accordance with the accrual principle, to reflect the effect that such events have on the financial position and results of operations at the end of the period.

Events after the end of the period relating to situations arising after the reporting date, not requiring a change in the financial statement values, in accordance with the relevant accounting standard, accrue to the following period and are not recognised in the condensed interim financial statements but are described in these notes if considered relevant in order to provide a more complete understanding of the company's situation.

The deadline by which the event must occur in order to be accounted for is the date of preparation of the draft condensed interim financial statements by the Directors, except in cases where events that will have a material effect on the condensed interim financial statements occur between that date and the date scheduled for approval of the condensed interim financial statements by the Shareholders' Meeting.

MAXI ZOO ITALIA S.p.A.

Notes to the condensed interim financial statements: assets

The values recorded in the balance sheet have been valued pursuant to the provisions of Article 2426 of the Italian Civil Code and in accordance with national generally accepted accounting standards.

Fixed assets

Intangible fixed assets

Intangible fixed assets

Changes in intangible fixed assets

The table shows changes in intangible fixed assets:

	Start-up and capital costs	Industrial patents and intellectual property rights	Goodwill	Other intangible fixed assets	Total intangible fixed assets
Opening balance					
Cost	3.153.596	137.432	368.500	14.531.609	18.191.137
Amortisation (acc. amortisation) . .	<u>3.146.922</u>	<u>137.432</u>	<u>247.894</u>	<u>9.161.130</u>	<u>12.693.378</u>
Carrying amount	6.673	—	120.606	5.370.480	5.497.759
Changes of the year					
Acquisitions	—	—	—	1.043.370	1.043.370
Disposals and sales (carrying amount)	—	—	—	—	—
Amortisation	—	—	17.762	906.772	924.534
Other changes	—	—	—	—	—
<i>Total changes</i>	<u>—</u>	<u>—</u>	<u>(17.762)</u>	<u>136.597</u>	<u>118.836</u>
Closing balance					
Cost	3.153.596	137.432	368.500	15.574.979	19.234.507
Amortisation (acc. amortisation) . .	<u>3.146.922</u>	<u>137.432</u>	<u>265.656</u>	<u>10.067.902</u>	<u>13.617.912</u>
Carrying amount	<u>6.673</u>	<u>—</u>	<u>102.844</u>	<u>5.507.077</u>	<u>5.616.595</u>

The main increases in the first half of 2021 related to leasehold improvements (€1,043,370).

This increase is mainly due to the improvements made to the properties where eight new stores were opened, in order to make the commercial spaces compliant with the standards of the Fressnapf group (€958,726).

The improvements to the existing chain included the renovation of the heating and air conditioning system at the Cesena store (€61,664).

These improvements have been amortised over the term of the business unit lease/rental agreement.

Tangible fixed assets

Changes in tangible fixed assets

The table shows changes in tangible fixed assets:

	<u>Plant and machinery</u>	<u>Industrial and commercial equipment</u>	<u>Other assets</u>	<u>Assets under construction</u>	<u>Total tangible fixed assets</u>
Opening balance					
Cost	953728	17.807.029	1.875.521	—	20.641.278
Depreciation (acc. depreciation) . . .	685.211	10.546.146	1.595.753	—	12.827.110
Carrying amount	268.517	7.260.883	279.767	—	7.809.167
Changes of the year					
Acquisitions	45.204	525.482	32.889	20.827	624.402
Disposals and sales (carrying amount)	—	—	—	—	—
Depreciation	41.954	903.824	77.982	—	1.023.760
Other changes	—	—	—	—	—
<i>Total changes</i>	<i>3.250</i>	<i>(378.342)</i>	<i>(45.093)</i>	<i>20.827</i>	<i>(339.358)</i>
Closing balance					
Cost	993.032	18.332.511	1.908.410	20.827	21.254.780
Depreciation (acc. depreciation) . . .	721.265	11.449.970	1.673.736	—	13.844.971
Carrying amount	271.767	6.882.541	234.674	20.827	7.409.809

During the half-year, the most significant increases were recorded under industrial and commercial equipment (€525,482), which mainly comprises shelving, and under plant and machinery (€45,203), which includes forklift trucks and pallet trucks used to handle goods at the stores.

This increase is attributable not only to the opening of eight new stores during the half-year, but also to the ongoing process of renewing store equipment.

Assets under construction amount to euro 20,827 and refer to equipment for new stores not yet installed.

Financial fixed assets

Changes in equity investments, other securities and derivatives

The following table shows the changes in financial fixed assets:

	<u>30/06/2020</u>	<u>31/12/2020</u>	<u>30/06/2021</u>
Equity investments in other companies	125	125	125
Total	125	125	125

The equity investments presented in the condensed interim financial statements relate to the equity interest in the National Packaging Consortium (CONAI).

There were no changes to this item in the period under review.

Changes in, and due dates of, financial receivables

The following table shows the changes in financial receivables.

	<u>30/06/2020</u>	<u>31/12/2020</u>	<u>30/06/2021</u>
Other receivables	64,024	128,664	78,172
Total	64,024	128,664	78,172

Financial receivables consist of security deposits recognised at their nominal value, paid by the company to third parties as a guarantee on the lease agreement for the store at Via Foro Boario in Brescia, and to contracts for the supply of energy and minor utilities.

The decrease during the half-year was mainly due to the repayment of the security deposit paid by the company to guarantee the lease agreement for the Pomezia store business unit, following the issue of a bank surety.

Carrying amount of financial fixed assets

The financial fixed assets in the condensed interim financial statements have not been recognised at a value greater than their fair value.

Current assets

Current assets are valued in accordance with the provisions of numbers 8 to 11-*bis* of Article 2426 of the Italian Civil Code. The criteria used are indicated in the sections of the respective balance sheet items.

Inventory

For ease of comprehension, the following table shows the change during the period:

	<u>30/06/2020</u>	<u>31/12/2020</u>	<u>30/06/2021</u>
Finished products and goods	14,298,785	16,053,090	17,835,840
Total	14,298,785	16,053,090	17,835,840

Inventory amounted to €17,835,840, an increase of €1,782,751 compared with 31 December 2020 due to greater business volumes.

One factor driving the increase was the opening of eight new stores during the half-year.

Lastly, the provision for impairment of inventories amounted to €81,839 at 30 June 2021, an increase of €34,304 compared with 31 December 2020.

Receivables

Changes in, and due dates of, current receivables

The following table shows information on changes in receivables and, if significant, information on their maturities.

	<u>30/06/2020</u>	<u>31/12/2020</u>	<u>30/06/2021</u>
Trade receivables	415,376	430,475	161,676
From subsidiaries of parent	924,997	2,139,701	35,806
Tax receivables	11	72,972	—
Deferred tax assets	515,674	—	—
Other receivables	983,846	870,994	853,269
Total	2,839,904	3,514,142	1,050,751

All the above receivables are due within a year.

The decrease in trade receivables is due to the collection of some invoices for rewards paid to us by suppliers of goods as part of the supply relationship.

The decrease in receivables from subsidiaries of parent is due to the decrease in intra-group receivables relating to the application of the transfer pricing policy.

The decrease in current tax receivables is due to the use of IRPEF (personal income tax) receivables recognised in the financial statements at 31 December 2020.

In 2020 the Company used an amount of €515,674 from the deferred taxes item.

The decrease in other current receivables mainly refers to the timing of credit card collections.

Current financial assets

Changes in current financial assets

Cash pooling arrangements

	<u>30/06/2020</u>	<u>31/12/2020</u>	<u>30/06/2021</u>
Cash pooling arrangements	15,122,604	18,448,588	20,507,108
Total	15,122,604	18,448,588	20,507,108

The Company participates in the cash pooling programme implemented by Fressnapf Holding SE.

Withdrawals from the pool account constitute a payable to the company administering the cash pooling programme, whereas the cash paid into the pool account represents a receivable from this company. Receivables from cash pooling are recognised under “Financial assets not categorised as fixed assets” if the terms of short-term collectability are satisfied; otherwise, they are recognised under “Long-term investments”.

The change is linked to a general improvement in cash flows combined with the collection of intra-group receivables.

Cash and cash equivalents

	<u>30/06/2020</u>	<u>31/12/2020</u>	<u>30/06/2021</u>
Bank and postal accounts	6,215	3,437	2,808
Cash-in-hand and cash equivalents	1,445,153	1,488,000	1,522,043
Total	1,451,368	1,491,437	1,524,851

The “Cash in hand and cash equivalents” item mainly includes cash receipts at year-end that are still in the stores or have been withdrawn from the cash withdrawal service, but are not yet credited to the bank accounts. The item also includes store floats and cash grants to stores to manage change in the event of cash payments. The change is related to the number of stores and the annual calendar.

Please refer to the cash flow statement for more information.

Prepayments and accrued income

The following table shows the breakdown of these items as they are recognised in the condensed interim financial statements. These items refer to invoices and payments relating to costs accrued in subsequent years, such as insurance premiums and payments for multi-year rental contracts.

	<u>30/06/2020</u>	<u>31/12/2020</u>	<u>30/06/2021</u>
Prepaid expenses	865,674	460,821	556,670
Total	865,674	460,821	556,670

The prepayments recognised relate to advance rent payments to companies offering telephone services and to companies leasing directional arrows. This balance also includes prepayments of insurance premiums, rents and investments not yet activated. No amounts have a duration of more than 5 years.

Capitalised financial charges

All interest and other financial charges were fully paid during the period. For the purposes of Article 2427, paragraph 1, no. 8, of the Italian Civil Code, we hereby certify that there are no capitalisations of financial expenses.

MAXI ZOO ITALIA S.p.A.

Notes to the condensed interim financial statements: liabilities and shareholder's equity

Shareholder's equity

Changes in shareholder's equity items

The following tables show changes in individual shareholder's equity items and the breakdown of other reserves if present in the condensed interim financial statements.

	30/06/2020	31/12/2020	30/06/2021
Capital	120,000	120,000	120,000
Legal reserve	24,000	24,000	24,000
Capital contributions	17,558,167	17,558,167	17,558,167
Misc. other reserves	4,716,051	5,327,527	217,526
Total other reserves	22,274,218	22,885,694	17,775,693
Profit (loss) from previous years	611,479		
Profit (loss) for the period	1,319,591	3,489,996	1,071,356
Total	24,349,288	26,519,690	18,991,049

Changes in net equity

	Opening balance	Allocation of the profit for the previous year – Other allocations	Other changes – Increases	Other changes – Decreases	Net profit for the year	Closing balance
Share capital	120.000	—	—	—	—	120.000
Legal reserve	24.000	—	—	—	—	24.000
Capital injections	17.558.167	—	—	—	—	17.558.167
Misc other reserves	5.327.527	3.489.996	3	8.600.000	—	217.526
Total other reserves	22.885.694	3.489.996	3	8.600.000	—	17.775.693
Net profit for the year	3.489.996	—	—	3.489.996	1.071.356	1.071.356
Total	26.519.690	3.489.996	3	12.089.996	1.071.356	18.991.049

On 29 April 2021, the Shareholder's Meeting approved the balance sheet and profit and loss account for the year ended 31 December 2020 as proposed by the Board of Directors on 31 March 2021 and the distribution of a dividend of €8.6 million through the use of a portion of the earnings reserve called the "extraordinary reserve". Payment was made on 28 July 2021.

Availability and utilisation of net equity

The following tables provide a breakdown of the net equity items, showing their origin, possible utilisation and distribution, as well as their utilisation in the previous three years:

	Amount	Origin/nature	Possible utilisation	Available portion	Summary of utilisation in the previous three years – to cover losses
Share capital	120,000	Share capital		—	—
Legal reserve	24,000	Share capital	A;B	—	—
Capital injections	17,558,167	Share capital	A;B;C	17,558,167	1,814,044
Sundry other reserves	217,526	Share capital	A;B;C	217,526	—
Total other reserves	17,775,693	Share capital	A;B;C	17,775,693	—
Total	17,919,693			17,775,693	1,814,044
Unavailable portion				127,279	
Remaining distributable portion				17,648,414	

Key: A: for capital increases; B: to cover losses; C: for dividends; D: for other by-laws requirements; E: other

Provisions for risks and charges

	30/06/2020	31/12/2020	30/06/2021
Other provisions	3,559,619	3,682,801	3,886,990
Total	3,559,619	3,682,801	3,886,990

Other provisions

In the first half of 2021, a small part of the provision for future charges was used for employment disputes.

No adjustment was made in the period under review for interest relating to assessment notices received during the year concerning transfer pricing for the years 2014, 2015 and 2016. It should be noted that the MAP (Mutual Agreement Procedure) has been initiated against these notices and is correctly lodged for the three years in question. Given that the outcome of the procedure is still uncertain, it was deemed prudent to maintain the provision made last year for all the amounts in the assessment notices, adjusting the interest until 31 December 2020.

In addition, the provision for premises refurbishment was not adjusted.

It was also not deemed necessary to adjust the risk provision set up for “non-performing” stores, which at the end of 2020 was substantially reduced due to the general positive sales performance and the containment of operating costs, which significantly reduced the number of underperforming stores.

Finally, during the first half of 2021, the allocation of the provision for risks related to the participation of Maxi Zoo Italia SpA in the Payback multi-partner loyalty programme was adjusted. The provision is calculated as a percentage of the number of points accrued under the loyalty programme but not yet used.

The following table shows the breakdown of this item as they are recognised in the condensed interim financial statements, pursuant to Article 2427, paragraph 1 of the Civil Code.

Description	Breakdown	30/06/2020	31/12/2020	30/06/2021
<i>Other</i>				
	Provision for future litigation charges	3,016,491	3,126,265	3,113,875
	Premises refurbishment provision	115,642	115,642	115,642
	Provision for risks for “non-performing” stores	267,805	94,087	94,087
	Provision for loyalty programme charges. .	159,681	346,807	563,387
	Total	3,559,619	3,682,801	3,886,990

Changes in provisions for risks and charges

	Opening balance	Changes of the year – Accruals	Changes of the year – Utilisations	Changes of the year – Total	Closing balance
Other provisions	3.682.801	514.629	310.440	204.189	3.886.990
Total	3.682.801	514.629	310.440	204.189	3.886.990

Employees’ leaving entitlement

	30/06/2020	31/12/2020	30/06/2021
EMPLOYEES’ LEAVING ENTITLEMENT	3,391,625	3,711,092	4,076,471
Total	3,391,625	3,711,092	4,076,471

The increase is linked to the increase in staff hired, partly as a result of the opening of eight new stores. The balance represents the actual payable accrued to employees at 30 June 2021, taking into account the number of active employees at that time.

Payables

Changes in and due dates of payables

The following table shows information on changes in payables and any information on their maturities.

	<u>30/06/2020</u>	<u>31/12/2020</u>	<u>30/06/2021</u>
Payables to banks	—	—	—
Advances	49,571	124,177	72,381
Trade payables	9,500,354	11,953,519	11,236,135
Payables to companies controlled by parent companies	1,405,242	2,741,889	1,656,926
Tax payables	2,072,505	872,509	2,301,476
Payables to pension and social security institutions	424,093	427,343	585,907
Other payables	2,778,464	3,370,773	11,772,586
Total	16,230,229	19,490,210	27,625,412

All the above payables are due within a year.

Trade payables consist of payables for the supply of goods or services already invoiced or allocated on an accrual basis. The change in trade payables relates to the greater number of store openings in the period under review than in the previous year. The significant increase recorded at 31 December 2020 compared with 30 June 2020 was also linked to the postponement, due to Covid-19, of numerous substantial maintenance works in the last part of the year compared with the previous year.

The change in tax payables is related to VAT.

Other payables mainly relate to payables to shareholders for dividends to be paid (8,600,000 euro) and payables to employees for remuneration, bonuses and expense claims to be settled, as well as charitable initiatives organised at the stores for which the company undertakes to dedicate a portion of the receipts to not-for-profits, advance rent payments to companies offering telephony services and to companies leasing directional arrows. The decrease of €198,186 recorded in the first half of 2021 compared with 31 December 2020 is mainly due to the lower provision for employee bonuses and the payment to WWF Italia Onlus of the sum collected last year through the “Dai una zampa” (“Give a Paw”) initiative.

MAXI ZOO ITALIA S.p.A.

Notes to the condensed interim financial statements: profit and loss account

The profit and loss account shows the profit or loss for the period.

It provides an overview of management operations by summarising the positive and negative income components that have contributed the company's results. The positive and negative income components, recorded in the condensed interim financial statements in accordance with Article 2425-*bis* of the Italian Civil Code, are separated according to the different types of management: core, ancillary and financial.

Core activity consists of income components generated by transactions that occur on a continuous basis and in the relevant sector for management, which identify and qualify the specific and distinctive part of the economic activity performed by the company for which it is intended.

Financial activity consists of transactions that generate financial income and expenses.

On a residual basis, ancillary activity consists of transactions that generate income components that form part of ordinary activity but are not part of core or financial activity.

Value of production

Breakdown of revenues from sales and services by kind of activity

The following table sets out a breakdown of revenues from sales and services by category of activity.

	30/06/2020	31/12/2020	30/06/2021
1) Revenues from sales and services	55,650,176	124,562,717	73,398,896
2) Change of inventories of work in progress, semi-finished and finished goods			
3) Changes in contract work in progress			
4) Increases in fixed assets from in-house production			
5) Other revenues and income	1,351,006	3,300,237	1,291,199
VALUE OF PRODUCTION	57,001,182	127,862,954	74,690,095

Maxi Zoo Italia S.p.A. recorded revenues of approximately €74,690,095 million in the first half of 2021, an increase of €17,688,913 million, or 31%, on the same period of the previous year.

Net retail sales amount to €73,398,896 and their value is net of returns and discounts as well as taxes directly related to the sale of products in accordance with the principles of accrual and prudence.

The year-on-year increase in sales is 31.9%.

This trend is the result of the combined effect of the increase in turnover recorded by the stores in existence at 30 June 2021 and the greater number of stores open at that date (+15). Success factors: growth in demand on the domestic market, acquisition of new customers as a consequence of the price review initiated in 2019 and Payback.

Within other revenues and income we have mainly included out of period adjustments recorded during the current year and release of provisions. However, the most significant item continues to be revenues from contracts with goods suppliers for co-marketing initiatives, which at 30 June 2021 amounted to €1,054,092, an increase of €239,755 compared with the same period last year due to an improved negotiation.

Costs of production

	30/06/2020	31/12/2020	30/06/2021
Raw materials, consumables, supplies and goods	29,548,741	70,533,710	46,013,413
Costs for services	5,522,845	12,892,863	6,282,786
Use of third party assets	6,232,081	12,724,496	6,873,432
Wages and salaries	8,244,873	17,055,374	9,305,136
Social security contributions	2,298,094	4,649,983	2,622,733
Employees' leaving entitlement	595,324	1,218,735	691,696
Pensions and similar obligations			
Other payroll costs	183,811	72,933	248,795
Amortisation of intangible fixed assets	854,129	1,721,386	924,534
Depreciation of tangible fixed assets	1,056,186	2,104,569	1,023,761
Other write-downs of fixed assets			
Write-downs of receivables in current assets and cash & cash equivalents	877		
Changes in raw materials, consumables, supplies and goods	78,277	-1,614,454	-1,749,358
Provisions for risks			
Other provisions			
Other operating expenses	565,109	1,910,223	913,867
COSTS OF PRODUCTION	55,179,470	123,270,695	73,150,795

B.6 Costs for raw materials, consumables, supplies and goods

30/06/2020	31/12/2020	30/06/2021
29,548,741	70,533,710	46,013,413

The increase in the amounts comprising the profit and loss account item in question is directly related to the increase in revenues described above and to the greater number of stores open on that date.

The significant increase recorded at 30 June 2021 compared with the same date in the previous year is also due to the substantial reduction in intra-group credits related to the application of the transfer pricing policy (-€3,989,965), only partially offset by higher contractual discounts negotiated with third-party suppliers of goods and collected due to the increase in sales and the number of new store openings (+€1,496,698).

Careful management and major work organisation activities designed to both optimise costs and improve the service have nevertheless enabled a substantial reduction in the purchase costs of all goods not intended for resale.

B.7 Costs for services

30/06/2020	31/12/2020	30/06/2021
5,522,845	12,892,863	6,282,786

The most significant items relate to advertising and promotion, utilities costs, maintenance of plant and equipment, professional technical services, fees on receipts via credit and debit cards, transport and cash counting, supervision and training costs for employees.

Item B7) also includes the remuneration and reimbursement of expenses paid to the Directors, members of the Board of Statutory Auditors and the Independent Auditor.

The increase in costs for services in the first half of 2021 (+13,8%) is related to the opening of new stores, the increase in active employees and the activation of services to improve the management and security of stores. This includes the decision to entrust inventories to qualified external companies, the decision to activate the cash withdrawal and cash granting service at each store and the definition of cyclical maintenance plans to ensure compliance with occupational safety rules.

Staff training remains one of the most significant cost items.

B.8 Use of third party assets

30/06/2020	31/12/2020	30/06/2021
6,232,081	12,724,496	6,873,432

These mainly consist of rent and lease payments made on properties where Maxi Zoo stores are located and costs for renting equipment (hardware, anti-theft barriers and vehicles). The increase in costs for leased assets at 30 June 2021 compared with the same period last year is mainly due to costs for rent and leasing and is related to the greater number of stores open on the date (+15) and the higher turnover of stores where the business unit lease/rental agreement provides for variable rent calculated as a % of turnover.

B.9 Personnel expenses

	30/06/2020	31/12/2020	30/06/2021
a) Wages and salaries	8,244,873	17,055,374	9,305,136
b) Social security contributions	2,298,094	4,649,983	2,622,733
c) Employees' leaving entitlement	595,324	1,218,735	691,696
d) Pensions and similar obligations	0	0	0
e) Other payroll costs	183,811	72,933	248,795
	11,322,102	22,997,025	12,868,360

The cost incurred for employees at 30 June 2021 is €12,868,360. This item includes all employee-related expenses including merit salary increases, promotions, the cost of living allowances, the cost of unused holidays and provisions required by law and collective bargaining agreements. The most significant increases relate to payroll costs for the directly operated stores.

The increase compared with 30 June 2020 is mainly related to the higher number of stores open on the date (+15).

B.10 Amortisation, depreciation and write-downs

Depreciation and amortisation has been calculated on the basis of the asset's useful life. For further details, please see the comments under "Tangible fixed assets" and "Intangible fixed assets".

B.12 Provision for risks

With regard to the provision for future liabilities and charges, please see the comments under "Provisions for liabilities and charges".

B.14 Other operating expenses

30/06/2020	31/12/2020	30/06/2021
565,109	1,910,223	913,867

The cost of operating expenses amounted to €913,867 at 30 June 2021.

The most significant items relate to:

— the contribution to the National Packaging Consortium (CONAI), which increased by 117.3% compared with the same period in the previous year due to the increase in tariffs and purchases of goods correlated to revenues;

— the new single property rent introduced on 1 January 2021 to replace the ICP (municipal advertising tax), TOSAP (public land occupancy tax) and COSAP (rent for the occupancy of spaces and peripheral areas) which increased by 14% compared with the same period of the previous year, mainly due to the greater number of stores open on the date;

— the substitute tax applied on the amount of the vouchers requested by customers participating in the Payback reward operation in exchange for accrued points, which increased by 739% for a greater cost of €82,372;

— other taxes and charges (registration tax, stamp duty, etc.) which increased by 17.9% compared with 30 June 2020, mainly due to the greater number of stores open on the date.

Item B14) also includes the amount allocated for charitable and humanitarian donations, which amounted to €121,365 at 30 June 2021. The significant increase of €117,365 compared with 30 June 2020 is mainly due to

the fact that a charitable initiative involving all the stores in our chain, targeting the charity “*Servizio Cani Guida dei Lions e ausili per la mobilità dei non vedenti*” (“Lions Guide Dogs Service and Aids for the Mobility of the Visually Impaired”), to which €101,679 was donated, took place early than in the previous year.

Lastly, other operating expenses include expense components relating to increases in liabilities in previous years that appeared during the year. Estimated contingent liabilities amounted to €100,542 at 30 June 2021.

Breakdown of interest and other financial charges by type of debt

Introduction

The following table sets out the interest and other financial expenses referred to in Article 2425(17) of the Italian Civil Code, with a specific subdivision into bonds, bank debt and other categories.

Breakdown of interest and other financial charges by type of payable

	30/06/2020	31/12/2020	30/06/2021
Other	—	73,624	—
Total	43,261	73,624	74,427

The Company participates in the cash pooling programme implemented by Fressnapf Holding SE.

Withdrawals from the pool account constitute a payable to the company administering the cash pooling programme, whereas the cash paid into the pool account represents a receivable from this company.

The amount for FY2020 related to the accrual of interest expense related to the tax litigation disclosed above.

Income taxes, current and deferred

Current taxes

The profit and loss account for the year in question shows an amount relating partly to IRES (€418,540) and partly to IRAP (€123,831), which is described in more detail below.

Deferred tax liabilities

These taxes are recognised in conjunction with deductible temporary differences, which the company assumes will reverse in future years. There are no temporary differences at 30 June 2021.

Deferred tax assets

In 2020 the Company used an amount of €515,674 from the deferred tax assets item.

The tax was calculated on a presumptive basis, with postponement of the final calculation until the tax return is drawn up.

MAXI ZOO ITALIA S.p.A.

Notes to the condensed interim financial statements: other information

Workforce

The following table shows the average number of employees, broken down by category and calculated on the basis of the daily average.

	30/06/2020	31/12/2020	30/06/2021
Executives	4	5	5
Employees	700	714	765
Total	704	719	770

Fees, advances and loans paid/given to directors and statutory auditors and commitments assumed on their behalf

The amount of remuneration payable to the Board of Directors is zero.

The amount of remuneration payable to the Board of Statutory Auditors amounts to €24,436.

Audit fees

The remuneration payable to the independent auditor amounts to €43,850.

Off-balance sheet commitments, guarantees and contingent liabilities

The following table reports information pursuant to Article 2427(9) of the Italian Civil Code.

	31/12/2020	30/06/2021
Sureties to other companies	4,814,276	5,111,162
Other guarantees (specify what and to whom)	2,743,981	2,743,981
Other risks (specify what and to whom)	0	0
Total	7,558,257	7,855,143

Sureties were provided in compliance with contractual obligations assumed by the Company when signing lease/rental agreements.

The amount of €2,743,981 relates to sureties issued to the Italian Revenue Agency to guarantee the payment of sums due in relation to assessment notices for which a MAP application was activated.

Information on related party transactions

Related party transactions are fully represented by transactions entered into with companies in the Fressnapf Group to which Maxi Zoo Italia S.p.A. belongs. Such transactions are operating in nature and mainly relate to the purchase of goods and services. These transactions are settled under market conditions deemed normal in the respective core markets, taking into account the goods and services provided.

Post-balance sheet events

With regard to point 22-*quater* of Article 2427 of the Italian Civil Code, no significant events occurred after the reporting date that had a material impact on the results, cash flows and financial position, other than those already described.

However, with regard to the COVID-19 (“Coronavirus”), pandemic, which is still ongoing, the Company, in accordance with the provisions of the Italian national and local health institutions and authorities, has taken prompt action to manage the emergency in a timely manner and has implemented a series of measures at all levels of the organisation (first of all, remote working) in order to prevent any risks and ensure the health and safety of its employees, customers and suppliers and the continuity of its operations.

The fact that the company is part of the distribution chain for essential items meant that stores could be opened in accordance with the rules established by the individual regions.

The current cash situation and membership of an international group are factors in favour of overcoming any financial tension.

Companies that prepare the financial statements of the largest and smallest group of companies to which Maxi Zoo Italia belongs

The following schedule, pursuant to Article 2427, numbers 22-*quinquies* and 22-*sexies* of the Italian Civil Code, shows the name and registered office of the company that prepares the consolidated financial statements of the largest group of which the company is part as a consolidated company.

It also indicates the place where a copy of the consolidated financial statements is available.

Company name	Bigger together
City (if in Italy) or foreign state	Fressnapf Holding SE Germany
Pero, 08/09/2021	

The Chief Executive Officer

Administrative Manager

2020 Agrifarma Financial Statements as at and for the year ended December 31, 2020

Independent auditor's report

To the Sole Shareholder of
Agrifarma SpA

Opinion

We have audited the financial statements of Agrifarma SpA (the “Company”), which comprise the balance sheet as of 31 December 2020, the income statement and cash flow statement for the year then ended and related notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company 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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the 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 Company'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 the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Genova, 29 April 2021

PricewaterhouseCoopers SpA

Signed by

Andrea Manchelli
(Partner)

Agrifarma S.p.A.
Balance Sheet
As of 31 December 2020

ASSETS	31/12/2020	31/12/2019
A) RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL DUE		
Total Receivables from shareholders for payments still due (A)	0	0
B) FIXED ASSETS		
I – Intangible fixed assets		
1) Incorporation and expansion costs	5,805,193	6,380,471
2) Development costs	434,015	377,215
3) Industrial patents and intellectual property rights	690,228	633,737
4) Concessions, licenses, trademarks and similar rights	50,683,446	53,942,466
5) Goodwill	241,808,099	257,329,634
6) Assets under development and advances	540,558	315,793
7) Other	23,895,697	21,843,824
Total intangible fixed assets	323,857,236	340,823,140
II – Tangible fixed assets		
1) Land and buildings	80,354	65,333
2) Plant and machinery	69,652	83,877
3) Industrial and commercial equipment	5,696,046	5,838,156
4) Other assets	10,633,750	10,416,481
5) Assets under development and advances	272,734	420,401
Total tangible fixed assets	16,752,536	16,824,248
III – Financial fixed assets		
1) Equity Investments in		
a) Subsidiaries	3,974,402	2,537,302
d-bis) Other companies	5,595	5,595
Total equity investments (1)	3,979,997	2,542,897
2) Receivables		
a) From subsidiaries		
– due beyond one year	260,000	1,100,000
Total receivables from subsidiaries	260,000	1,100,000
d-bis) From others		
– due beyond one year	378,538	472,276
Total Other Receivables	378,538	472,276
Total Receivables	638,538	1,572,276
Total Financial Fixed Assets (III)	4,618,535	4,115,173
Total Fixed Assets (B)	345,228,307	361,762,561
C) CURRENT ASSETS		
I) Inventories		
1) Raw ancillary materials and consumables	665,234	519,968
4) Finished products and goods	54,478,245	56,770,806
Total inventories	55,143,479	57,290,774
II) Receivables		
1) From customers		
– due within one year	7,494,900	7,737,089
Total Receivables from customers	7,494,900	7,737,089
2) From subsidiaries		
– due within one year	1,403,689	985,722
Total Receivables from subsidiaries	1,403,689	985,722
5-bis) Taxes		
– due within one year	27,003	114,157
– due beyond one year	24,679	24,679
Total taxes	51,682	138,836
5-ter) Deferred tax assets	1,050,871	978,944
5-quater) From others		
– due within one year	281,160	475,601
Total Other Receivables	281,160	475,601
Total receivables	10,282,302	10,316,192
III – Non fixed financial assets		
5) Derivative financial instrument assets	0	57
Total financial assets not held as fixed assets	0	57
IV – Cash and cash equivalents		
1) Bank and postal deposits	74,698,289	52,042,730
3) Cash in hand	610,777	592,862
Total cash and cash equivalents	75,309,066	52,635,592
Total Current Assets (C)	140,734,847	120,242,615
D) ACCRUED INCOME AND PREPAID EXPENSES	1,293,930	1,698,159
TOTAL ASSETS	487,257,084	483,703,335

Agrifarma S.p.A.
Balance Sheet
As of 31 December 2020

BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES	31/12/2020	31/12/2019
A) SHAREHOLDERS' EQUITY		
I – Share Capital	1,121,363	1,121,363
II – Share premium reserve	17,635,394	17,635,394
III – Revaluation reserve	0	0
IV – Legal reserve	211,329	211,329
V – Statutory reserves	0	0
VI – Other reserves, shown separately		
Extraordinary reserve	22,986,625	22,986,625
Merger surplus reserve	226,776,765	226,776,765
Other reserves	0	1
Total other reserves	249,763,390	249,763,391
VII – Changes in hedging reserves	0	0
VIII – Retained earnings / (accumulated losses)	-20,668,417	-16,592,103
IX – Profit (loss) for the year	7,322,635	-4,076,314
Loss covered during the year	0	0
X – Negative reserve for treasury shares in portfolio	0	0
Total shareholders' equity	255,385,694	248,063,060
B) PROVISIONS FOR RISKS AND CHARGES		
1) Retirement benefits and similar obligations	2,961	281,440
2) Taxes, including deferred taxes	14,116,947	15,033,353
4) Other	360,250	152,505
Total provisions for risks and charges (B)	14,480,158	15,467,298
C) EMPLOYEES' SEVERANCE INDEMNITY	2,677,048	3,036,732
D) PAYABLES		
4) To banks		
– maturing within one year	1,455,000	1,440,128
– maturing after one year	144,295,118	144,713,308
Total bank payables (4)	145,750,118	146,153,436
6) Advances		
– maturing within one year	293,235	425,163
Total Advances (6)	293,235	425,163
7) To suppliers		
– maturing within one year	52,984,367	55,244,457
Total supplier payables (7)	52,984,367	55,244,457
9) To subsidiaries		
– maturing within one year	242,632	0
Total payables to subsidiaries (9)	242,632	0
12) Tax payables		
– maturing within one year	3,712,827	3,410,240
Total tax payables (12)	3,712,827	3,410,240
13) Due to social security and welfare institutions		
– maturing within one year	3,037,010	3,006,321
Total Payables due to social security and welfare institutions (13)	3,037,010	3,006,321
14) Other		
– maturing within one year	8,594,258	8,728,791
Total other payables (14)	8,594,258	8,728,791
Total payables (D)	214,614,447	216,968,408
E) ACCRUED EXPENSES AND DEFERRED INCOME	99,737	167,837
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	487,257,084	483,703,335

Agrifarma S.p.A.
Income Statement
For the year ended 31 December 2020

	<u>31/12/2020</u>	<u>31/12/2019</u>
A) VALUE OF PRODUCTION:		
1) Revenue from sales and services	339,232,331	305,911,826
4) Increases in fixed assets for internal work	2,484,514	3,464,853
5) Other income:		
Operating grants	46,625	21,519
Other	18,625,740	17,569,138
Total other income	18,672,365	17,590,657
Total value of production	360,389,210	326,967,336
B) PRODUCTION COSTS:		
6) Raw materials, consumables, goods	180,894,819	175,820,576
7) Service costs	45,490,801	38,701,620
8) Leases and rentals	27,161,136	25,086,619
9) Personnel expenses:		
a) Wages and salaries	37,681,130	36,435,372
b) Social security contributions	10,409,362	9,403,472
c) Severance Indemnity	2,623,156	2,433,739
e) Other personnel costs	484,052	164,320
Total personnel expenses	51,197,700	48,436,903
10) Amortization, depreciation and impairments:		
a) Amortization of intangible assets	25,544,247	25,204,702
b) Depreciation of tangible assets	4,242,490	4,107,976
c) Impairments of fixed assets	646,437	1,509,456
d) Provisions for doubtful accounts included in current assets and cash and cash equivalents	23,313	0
Total amortization, depreciation and impairments	30,456,487	30,822,134
11) Change in inventories of raw materials, consumables and goods	2,596,044	-1,211,356
12) Provisions for risks	226,687	123,029
13) Other provisions	12,391	29,476
14) Other operating expenses	4,186,268	3,024,532
Total production costs	342,222,333	320,833,533
Difference between value and cost of production (A-B)	18,166,877	6,133,803
C) FINANCIAL INCOME AND CHARGES:		
16) Other financial income:		
d) other income:		
– from other	9,802	11,760
Total financial income other than the previous	9,802	11,760
Total other financial income	9,802	11,760
17) Interests and financial charges		
– from other	6,512,003	6,688,381
Total Interests and financial charges	6,512,003	6,688,381
17-bis) Foreign exchange gains / (losses)	-19,898	-19,464
Total financial income/(charges) (C) (15+16-17+-17-bis)	-6,522,099	-6,696,085
D) VALUATION ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES:		
19) Impairment:		
d) Derivative financial instruments	57	13,590
Total impairment	57	13,590
Total valuation adjustments to financial assets and liabilities (18-19)	-57	-13,590
PROFIT/(LOSS) BEFORE TAXES (A-B+-C+-D)	11,644,721	-575,872
20) Income tax expense		
Current taxes	8,485,053	5,347,441
Prior year taxes	-3,174,633	-796,418
Deferred taxes	-988,334	-1,050,581
Total income tax expense	4,322,086	3,500,442
21) PROFIT/(LOSS) FOR THE YEAR	7,322,635	-4,076,314

Agrifarma S.p.A.

Cash Flow Statement

As of and for the year ended 31 December 2020

	<u>31/12/2020</u>	<u>31/12/2019</u>
A. Cash flow from operating activities		
Profit/(loss) for the year	7,322,635	(4,076,314)
Income taxes	4,322,086	3,500,442
Interest expense/(interest income)	6,502,201	7,625,700
(Dividends)	0	0
(Gains)/losses on disposals of assets	499,585	745,577
1. Profit/(loss) for the year before taxation, interest, dividends and gains/losses on disposals	18,646,507	7,795,405
<i>Adjustments for non-monetary items that do not have a corresponding item in net working capital</i>		
Allocation to provisions	2,862,234	2,556,768
Amortization and depreciation of fixed assets	29,786,737	29,312,678
Impairment losses	646,437	786,393
Value adjustments of financial assets and liabilities of derivative financial instruments that do not involve monetary movements	57	(57)
Other increases/(decreases) adjustments for non-monetary items	23,313	0
<i>Total adjustments for non-monetary items that do not have a corresponding item in net working capital</i>	<i>33,318,778</i>	<i>32,655,782</i>
2. Cash flow before changes in net working capital	51,965,285	40,451,187
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	2,596,044	(1,054,779)
Decrease/(increase) in receivables from customers	218,876	(1,429,477)
Increase/(decrease) in payables to suppliers	(2,260,090)	9,841,358
Decrease/(increase) in accrued income and prepaid expenses	404,229	(513,993)
Increase/(decrease) in accrued expenses and deferred income	(68,100)	(65,496)
Other changes in net working capital	784,652	5,324,787
<i>Total changes in net working capital</i>	<i>1,675,611</i>	<i>12,102,400</i>
3. Cash flow after changes in net working capital	53,640,896	52,553,587
<i>Other adjustments</i>		
Interest collected/(paid)	(5,328,519)	(5,400,818)
(Income tax paid)	(6,164,829)	(1,933,816)
Dividends collected	0	0
(Use of provisions)	(3,292,650)	(152,328)
Other collections/(payments)	0	0
<i>Total other adjustments</i>	<i>(14,785,998)</i>	<i>(7,486,962)</i>
Cash flow from operating activities (A)	38,854,898	45,066,625
B. Cash flow from investing activities		
<i>Tangible fixed assets</i>		
(Purchases)	(5,382,951)	(8,805,977)
Proceeds from disposals	740,654	0
<i>Intangible fixed assets</i>		
(Purchases)	(9,084,702)	(11,065,910)
Proceeds from disposals	0	0
<i>Financial assets</i>		
(Purchases)	(503,362)	(2,745,459)
Proceeds from disposals	0	0
<i>Financial assets not held as fixed assets</i>		
(Purchases)	0	0
Proceeds from disposals	57	0
(Acquisition of businesses net of cash and cash equivalents)	(626,815)	(1,301,932)
Sale of businesses net of cash and cash equivalents	0	0
Cash flow from investing activities (B)	(14,857,119)	(23,919,278)
C. Cash flow from financing activities		
<i>Third party financing</i>		
Increase/(decrease) of short term payables due to banks	14,872	32,033
Opening of new loans	0	0
(Repayment of loans)	(1,339,177)	0
<i>Equity</i>		
Paid capital increase	0	0
(Capital reimbursement)	0	0
Sale (Purchase) of treasury shares	0	0
(Dividends and advances on dividends paid)	0	0
Cash flow from financing activities (C)	(1,324,305)	32,033
Increase (decrease) in cash and cash equivalents (A ± B ± C)	22,673,474	21,179,380
Exchange effects on cash and cash equivalents	0	0
Cash and cash equivalents at beginning of the period		
Bank and postal deposits	52,042,730	31,041,748
Cheques	0	0
Cash in hand	592,862	414,464
Total cash and cash equivalents at beginning of the period	52,635,592	31,456,212
Of which not freely usable	0	0
Cash and cash equivalents at end of the period		
Bank and postal deposits	74,698,289	52,042,730
Cheques	0	0
Cash in hand	610,777	592,862
Total Cash and cash equivalents at end of the period	75,309,066	52,635,592
Of which not freely usable	0	0

Agrifarma S.p.A.

Notes to the financial statements As of and for the year ended 31 December 2020

INTRODUCTION

The financial statements of Agrifarma S.p.A. (the “Company” or “Agrifarma”) as of and for the year ended 31 December 2020, of which these explanatory notes form an integral part pursuant to art. 2423, par.1 of the Italian Civil Code, correspond to the accounting records regularly kept and are prepared in accordance with articles 2423, 2423-ter, 2424, 2424-bis, 2425, 2425-bis, 2425-ter of the Italian Civil Code, and in compliance with the provisions of art. 2423-bis and evaluation criteria pursuant to art. 2426 of the Italian Civil Code.

The financial statements include the: Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Notes.

The Cash Flow Statement presents the positive or negative changes in cash and cash equivalents during the year and was prepared following the indirect method using the scheme pursuant to accounting standard OIC 10.

The Company, even in the presence of controlling shareholdings, has not prepared consolidated financial statements, availing itself of the exemption provided for by art. 27, paragraphs 3 and 4, of Legislative Decree 9 April 1991, no. 127, as the consolidated financial statements will be prepared by the parent company NOAH 1 S.p.A. based in Milan, Via San Paolo 10.

The Covid-19 (so-called “Coronavirus”) pandemic, which initially involved China and a few other countries in the Asian area in March 2020, had a strong expansion initially in Italy and subsequently in the rest of Europe, in the United States and more generally in the rest of the world. In this market context, the Company has adopted all the necessary control and prevention measures, in agreement with the local authorities, the supervisory board and all relevant health and safety and other regulations, at its points of sale and headquarters in order to safeguard the health of its employees, but also of its customers and suppliers.

In particular, as of 26 February 2020, various information was sent to employees aimed at helping them comply with the Prime Ministerial Decree on the emergency that followed, as well as with the memorandum of understanding signed between trade associations and trade unions. All the necessary safeguards were also distributed and all the measures required by the documents mentioned above were taken.

The activity performed by the Company is not included among those subject to total restriction, as it is included among those necessary to guarantee the provision of primary goods and services in this emergency period. The Company, in fact, sells pet food and products necessary for the sustenance of the country’s family pets. It therefore carries out an activity necessary for everyday life, even in a situation of lockdown and social isolation.

Despite this, in April the Company suffered a slight decline in revenues due to the closures of some shopping centres on weekends and due to the ban on moving between regions during the lockdown period. The partial reopening of travel in the month of May within the region of residence, and the subsequent total re-opening in June allowed revenues to return to values similar to those prior to lockdown.

Finally, it should be noted that Agrifarma purchased the Città degli Animali brand business unit on 30 November 2020, operating in the retail pet food and accessories sector, consisting of 5 points of sale operating in the Lombardia region.

REPORTING STANDARDS

In order to prepare the financial statements with clarity and provide a true and fair representation of the Company’s equity and financial situation and economic results, in accordance with the provisions of article 2423-bis of the Italian Civil Code, the necessary steps were taken to:

- assess the individual items according to prudence and in anticipation of normal going concern;
- recognize and present the items taking the substance of the transaction or the contract into account;
- only include profits actually earned during the financial year;
- determine income and costs in accordance with the accrual principle, and regardless of their financial manifestation;

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- include all the relevant risks and losses, even if they were discovered after the end of the financial year;
- consider the different elements included in the various items of the financial statements separately, for the purposes of the relative assessment;
- keep the valuation criteria adopted unchanged with respect to the previous year.

All the financial statement principles envisaged by OIC 11 par. 15 were followed:

- a) prudence;
- b) going concern perspective;
- c) substantial representation;
- d) accrual;
- e) constancy in the valuation criteria;
- f) relevance;
- g) comparability.

Going concern perspective

As far as this principle is concerned, the valuation of the items on the financial statements was carried out in accordance with the going concern assumption, as management has confirmed the absence of financial, operating or other factors which may suggest the inability of the Company to meet its obligations during the 12 months after the reporting date.

The financial statements were presented in Euro.

EXCEPTIONAL CASES PURSUANT TO ART. 2423, PAR. 5 OF THE ITALIAN CIVIL CODE

No exceptional events occurred that made it necessary to apply exceptions pursuant to art.2423, paragraph five of the Italian Civil Code.

CHANGES IN ACCOUNTING STANDARDS

There were no changes in the accounting standards during the period.

CORRECTION OF SIGNIFICANT ERRORS

No significant errors related to prior years emerged during the financial year.

COMPARABILITY AND ADAPTATION ISSUES

There are no assets or liabilities falling under more than one financial statement category.

Pursuant to art. 2423-ter, par. 5 of the Italian Civil Code, no issues arose regarding comparability and classifications of the financial statement items of the current year with those relating to the previous year.

There have been no reclassifications of comparative information.

VALUATION CRITERIA APPLIED

The measurement criteria for the financial statements is described in the notes hereto and comply with the provisions of art. 2426 of the Italian Civil Code.

The measurement criteria pursuant to art. 2426 of the Italian Civil Code comply with those used in the preparation of the financial statements for the previous year.

Intangible fixed assets

Intangible fixed assets are stated, within the limit of the recoverable value, at the cost of purchase or internal production, including any directly attributable incidental expenses, and are amortized on a straight line basis over the estimated useful life.

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Pursuant to OIC 24 par. 37, acquisitions with deferred payment at conditions other than those normally applied on the market are recognized at the value corresponding to the debt determined pursuant to OIC 19.

Incorporation and expansion costs relate to the capitalization of costs for the incorporation or expansion of operational capacity and are amortized over 5 years. These incorporation and expansion costs are mainly composed of *incorporation* costs incurred for the opening of new points of sale.

Development costs derive from the application of the results of basic research or other knowledge owned or acquired, before the beginning of commercial production or use, and are amortized according to their useful life which has been estimated at 3 years.

Industrial patents and intellectual property rights are amortized based on their expected period of use, which cannot exceed the contract duration. Industrial patents and intellectual property rights are amortized over a period of 5 years.

The value attributed to trademarks for registration and maintenance costs was amortized over 3 years.

The value attributed to the ARCAPLANET trademark in the allocation of part of the merger deficit, which took place at the end of 2016, was the subject to an appraisal report, which also determined the estimated useful life of 20 years. To date, there are no indicators of impairment.

Goodwill is determined by the difference between the total price incurred for the acquisition of the company and the fair value of the assets and liabilities that are transferred. Goodwill is amortized over its useful life and, in exceptional cases in which it is not possible to reliably estimate its useful life, goodwill is amortized over a period not exceeding ten years. When the useful life of goodwill is estimated to be over 10 years, objective facts and circumstances are required to support this estimate. In any case, the useful life of the goodwill cannot exceed 20 years. For further details, see the note on intangible fixed assets.

Assets under development are not amortized.

Improvement expenses on third party assets, recorded in other intangible assets, are amortized over the estimated useful life or, if shorter, the remaining lease term, taking into account any renewal period, if at the option of the tenant.

Fixed assets are impaired when the estimated residual value is lower than the book value. Impairment losses are reversed if the reasons for the impairment no longer apply in the subsequent years.

The capitalisation and valuation of intangible fixed assets was performed with the consent of the Board of Statutory Auditors where required by the Italian Civil Code.

In accordance with the provisions of accounting standard OIC 9, the Company performs an impairment test for goodwill if there is an indication that value is impaired, carries out an impairment test considering the entity as a whole.

Tangible fixed assets

Tangible fixed assets are recognized on the date upon which the risks and benefits associated with the acquired assets are transferred, and are recorded, within the limit of their recoverable value, at the purchase or production cost net of accumulated depreciation, including all directly attributable costs and ancillary charges, indirect costs relating to internal production, and any costs associated with the financing of internal manufacturing incurred during the manufacturing period and up until the time at which the asset is ready for use.

Pursuant to OIC 26 par. 33, acquisitions with deferred payment at conditions other than those normally applied on the market are recognized at the value corresponding to the debt determined pursuant to OIC 19.

The costs incurred in relation to the expansion, modernization and improvement of existing assets, as well as those incurred to render them more effective or for any extraordinary maintenance performed in accordance with the provisions of OIC 16 par. 49 to 53, were only capitalized if there was a significant and measurable increase in the asset's production capacity or useful life.

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For these assets, depreciation was applied on a straight line, based on the new book value, taking into account their residual useful life.

For tangible fixed assets consisting of components with different useful life, in accordance with the provisions of OIC 16 in paragraph 45 and 46, the values of the individual assets were determined in order to identify the different duration of their useful life.

The cost of fixed assets whose use is limited in time is systematically depreciated each year based on economic-technical rates determined in relation to the residual possibility of use.

All the assets have been depreciated, including those temporarily not in use, with the only exception being those with unlimited useful life, which consist of land, non-instrumental buildings, and civil works.

The depreciation starts from the moment the assets are available and ready for use.

Amortization of assets acquired during the year is based on 50% of the annual depreciation and the rates have been applied in accordance with OIC 16 par. 61.

Depreciation rates, in accordance with OIC 16 paragraph 70 are reviewed in the event of a change in the residual useful life.

Obsolete assets and those that will no longer be used or usable in the production cycle, based on OIC 16 par. 80, have not been depreciated and have been valued at the lower value between the net book value and the recoverable value.

The depreciation rates applied are specified below:

Buildings: 3%

Temporary constructions: 10%

Plant and machinery: 15%

Industrial and commercial equipment: 15%

Other assets:

- furniture and fixtures: 12%
- electronic office equipment: 20%
- transport vehicles: 20%
- cars: 25%

The depreciation rates are consistent with the previous year.

Equity investments

Equity investments are classified as fixed assets or current assets according to their intended use.

They are initially stated at purchase or acquisition cost, including ancillary costs.

Pursuant to OIC 21 par. 21, acquisitions with deferred payment at conditions other than those normally applied on the market are recognized at the value corresponding to the debt determined pursuant to OIC 19.

Non-current equity investments

Non-current equity investments, listed and unlisted, are recorded at cost.

Pursuant to art. 2426, no. 3 of the Italian Civil Code, in the presence of impairment, defined and determined based on OIC 21, paragraphs 31 to 41, the cost is adjusted.

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Inventories

Inventories are recognized on the date on which the risks and benefits associated with the acquired assets are transferred and are recognized at the lower value of the purchase cost, including all directly attributable costs and ancillary charges and indirect costs relating to in-house production determined according to the weighted average cost criterion, and the estimated realizable value inferable from the market trend.

Pursuant to OIC 13 par. 22, acquisitions with deferred payment at conditions other than those normally applied on the market are recognized at the value corresponding to the debt determined pursuant to OIC 19.

The realizable value was thus determined based on the provisions of OIC 13 par. 51 to 53 and in particular it based on the estimate of the sale price of the goods and finished products in the course of normal management, having regard to the information available from the market. For the purposes of determining the realizable value, market trends are used taking into account the rate of obsolescence and turnaround times, among others.

The obsolescence rate relates to the slow turnover of goods in stock and is calculated based on estimates made on low-turnover products. At the end of each financial year, the Company makes estimates in order to verify the need to adjust the inventory obsolescence fund.

Derivative financial instruments

Derivative financial instruments are recorded at fair value corresponding to the fair value, if any, or the value resulting from evaluation models and techniques that ensure a reasonable approximation to fair value. The financial instruments for which these methods could not be used are evaluated based on their purchase price.

The fair value, if positive, is recorded as an asset, in the specific item of financial fixed assets or in current assets depending on the destination, or under liabilities in the specific item included among the provisions for risks and charges, in the case of which the fair value is negative.

Derivatives to hedge cash flows (cash flow hedges) are offset by a net equity reserve, or, for the ineffective portion, in the Income Statement.

The changes in the fair value of speculative derivatives and price hedges (fair value edge) are recorded in the Income Statement.

Receivables including those recognized as financial fixed assets

Receivables are classified as fixed assets or current assets based on their destination/origin with respect to ordinary business, and are recorded at their estimated realizable value.

The breakdown between current and non-current is based on the contractual or legal maturity, also taking into account facts and events that may entail modifying the original maturity, the ability of the debtor to fulfil the obligation within the contractual terms, and the time frame within which it is believed reasonably possible for the receivable to be settled.

Receivables pursuant to art. 2426, par. 1, no. 8 of the Italian Civil Code are recorded at amortized cost, with the exception of receivables for which the effects of applying the amortized cost, pursuant to art. 2423, par. 4 of the Italian Civil Code, are irrelevant (maturity under 12 months).

For the principle of relevance already mentioned, receivables have not been discounted if the interest rate derived from the contractual conditions is not significantly different from the market interest rate.

The “time factor” referred to in art. 2426, par. 1, no. 8, of the Italian Civil Code was also taken into account by discounting non-current receivables in the event of a significant difference between the effective interest rate and the market rate.

Receivables for which the amortized cost criterion was not applied were recognized at their estimated realizable value.

Regardless of whether or not the amortized cost was applied, receivables are shown in the financial statements net of the recognition of a bad debt provision relating to the receivables deemed non-collectable, as well as the

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generic risk relating to the remaining receivables. This risk relies on estimates based on past experience, the trend in the seniority indices of overdue receivables, the general economic situation, sector and country risk, and events occurring after the close of the financial year that have an impact on the values at the financial statements date.

Taxes and deferred tax assets

The item “Taxes” includes certain and determined amounts deriving from receivables for which a right of realization has arisen through reimbursement or compensation.

“Deferred tax assets” are calculated based on deductible time differences or the carry-forward of tax losses, applying the estimated tax rate in force at the time when these differences are expected to arise.

Deferred tax assets have been recognized where there is reasonable certainty that they will be recovered in the future, as proven by a tax plan for a reasonable period of time that provides sufficient taxable income to use the losses carried forward and/or by the presence of sufficient taxable time differences to absorb the losses carried forward.

Cash and cash equivalents

Cash and cash equivalents represent the balances of bank and postal deposits, cheques, as well as cash and cash equivalents on hand at the year’s end. Bank and postal deposits and cheques are valued at the estimated realizable value, cash in hand and cash value securities at face value while foreign currency receivables are valued at the exchange rate in effect at the end of the year.

Accrued income and prepaid expenses

Accrued income and prepaid expenses have been recorded on an accrual basis and relate to the revenue/costs pertaining to the year and payable in subsequent years, and the revenue/costs incurred by the end of the year but pertaining to subsequent years.

Therefore, only the portions of costs and revenue common to two or more years are recorded, the amount of which varies according to time.

At the end of the year, it was verified that the conditions that determined the initial recognition have been met, making, if necessary, the required value adjustments, taking into account not only the time factor but also any recoverability.

Accrued income, in the same way as receivables, are measured at the presumable realizable value and, if lower than the book value, an impairment is recorded in the Income Statement.

Accrued expenses, in the same way as payables, are recorded at nominal value.

For prepaid expenses, an assessment was made of the future economic benefit related to the deferred costs, making an adjustment if this benefit was lower than the deferred portion.

Provisions for risks and charges

The provisions for risks and charges are recorded to cover losses or liabilities of a specific nature, of certain or probable existence, whose amount or date of occurrence are, however, uncertain at the end of the year.

The estimation process is carried out and/or adjusted at the financial statements date based on past experience and of information available.

In accordance with OIC 31 par. 19, given that the criterion of classification by nature of costs prevails, the allocations to the provisions for risks and charges are recorded among the asset items to which the transaction refers (characteristic, ancillary or financial).

Tax provisions, including deferred taxes

This includes the liabilities for probable taxes, deriving from non-definitive assessments and pending disputes, and the deferred tax liabilities determined based on the taxable temporary differences, applying the estimated rate in force at the moment in which these differences are deemed to be reversed.

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In accordance with OIC 25 paragraphs 53 to 85, the provision for deferred taxes also includes deferred taxes arising from extraordinary transactions, revaluation of assets and suspended taxation that are not reflected in the Income Statement or in net equity.

Severance indemnity

Employees' severance indemnity is recorded in accordance with the provisions of current legislation and correspond to the actual commitment of the Company towards its individual employees as of the financial statements date, after deduction of paid advances.

Payables

Payables pursuant to art. 2426, par. 1, no. 8, of the Italian Civil Code are recognized according to the amortized cost criterion, with the exception of payables for which the effects of the application of the amortized cost, pursuant to art. 2423 par. 4 of the Italian Civil Code, are irrelevant (maturity less than 12 months) For the principle of relevance, the payables have not been discounted if the interest rate derived from the contractual conditions is not significantly different from the market interest rate.

The 'time factor' referred to in art. 2426, par. 1, no. 8, of the Italian Civil Code was also taken into account by discounting non-current payables in the event of a significant difference between the effective interest rate and the market rate.

Payables for which the amortized cost criterion was not applied were recognized at their nominal value.

Current and non-current amounts are classified based on the contractual or legal maturity, also taking into account facts and events that may lead to a change in the original maturity.

Payables originating from acquisitions of assets are entered at the time when the risks, charges and benefits are transferred; those relating to services are recognized when the service is performed; financial and other types when the obligation to the counter-party arises.

Tax payables include liabilities for certain and determined taxes, as well as withholding taxes as a substitute and not yet paid at the financial statements date, and, where offset is permitted, are recorded net of advances, withholding taxes and tax receivables.

Foreign currency values

Receivables and payables originally expressed in currencies other than the Euro are recorded at the exchange rate on the date of the transaction. Exchange differences realized on the settlement of foreign currency receivables and payables are recognized in the Income Statement under item 17-*bis*. At the end of the financial year, items in foreign currency are directly adjusted to the official exchange rates in force at the end of the financial year, and the exchange rate differences are recorded in the Income Statement under item 17-*bis*.

Any net profits resulting from adjustment of foreign currency items to exchange rates not absorbed by any losses in the financial year are recorded in a dedicated non-distributable reserve until it is actually realized.

Non-monetary assets and liabilities in foreign currency are recognized at the exchange rate in effect at the time of their purchase, and, pursuant to OIC 26 par. 31, when preparing the financial statements, this cost is compared with the recoverable value (fixed assets) or with the value inferable from market trends (current assets).

Costs and revenue

These are reported in accordance with the principles of prudence and economic accrual.

With reference to "Revenue from sales and services", it should be noted that adjustments of revenue, pursuant to OIC 12 par. 50, are deducted from the revenue item, excluding those referring to previous years and resulting from corrections of errors or changes in accounting principles, recognized pursuant to OIC 29 on the opening balance of shareholders' equity.

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As per industry practice, discounts on purchases are recognized as a reduction in the purchase cost of goods while income from promotional activities with suppliers are recognized in other income.

Income taxes

Current taxes are calculated based on a realistic forecast of taxable income for the year, determined according to tax legislation, and by applying the tax rates in force on the reporting date. The related tax liability is recognized in the balance sheet at nominal value, net of advances paid, withholding taxes and tax receivables that can be offset and are not requested for reimbursement; in the event that the advances paid, withholding taxes and receivables exceed the taxes due, the relevant tax credit will be recorded. Deferred and prepaid income taxes are calculated on the cumulative amount of all temporary differences between the values of assets and liabilities, as determined using statutory accounting criteria with their values recognized for tax purposes.

Deferred and prepaid income taxes are recognized in the financial year in which the temporary differences emerge, and are calculated by applying the tax rates in effect during the financial year in which the temporary differences will be reversed. This applies when these rates have already been defined on the reference date for the financial statements; otherwise they are calculated based on the rates in effect on the reference date for the financial statements.

Events occurring after the end of the financial year

Events occurring after the end of the financial year that modify existing conditions at the balance sheet date and which require changes to asset and liability values, in accordance with the relevant accounting standard, are recognized in the balance sheet, in accordance with the accrual principle, to reflect the effect that these events have on the financial position and on the profit or loss at the end of the financial year. Events occurring after the end of the financial year that modify existing conditions at balance sheet date, but which do not require changes in book values, in accordance with the reference accounting standard, because they will be included in the following financial year, are not recognized in balance sheet but are shown in the notes when necessary, in order to disclose the relevant information. The period within which the event must occur for it to be taken into account ends on the date of preparation of the draft financial statements by the Directors, except in cases where events occur that may require an amendment to the draft financial statements between that date and the date scheduled for the approval of the financial statements by the shareholders.

OTHER INFORMATION

The standards and recommendations published by the Italian Accounting Standard Setter (OIC) were complied with, and, where lacking, were integrated by the generally accepted international standards (IAS/IFRS and USGAAP) in order to give a truthful and fair representation of the equity and financial position and the economic result for the financial year.

FIXED ASSETS

Intangible fixed assets

Intangible fixed assets amounted to Euro 323,857,236 (Euro 340,823,140 in the previous year). This item is net of an impairment provision equal to Euro 878,455.

The composition and the changes to the individual items are as follows:

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	Incorporation and expansion costs	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Goodwill	Intangible fixed assets under development and advances	Other intangible fixed assets	Total intangible fixed assets
Value at the start of the year								
Cost	19,874,603	817,729	2,850,573	64,681,949	306,796,345	762,879	33,115,853	428,899,931
Amortization (Accumulated depreciation)	13,494,132	440,514	1,779,363	10,739,483	49,466,711	0	11,272,029	87,192,232
Impairment losses	0	0	437,473	0	0	447,086	0	884,559
Net book value	6,380,471	377,215	633,737	53,942,466	257,329,634	315,793	21,843,824	340,823,140
Changes during the year								
Increases for acquisitions	2,256,605	446,748	427,278	75,884	150,000	501,157	5,377,030	9,234,702
Decreases for disposals and divestments (of the carrying value)	36,336	0	1,311	0	0	276,392	188,292	502,331
Depreciation for the year	2,795,547	389,948	352,410	3,334,904	15,671,535	0	2,999,903	25,544,247
Impairment during the year	0	0	17,066	0	0	0	136,962	154,028
Total changes	-575,278	56,800	56,491	-3,259,020	-15,521,535	224,765	2,051,873	-16,965,904
Value at the end of the year								
Cost	21,823,581	1,264,477	3,262,848	64,757,833	306,946,345	987,644	37,609,275	436,652,003
Amortization (Accumulated depreciation)	16,018,388	830,462	2,278,212	14,074,387	65,138,246	0	13,576,617	111,916,312
Impairment losses	0	0	294,408	0	0	447,086	136,961	878,455
Net book value	5,805,193	434,015	690,228	50,683,446	241,808,099	540,558	23,895,697	323,857,236

The main increases that took place in 2020 are directly related to the Company's normal expansion policy.

In particular, the increase in the items Incorporation and expansion costs and Other intangible fixed assets is mainly due to:

- the incorporation costs incurred during the year for the opening of new stores;
- the costs of improvements on third party assets to open new stores.

The decreases in intangible fixed assets are mainly due to amortization, with particular regard to the amortization of the post-merger goodwill of Noah 3 for the year and amounted to Euro 13,492,054, to the amortization of the ARCAPLANET trademark which in the year amounted to Euro 3,288,964 and the amortization of post-merger goodwill of Mondial Pet Distribution S.p.A. which in the year amounted to Euro 1,478,966, in addition to the amortization of incorporation and expansion costs, equal to Euro 2,795,547, and to the amortization of other intangible assets equal to Euro 2,999,903. The decreases also include impairments relating to software and improvements to third party assets.

Incorporation and expansion costs

In accordance with the provisions of art. 2427, par. 1, no. 3, of the Italian Civil Code, the breakdown of incorporation and expansion costs is shown below.

Incorporation and expansion costs, equal to Euro 5,805,193, includes the set-up costs for the establishment and amendments to the deed of incorporation of the Company, the costs for the merger by reverse incorporation of Noah3, Saluki and Angelica, the costs for direct mergers of Zoomarket Group Sardegna S.r.l. and Mondial Pet Distribution S.p.A., the expenses for the purchase of the business unit from Country Shop S.r.l., the expenses for the purchase of the business unit from Zoodom Italia S.r.l. and costs incurred during the financial years for the opening of new points of sale or for the adaptation of existing points of sale, these costs have been capitalized because they have multi-year usefulness.

Development costs

The item in question, equal to Euro 434,015, relates to the expenses incurred for the design, construction and testing of new product lines.

Industrial patents and intellectual property rights

The item in question, equal to Euro 690,228, relates exclusively to the purchase of software licenses. This item is net of an impairment provision equal to Euro 294,408.

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Concessions, licenses, trademarks and similar rights

The item in question, equal to Euro 50,683,446, mainly includes the value of the ARCAPLANET trademark allocated after the reverse merger operation (i.e. the reverse incorporation of Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l., into Agrifarma) which had legal effect on 1 December 2016 and the costs relating to the registration and maintenance of private trademarks.

The tax effect, determined with the tax rates in force, in accordance with accounting principle OIC 4, is recorded in the deferred tax liabilities.

This book value was the subject of a appraisal dated January, 31 2017 about the value of the ARCAPLANET brand which confirmed the book value as of 1 December 2016 for an estimated useful life of 20 years.

To date, no elements have emerged such as to suggest brand value impairment.

Goodwill

Goodwill, equal to Euro 241,808,099, mainly refers to :

Costs incurred for the recognition of individual shop expenses

This element includes:

- Goodwill deriving from the purchase of the business relating to the Imperia shop (which took place in 2012) equal to Euro 13,000 net of amortization;
- Goodwill deriving from the purchase of the business relating to the Rome shop (Via Tiburtina) (which took place in 2014) equal to Euro 12,000 net of amortization;
- Goodwill deriving from the purchase of the business relating to the Lucca shop (which took place in 2018) equal to Euro 23,597 net of amortization;
- Goodwill deriving from the purchase of the business relating to the Comacchio shop (which took place in 2019) equal to Euro 42,301 net of amortization;
- Goodwill deriving from the purchase of the business relating to the Monserrato shop (which took place in 2012 by Zoomarket Group Sardegna S.r.l. later merged into Agrifarma) equal to Euro 1,501 net of amortization.

For goodwill already recorded as at 31 December 2015, the Company availed itself of the exemption provided for by Legislative Decree no. 139 of 2015 and did not determine the useful life. Specifically, they are amortized over 10 years, as permitted by art. 2426 of the Italian Civil Code, with the exception of the goodwill of Monserrato which is amortized over 18 years.

Costs incurred for the recognition of business complex expenses

This element includes:

- The goodwill deriving from the transfer of a business unit which took place in 2007 to Bulldog S.r.l. (company incorporated in 2009); this goodwill is amortized over a period of 20 years from the date of registration, taking into account the duration relating to its use equal to Euro 987,156 net of amortization;
- The goodwill deriving from the allocation of the deficit from the merger by incorporation of Bulldog S.r.l. which was depreciated over a residual useful life of 18 years from the date of registration which amounts to Euro 58,113 net of amortization;
- The goodwill deriving from the transfer of a business unit which took place in 2008 to New Lucky Dog S.r.l. (company incorporated in 2011), goodwill is amortized over a period of 20 the date of registration, taking into account the duration relating to its use equal to Euro 535,500 net of amortization;
- The goodwill deriving from the allocation of the deficit from the merger by incorporation of New Lucky Dog S.r.l. which was amortized over a residual useful life of 18 years from the date of registration which amounts to Euro 149,231 net of amortization.

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For goodwill already recorded at 31 December 2015, the Company availed itself of the exemption provided for by Legislative Decree no. 139 of 2015 and did not determine the useful life. Specifically, they were already amortized, taking into account the duration of their use, over a time frame that varies between 18 and 20 years.

This element also includes:

- The goodwill deriving from the allocation of the deficit from the merger by incorporation of Zoomarket Group Sardegna S.r.l. which was amortized over a useful life of 20 years from the date of registration which amounts to Euro 3,509,247 net of amortization;
- The goodwill deriving from the purchase of the business unit relating to the shops sold by Country Shop S.r.l. (which took place in 2017), which was amortized over a useful life of 20 years from the date of registration and amounts to Euro 3,021,567 net of amortization;
- The goodwill deriving from the purchase of the business unit relating to the shops sold by Zoodom Italy S.r.l. (which took place in 2019), which was amortized over a useful life of 20 years from the date of registration and amounts to Euro 92,047 net of amortization;
- The goodwill deriving from the allocation of the deficit from the merger by incorporation of Mondial Pet Distribution S.p.A. which was amortized over a useful life of 20 years and amounts to Euro 25,671,779 net of amortization;
- The goodwill deriving from the purchase of the business unit relating to the shops sold by La Città degli Animali S.r.l. (which took place in 2020), which was amortized over a useful life of 20 years from the date of registration and amounts to Euro 149,363 net of amortization.

Costs incurred for the recognition of Agrifarma business complex expenses

This element includes:

- The goodwill deriving from the allocation of the deficit from the merger by reverse incorporation of Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l., into Agrifarma S.p.A. which amounts to Euro 207,541,697 net of amortization.

The period of time within which the Company expects to recover, in financial or income terms, the investments made also in consideration of the objective facts and circumstances formally documented by the Company Board of Directors is 18/20 years from the date of acquisition, a period that is also compliant with the amortization time frame of the main asset represented by the ARCAPLANET trademark.

To date, no elements have emerged such as to suggest the impairment of goodwill recorded in the financial statements.

Assets under development and advances

Assets under development and advances, equal to Euro 540,558, refer to advances that have been paid to suppliers for improvement works not yet started on some points of sale and for the implementation of new software. This item is net of an impairment provision equal to Euro 447,086.

Composition of the item "Other intangible fixed assets"

The item "Other intangible fixed assets" amounting to Euro 23,895,697 is broken down as follows:

Description	Value at the start of the year	Changes during the year	Value at the end of the year
Improvements to third party assets	21,572,958	2,134,610	23,707,568
Renovation expenses	0	0	0
Non competition agreement costs	30,668	-16,035	14,633
Other multi-year costs	240,198	-66,702	173,496
Total	21,843,824	2,051,873	23,895,697

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It should be noted that the Other intangible fixed assets, as indicated above, are mainly made up of the expenses that the Company incurs on third party properties leased and used as points of sale. These expenses are amortized in the shorter period between the future usefulness of the expenses incurred and the residual period of the lease. The increase in these expenses is due to the expansionary policy of the Company which provides for the continuous opening of points of sale. This item is net of an impairment provision equal to Euro 136,962, an impairment during the year and partly attributable to the improvement costs on third party assets of the points of sale that will be closed and partly to the e-commerce site replaced with a new platform.

Tangible fixed assets

Tangible fixed assets amounted to Euro 16,752,536 (Euro 16,824,248 in the previous year). This item is net of an impairment provision equal to Euro 37,855.

The composition and the changes to the individual items are as follows:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible fixed assets under development and advances	Total tangible fixed assets
Value at the start of the year						
Cost	80,707	550,431	15,403,468	20,200,058	420,401	36,655,065
Amortization (Accumulated depreciation)	15,374	466,554	9,230,067	9,729,310	0	19,441,305
Impairment losses	0	0	335,245	54,267	0	389,512
Net book value	65,333	83,877	5,838,156	10,416,481	420,401	16,824,248
Changes during the year						
Increases for acquisitions	17,982	11,546	1,808,021	3,154,509	418,959	5,411,017
Decreases for disposals and divestments (of the carrying value)	0	3,633	499,067	170,913	566,626	1,240,239
Depreciation for the year	2,961	22,138	1,452,192	2,765,199	0	4,242,490
Other changes	0	0	1,128	-1,128	0	0
Total changes	15,021	-14,225	-142,110	217,269	-147,667	-71,712
Value at the end of the year						
Cost	98,689	475,264	13,124,117	22,207,986	272,734	36,178,790
Amortization (Accumulated depreciation)	18,335	405,612	7,428,071	11,536,381	0	19,388,399
Impairment losses	0	0	0	37,855	0	37,855
Net book value	80,354	69,652	5,696,046	10,633,750	272,734	16,752,536

The following additional information is provided below.

The increases in fixed assets referred to in the above table refer mainly to purchases for various equipment linked to the new openings, as well as office and department furniture, furnishings and equipment, ordinary and electronic office machines, internal means of transport and cars.

As regards the determination of the depreciation of tangible assets for the year, equal to Euro 4,242,490, only economic-technical depreciation was calculated, based on the rates deemed to express the residual useful life of the asset.

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Composition of the item “Other tangible fixed assets”

The item “Other tangible fixed assets” amounting to Euro 10,633,750 is broken down as follows:

Description	Value at the start of the year	Changes during the year	Value at the end of the year
Furniture and fixtures	7,828,127	321,413	8,149,540
Electronic office equipment	2,214,045	-255,381	1,958,664
Cars	161,260	192,504	353,764
Transport vehicles	213,049	-41,267	171,782
Total	10,416,481	217,269	10,633,750

Financial lease transactions

Pursuant to art. 2427, par. 1, no. 22, of the Italian Civil Code, it should be noted that a financial leasing contract is in place at the closing date of this year. This financial lease contract, stipulated on 19 December 2019, relates to a property located in Comacchio, consisting of a portion of a building used as a commercial warehouse with an adjoining warehouse. The information regarding financial leasing transactions is provided below.

Balance Sheet – Financial leasing method

Tangible fixed assets	835,100	Shareholders’ equity	23,745
Accumulated depreciation	-37,580	Financial payables	691,427
Deferred tax assets	0	Deferred tax liability	9,188
Adjustment of deferred income	-73,161		
Total assets	724,360	Total liabilities	724,360

Income Statement – Financial leasing method

Reversal of leasing fees	-73,491	Deferred tax assets	0
Depreciation for the period	25,053		
Interest expenses	8,473		
Total costs	-28,815	Total assets	0
(Profit)/Loss	-28,815		

Financial fixed assets

Equity investments, other securities and derivative financial instrument assets

Equity investments included in financial fixed assets amounted to Euro 3,979,997 (Euro 2,542,897 in the previous year).

The composition and the changes to the individual items are as follows:

	Equity investments in subsidiaries	Equity investments in other companies	Total equity investments
Value at the start of the year			
Cost	2,537,302	5,595	2,542,897
Carrying value	2,537,302	5,595	2,542,897
Changes during the year			
Other changes	1,437,100	0	1,437,100
Total changes	1,437,100	0	1,437,100
Value at the end of the year			
Cost	3,974,402	5,595	3,979,997
Carrying value	3,974,402	5,595	3,979,997

It should be noted that the change in equity investments is related to the recapitalization of the investee Arcaplanet SA, which took place during 2020.

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Equity investments in other companies relate to shares in various consortia and shareholdings in cooperative credit banks which were received following the merger of Mondial Pet Distribution S.p.A.

Total non current receivables

Equity investments included in financial fixed assets amounted to Euro 638,538 (Euro 1,572,276 in the previous year).

The composition and the changes to the individual items are as follows:

	Opening nominal value	Opening bad debt provision	Opening net book value	Allowances to bad debt provision	Use of the bad debt provision
From subsidiary companies	1,100,000	0	1,100,000	0	0
Cash security deposits	472,276		472,276		
Total	1,572,276	0	1,572,276	0	0

	(Write-downs)/ Write-backs	Reclassified from/(to) other items	Other change increases/ (decreases)	Closing nominal value	Closing bad debt provision	Closing net book value
From subsidiary companies	0	0	-840,000	260,000	0	260,000
Cash security deposits . .	0	0	-93,738	378,538		378,538
Total	0	0	-933,738	638,538	0	638,538

Non current receivables refer to (i) the non-interest bearing loan granted to the subsidiary Arcaplanet SA for an amount of Euro 1,100,000, for which a portion was subsequently waived and, as of 31 December 2020, the amount outstanding is equal to Euro 260,000 and to (ii) receivables for deposits with lessors of the commercial properties and service providers (multiutilities).

With reference to the loan granted to Arcaplanet SA, it should be noted that the amount of the non-interest bearing loan is equal to Euro 2,000,000, disbursed as at 31 December 2019 for Euro 1,100,000 and waived during the year for Euro 840,000. The maturity is 24 months after the final disbursement. The loan is recorded at nominal value net of the portion waived during the year.

A summary of the changes is provided below:

	Value at the start of the year	Changes during the year	Value at the end of the year	Current	Non-current	Due beyond 5 years
Receivables from subsidiaries	1,100,000	-840,000	260,000	0	260,000	0
Receivables from third parties	472,276	-93,738	378,538	0	378,538	0
Total non current receivables	1,572,276	-933,738	638,538	0	638,538	0

Equity investments in subsidiaries

Below are the data relating to equity investments in subsidiaries, pursuant to art. 2427, par. 1, no. 5 of the Italian Civil Code:

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share Capital in Euro	Profit (Loss) for the last fiscal year in Euro	Shareholders' equity in Euro	Share held in Euro	Share held in %
Arcawip S.r.l.	Carasco (GE)	02635740992	10,000	279,238	856,962	856,952	100.00
Arcaplanet SA	Switzerland		90,000	-420,133	-744,727	-744,727	100.00
Total							

The data referring to the equity investment in Arcawip S.r.l. refer to the financial statements for the year ended 31 December 2020.

The equity investment in Arcawip S.r.l., relating to 100% of its share capital, was purchased on 30 October 2019, with effect from 1 November 2019, for a purchase price of Euro 2,381,272, plus capitalized

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accessory charges. The Company operates in the same sector as Agrifarma and owns 11 points of sale in Lombardia, Veneto and Piedmont.

The data referring to the investment in Arcaplanet SA refer to the financial statements as at 31 December 2019, as the financial statements ended 31 December 2020 were not finalised when these financial statements were prepared.

The investment in Arcaplanet SA, relating to 100% of the share capital, was recorded following its establishment on 2 February 2018. The Company operates in the same sector as Agrifarma and owns 2 points of sale in Switzerland. This Company is still in the start-up phase and it is believed that the losses incurred are not of a lasting nature.

Non current receivables — Breakdown by geographical area

The breakdown of non-current receivables by geographical area is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

Geographical area	Non current receivables from subsidiaries	Non current receivables from third parties	Total non current receivables
Italy	0	378,538	378,538
EU	0	0	0
Non-EU	260,000	0	260,000
Total	260,000	378,538	638,538

CURRENT ASSETS

Inventories

Goods are recognized in inventories when the transfer of the risks and benefits associated with the goods acquired takes place, and consequently include the goods existing in the Company's warehouses, with the exception of those received from third parties for which the right of ownership has not been acquired (for inspection, for processing, for consignment), goods owned by third parties (for inspection, for processing, for consignment), and goods in transit where the risks and benefits connected to the acquired goods have already been transferred.

The inventories included in current assets amounted to Euro 55,143,479 (Euro 57,290,774 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Raw ancillary materials and consumables	519,968	145,266	665,234
Finished products and goods	56,770,806	-2,292,561	54,478,245
Total inventories	57,290,774	-2,147,295	55,143,479

Inventories of finished products and goods, as well as consumables, have been recorded at the lower of the purchase or manufacturing cost and the corresponding realisable value. Cost was determined by applying the weighted average cost method.

Inventories of finished products and goods are recorded net of an obsolescence provision equal to Euro 1,732,481.

The changes in the obsolescence provision are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Obsolescence provision	1,332,481	400,000	1,732,481

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Receivables

Receivables included in current assets amounted to Euro 10,282,302 (Euro 10,316,192 in the previous year).

The breakdown is as follows:

	Current	Non-current	Total nominal value	(Bad debt provision)	Net value
From customers	7,521,034	0	7,521,034	26,134	7,494,900
From subsidiaries	1,403,689	0	1,403,689	0	1,403,689
Taxes	27,003	24,679	51,682		51,682
Deferred tax assets			1,050,871		1,050,871
From others	303,339	0	303,339	22,179	281,160
Total	9,255,065	24,679	10,330,615	48,313	10,282,302

Receivables — Breakdown by maturity

The breakdown of receivables by maturity is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

	Value at the start of the year	Changes during the year	Value at the end of the year	Current	Non-current	Due beyond 5 years
Current Receivables from Customers	7,737,089	-242,189	7,494,900	7,494,900	0	0
Current Receivables from subsidiaries	985,722	417,967	1,403,689	1,403,689	0	0
Current Taxes	138,836	-87,154	51,682	27,003	24,679	0
Deferred tax assets	978,944	71,927	1,050,871			
Other current receivables	475,601	-194,441	281,160	281,160	0	0
Total current receivables	10,316,192	-33,890	10,282,302	9,206,752	24,679	0

Receivables — Breakdown by geographical area

The breakdown of the receivables entered in current assets by geographical area is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

Geographical area	Total	Italy	EU	Non-EU
Current receivables from customers	7,494,900	7,472,540	7,087	15,273
Current Receivables from subsidiaries	1,403,689	888,458	0	515,231
Current Taxes	51,682	51,682	0	0
Deferred tax assets	1,050,871	1,050,871	0	0
Other current receivables	281,160	281,160	0	0
Total current receivables	10,282,302	9,744,711	7,087	530,504

Receivables from customer

Receivables from customer, equal to Euro 7,494,900, mainly relate to receivables from suppliers for promotional activities to be collected within the next year (net of credit notes to be issued).

With regard to such receivables, it should be noted that a bad debt provision has been recorded, amounting to Euro 26,134, deriving in part from the merger of Mondial Pet Distribution S.p.A., in order to align the book value of the receivables with their presumed realizable value.

Receivables from subsidiaries

Receivables from subsidiaries, equal to Euro 1,403,689, consist of receivables for the supply of goods to the subsidiaries Arcawip S.r.l. and Arcaplanet SA.

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Taxes

Taxes recognized in the financial statements for the year ended 31 December 2020 amount to Euro 51,682 and relate to the receivable from the tax authorities for IRES which amounts to Euro 24,679 and other taxes for Euro 27,003.

The non-current portion of taxes, equal to Euro 24,679, relates to the IRES refund requests, presented during the months of February and March 2013, as a result of the failure to deduct, for IRES purposes, the IRAP referable expenses for employees and similar personnel.

Deferred tax assets

Deferred tax assets, equal to Euro 1,050,871, relate to temporary differences between statutory profit and taxable income that will be reversed in future periods. The asset was recognized as there is a reasonable certainty that these temporary differences will be reflected in the Company's future taxable income.

Below is the breakdown of the deferred tax assets at the end of the year:

Description	IRES deferred tax assets	IRAP deferred tax assets
Inventory obsolescence provision	415,796	0
Directors' fees	126,000	0
Unpaid taxes	35,809	0
Impairment and provisions	2,627	0
Interests charges for late payments	0	0
Brand amortization	103,906	16,885
Goodwill amortization	21,365	3,472
Provision for future expenses	2,974	0
Unrealized foreign exchange losses	0	0
Risk provisions	83,486	0
Fixed asset impairment provisions	219,914	0
Agent indemnity fund	575	0
Other	18,062	0
Total	1,030,514	20,357

The provision to the bad debt provision, equal to Euro 26,134, generated, for the part not deducted for tax purposes, IRES deferred tax assets for Euro 2,627, and refers to receivables recorded in receivables from customers.

It should be noted that the IRES deferred tax assets have been determined using the rate of 24%.

The IRAP rate used to quantify deferred tax assets is 3.90%.

Other Receivables

This item consists of receivables deriving from non-strictly commercial transactions; in particular it deals with:

Description	Value at the start of the year	Changes during the year	Value at the end of the year
Receivables for discount coupons	20,187	-6,302	13,885
INAIL receivables	6,407	0	6,407
Employee receivables	57,570	-42,000	15,570
Supplier advances	67,559	58,166	125,725
Other receivables	323,878	-204,305	119,573
Total	475,601	-194,441	281,160

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Financial assets

Financial assets included in current assets amounted to Euro 0 (Euro 57 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Current Derivative financial instruments	57	-57	0
Total non fixed financial assets	57	-57	0

Derivative financial instruments amounting to Euro 0 relate to the “Mark to Market” assessment of a derivative entered into in 2018, which will expire on 31 May 2021.

Cash and cash equivalents

Cash and cash equivalents included in current assets amounted to Euro 75,309,066 (Euro 52,635,592 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Bank and postal deposits	52,042,730	22,655,559	74,698,289
Cash in hand	592,862	17,915	610,777
Total cash and cash equivalents	52,635,592	22,673,474	75,309,066

Cash in hand

This item indicates the cash and cash equivalents held by the Company to be deposited in the bank account mainly relating to collections from shops not deposited in the bank due to the end of year holidays.

ACCRUED INCOME AND PREPAID EXPENSES

Accrued income and prepaid expenses amounted to Euro 1,293,930 (Euro 1,698,159 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Accrued Income	1,249	270	1,519
Prepaid expenses	1,696,910	-404,499	1,292,411
Total accrued income and prepaid expenses	1,698,159	-404,229	1,293,930

Breakdown of prepaid expenses:

They mainly consist of portions of costs pertaining to 2021 and subsequent financial years, reversed and deferred to the future financial year, relating to insurance premiums, utilities, maintenance fees, condominium expenses, rent payable and leasing fees.

SHAREHOLDERS' EQUITY

Shareholder's equity as at the end of the year is equal to Euro 255,385,694 (Euro 248,063,060 in the previous year).

The following tables show the changes during the year in the individual components of shareholders' equity and the details of the item “Other reserves”:

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	Value at the start of the year	Allocation of dividends	Other destinations	Increases
Share capital	1,121,363	0	0	0
Share premium reserve	17,635,394	0	0	0
Legal reserve	211,329	0	0	0
Other reserves				
Extraordinary reserve	22,986,625	0	0	0
Merger surplus reserve	226,776,765	0	0	0
Other	1	0	0	0
Total other reserves	249,763,391	0	0	0
Retained earnings / (accumulated losses)	-16,592,103	0	0	-4,076,314
Profit/(loss) for the year	-4,076,314	0	0	0
Total Shareholder's equity	248,063,060	0	0	-4,076,314

	Decreases	Reclassifications	Profit/(loss) for the year	Value at the end of the year
Share capital	0	0		1,121,363
Share premium reserve	0	0		17,635,394
Legal reserve	0	0		211,329
Other reserves				
Extraordinary reserve	0	0		22,986,625
Merger surplus reserve	0	0		226,776,765
Other	1	0		0
Total other reserves	1	0		249,763,390
Retained earnings / (accumulated losses)	0	0		-20,668,417
Profit/(loss) for the year	-4,076,314	0	7,322,635	7,322,635
Total Shareholder's equity	-4,076,313	0	7,322,635	255,385,694

Description	Amount
Euro rounding reserve	0

The changes in shareholders' equity items are as follows:

	Value at the start of the year	Allocation of dividends	Other destinations	Increases
Share capital	1,121,363	0	0	0
Share premium reserve	17,635,394	0	0	0
Legal reserve	211,329	0	0	0
Other reserves				
Extraordinary reserve	22,986,625	0	0	0
Merger surplus reserve	226,776,765	0	0	0
Other	-1	0	2	0
Total other reserves	249,763,389	0	2	0
Retained earnings / (accumulated losses)	-8,836,095	0	-723,065	-7,032,943
Profit/(loss) for the year	-7,032,943	0	0	0
Total Shareholder's equity	252,862,437	0	-723,063	-7,032,943

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Notes to the financial statements As of and for the year ended 31 December 2020

	Decreases	Reclassifications	Profit/(loss) for the year	Value at the end of the year
Share capital	0	0		1,121,363
Share premium reserve	0	0		17,635,394
Legal reserve	0	0		211,329
Other reserves				
Extraordinary reserve	0	0		22,986,625
Merger surplus reserve	0	0		226,776,765
Other	0	0		1
Total other reserves	0	0		249,763,391
Retained earnings / (accumulated losses)	0	0		-16,592,103
Profit/(loss) for the year	-7,032,943	0	-4,076,314	-4,076,314
Total Shareholder's equity	-7,032,943	0	-4,076,314	248,063,060

Availability and use of shareholders' equity items

The information required by art. 2427, par. 1, no. 7-bis of the Italian Civil Code regarding the specification of equity items, gross of losses carried forward and losses for the year, in regards to their origin, possibility of use and distribution, as well as their utilisation in prior years, is derived from the following tables:

	Amount	Origin/nature	Possibility of use	Amount available	Summary of uses in the three previous years — for loss hedging	Summary of uses in the three previous years — for other reasons
Share capital	1,121,363	share capital — profit		0	0	0
Share premium reserve	17,635,394	Share capital	A, B, C	17,635,394	0	0
Legal reserve	211,329	Profit	B	211,329	0	0
Other reserves						
Extraordinary reserve	22,986,625	Profit	A, B, C	22,986,625	0	0
Merger surplus reserve	226,776,765	Share capital	A, B, C	226,776,765	0	0
Total other reserves	249,763,390			249,763,390	0	0
Total	268,731,476			267,610,113	0	0
Non-distributable amount				24,085,931		
Residual distributable amount				243,524,182		

Key: A: for share capital increase; B: to cover losses;
C: for distribution to shareholders D: for other statutory restrictions
E: other

To complete the information provided on shareholders' equity, the following additional information is specified below.

Share capital

The Share capital of the Company amounts to Euro 1,121,263 and comprises 1,121,363 ordinary shares with a nominal value of Euro 1.00 each.

The share capital at 31 December 2020 is fully subscribed by Noah 2 S.p.A. It should be noted that share capital was increased by Euro 64,720 with the minutes of the extraordinary shareholders' meeting of 29 May 2018.

Share premium reserve

The share premium reserve is equal to Euro 17,635,394 and includes (i) Euro 2,400,000 deriving from the share capital increase approved by the Company on December 23, 2005 (ii) Euro 300,114, deriving from the

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share capital increase subscribed on December 2, 2010 and (iii) Euro 14,935,280 related to the share capital increase resolved on May 29, 2018.

Legal reserve

The legal reserve amounts to Euro 211,329 and, due to the capital increase carried out during the year, has not yet reached the limit envisaged by art. 2430 of the Italian Civil Code.

Extraordinary reserve

The extraordinary reserve is equal to Euro 22,986,625 and is unchanged compared to the previous year.

Merger surplus reserve

The merger surplus reserve, equal to Euro 226,776,765, was generated on 1 December 2016 from the increase in shareholders' equity that Agrifarma had following the legal effectiveness of the reverse merger with which it incorporated Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l.

Retained earnings / (accumulated losses) It includes the result for 2017 which was negative for Euro 8,836,095, the result for 2018 which was negative for Euro 7,032,943, the result for 2019 which was negative for Euro 4,076,314 and have been carried forward.

Profit/(loss) for the year

It includes the result for the year 2020 which is positive for Euro 7,322,635.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognized in liabilities for a total of Euro 14,480,158 (Euro 15,467,298 in the previous year).

The composition and the changes to the individual items are as follows:

	Provisions for pensions and similar obligations	Tax provisions including deferred taxes	Derivative financial instrument liabilities	Other accruals	Total provisions for risks and charges
Value at the start of the year	281,440	15,033,353	0	152,505	15,467,298
Changes during the year					
Allocations during the year	0	0	0	239,078	239,078
Use for the year	278,479	916,406	0	31,333	1,226,218
Total changes	-278,479	-916,406	0	207,745	-987,140
Value at the end of the year	2,961	14,116,947	0	360,250	14,480,158

In order to recognize the deferred taxation on the part of the merger deficit (not tax deductible) allocated to the ARCAPLANET trademark, the provision for deferred taxes, equal to Euro 14,116,947, was originally recorded on 1 December 2016 (effective date of the merger by incorporation of Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l.), for the amount of Euro 17,865,750 and subsequently released at 31 December 2016 for the amount of Euro 87,472, in subsequent years for the Euro 915,114 for each year, while in the 2020 financial year for the amount of Euro 917,621. This latest release corresponds to the part of deferred taxes relating to the depreciation of the ARCAPLANET trademark which took place in the 2020 financial year.

The deferred tax provision as at 31 December 2020 also includes Euro 1,631 deferred taxes on unrealized exchange gains.

The provision for deferred taxes recognized in the financial statements at 31 December 2020 was determined using the IRES rate at 24% and the IRAP rate at 3.9%.

The provision for pensions and similar obligations relates to Mondial Pet Distribution S.p.A. and in particular to the agents it had in 2019, which ceased at the end of 2019 and for which the related provision was liquidated in 2020.

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In the Other provisions for risks and charges, in the year 2020, a provision for future expenses equal to Euro 12,391 was recorded which should be released during the following year and a provision for risks and charges equal to Euro 226,687 relating to pending legal disputes.

Employees' severance indemnity

Employees' severance indemnity are recognized among liabilities for a total of Euro 2,677,048 (Euro 3,036,732 in the previous year).

The composition and the changes to the individual items are as follows:

	Employees' severance indemnity
Value at the start of the year	3,036,732
Changes during the year	
Allocations during the year	2,623,156
Use for the year	398,487
Other changes	-2,584,353
Total changes	-359,684
Value at the end of the year	2,677,048

The table above shows the provision and use of the Employees' severance indemnity and the other changes show the allocation of Employees' severance indemnity outside the Company.

PAYABLES

Payables are recognized in liabilities for a total of Euro 214,614,447 (Euro 216,968,408 in the previous year).

The individual items consist of the following:

	Value at the start of the year	Changes during the year	Value at the end of the year
Bank payables	146,153,436	-403,318	145,750,118
Advances	425,163	-131,928	293,235
Payables to suppliers	55,244,457	-2,260,090	52,984,367
Payables to subsidiaries	0	242,632	242,632
Tax payables	3,410,240	302,587	3,712,827
Payables due to social security and welfare institutions	3,006,321	30,689	3,037,010
Other payables	8,728,791	-134,533	8,594,258
Total	216,968,408	-2,353,961	214,614,447

Payables — Breakdown by maturity

The breakdown of the payables by maturity is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

	Value at the start of the year	Changes during the year	Value at the end of the year	Current	Non-current	Due beyond 5 years
Bank payables	146,153,436	-403,318	145,750,118	1,455,000	144,295,118	0
Advances	425,163	-131,928	293,235	293,235	0	0
Payables to suppliers	55,244,457	-2,260,090	52,984,367	52,984,367	0	0
Payables to subsidiaries	0	242,632	242,632	242,632	0	0
Tax payables	3,410,240	302,587	3,712,827	3,712,827	0	0
Payables due to social security and welfare institutions	3,006,321	30,689	3,037,010	3,037,010	0	0
Other payables	8,728,791	-134,533	8,594,258	8,594,258	0	0
Total payables	216,968,408	-2,353,961	214,614,447	70,319,329	144,295,118	0

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Notes to the financial statements As of and for the year ended 31 December 2020

Payables — Breakdown by geographical area

The breakdown of the payables by geographical area is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

Geographical area	Total	Italy	EU	Non-EU
Bank payables	145,750,118	145,750,118	0	0
Advances	293,235	293,235	0	0
Payables to suppliers	52,984,367	51,981,783	1,386,057	-383,473
Payables to subsidiaries	242,632	242,632	0	0
Tax payables	3,712,827	3,712,827	0	0
Payables due to social security and welfare institutions	3,037,010	3,037,010	0	0
Other payables	8,594,258	8,594,258	0	0
Payables	214,614,447	213,611,863	1,386,057	-383,473

Payables secured by collateral on Company assets

Information concerning the debts secured by collateral on corporate assets is provided below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

	Payables secured by pledges	Total payables secured by collateral	Payables not secured by collateral	Total
Bank payables	145,634,295	145,634,295	115,823	145,750,118
Advances	0	0	293,235	293,235
Payables to suppliers	0	0	52,984,367	52,984,367
Payables to subsidiaries	0	0	242,632	242,632
Tax payables	0	0	3,712,827	3,712,827
Payables due to social security and welfare institutions	0	0	3,037,010	3,037,010
Other payables	0	0	8,594,258	8,594,258
Total payables	145,634,295	145,634,295	68,980,152	214,614,447

Information on maturity, repayment methods and interest rates are specified below for payables secured by collateral.

The bank loan disbursed by a pool of credit institutions led by UniCredit S.p.A. amounts to Euro 145,634,295 as at 31 December 2020 (net of the effect of the amortized cost which is equal to Euro 1,954,373). Please note that the loan has the following repayment schedule and interest rates:

- Euro 105 million repayable in a “bullet” repayment maturing on 31 May 2023 and an interest rate equal to the spread (3.75%, from 28 February 2019 3.50%) + the 6-month Euribor (0% if negative),
- Euro 3.764 million and Euro 3.825 million (Capex 1 and Capex 2 respectively) repayable in 3 instalments, the last of which maturing on 30 November 2022 and an interest rate equal to the spread (3.25%, from 28 February 2019 3.00%) + the 6-month Euribor (if negative it is 0%) and;
- Euro 35 million, repayable in a “bullet” repayment maturing on 31 May 2023 and an interest rate equal to the spread (3.75%, 3.50% from 28 February 2019) + the 6-month Euribor (0% if negative).

It should be noted that with reference to the Capex 1 and Capex 2 lines, in November 2020 the first instalment of the three envisaged repayments was made, equal to 15% of the nominal value.

In light of the above, the following table summarizes the main conditions of the loans granted:

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Description	Nominal value	Maturity	Interest rate at 31 December 2020
B1 Loan	102,000,000	31/05/2023	3.50%
B2 Loan	3,000,000	31/05/2023	3.50%
Capex 1 loan	3,763,667	2 instalments — last 30 November 2022	3.00%
Capex 2 loan	3,825,000	2 instalments — last 30 November 2022	3.00%
B1 loan extension	35,000,000	31/05/2023	3.50%
Total		147,588,667	

The Sole Shareholder Noah 2 S.p.A. has pledged the shares representing 100% of Agrifarma S.p.A. to the pool of credit institutions headed by UniCredit S.p.A. for this loan.

Bank payables

Bank payables mainly relate to the loan explained above which has final maturity on 31 May 2023, for an amount of Euro 145,634,295. This loan, was provided to Noah 3 S.p.A. in order to carry out the acquisition of Saluki SA, Angelica S.r.l. and Agrifarma S.p.A., and was recorded in the Agrifarma S.p.A. financial statements at 31 December 2020 as a result of the reverse merger that took place in 2016.

Advances

Payables for advances amounted to Euro 293,235 and mainly relate to advances paid by customers.

Payables to suppliers

Payables to suppliers, which amount to a total of Euro 52,984,367, relate to payables for invoices received, net of credit notes to be received and payables for invoices to be received.

These payables are all commercial in nature in relation to goods and services purchased during the year and are all due within the following year.

Payables to subsidiaries

Payables to subsidiaries amount to Euro 242,632 and are due to the subsidiary Arcawip S.r.l.

Tax payables

Tax payables mainly represent the payable to the tax authorities for IRPEF and additional regional and municipal withholdings made to employees and collaborators (Euro 793,420) and paid in 2021, the payable to the tax authorities for IRES, equal to Euro 999,134, the payable to the tax authorities for IRAP of Euro 590,066 and the payable to the tax authorities for VAT of Euro 1,306,786.

Payables due to social security and welfare institutions

Payables due to social security and welfare institutions, equal to Euro 3,037,010, mainly consists of social security charges to be paid essentially to INPS and payables for supplementary pension provisions.

Other payables

The balance of other payables consists of:

- payables to personnel for Euro 7,351,374 for accrued and unpaid wages, accrued and unused holidays, and year-end bonuses;
- other payables for Euro 766,836, mainly related to payables to directors (Euro 557,681);
- payables for acquisitions relating to the purchase of the business branch of Country Shop S.r.l. (Euro 162,641) and the purchase of the Città degli Animali business unit (Euro 313,408).

ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income are recorded in liabilities for a total of Euro 99,737 (Euro 167,837 in the previous year).

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The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Accrued expenses	120,886	-21,816	99,070
Deferred income	46,951	-46,284	667
Total accrued expenses and deferred income	167,837	-68,100	99,737

Breakdown of accrued expenses:

Accrued expenses, equal to Euro 99,070, consist of costs pertaining to the year such as utilities and condominium expenses.

VALUE OF PRODUCTION

Revenue from sales and service — Breakdown by business category

In relation to art. 2427, par. 1, no. 10, of the Italian Civil Code, the following statements show the breakdown of revenues by business category:

Business category	2020
Revenues from retail sales	335,360,446
Other revenues	3,871,885
Total	339,232,331

The following table shows the change from the previous year:

Business category	2019	Variation	2020
Revenues from retail sales	301,508,143	33,852,303	335,360,446
Other revenues	4,403,683	(531,798)	3,871,885
Total	305,911,826	33,320,505	339,232,331

The item Other revenues, equal to Euro 3,871,885, is mainly composed of revenues from subsidiaries for the sale of goods by the Company and revenues for wholesale trade.

The increase in Revenue from sales and service is mainly due to:

- the opening of new stores which, albeit only for a few months, contributed to the increase in revenues;
- the purchase of the investment in Arcawip S.r.l. which took place at the end of 2019, to which, during 2020, the goods purchased by Agrifarma were resold.

Revenue from sales and service — Breakdown by geographical area

In relation to art. 2427, par. 1, no. 10, of the Italian Civil Code, the following statements show the breakdown of revenues by geographical area:

Geographical area	2020
Italy	338,575,738
EU	7,274
Non-EU	649,319
Total	339,232,331

The following table shows the change from the previous year:

Geographical area	2019	Variation	2020
Italy	305,443,664	33,132,074	338,575,738
EU	194	7,080	7,274
Non-EU	467,968	181,351	649,319
Total	305,911,826	33,320,505	339,232,331

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Notes to the financial statements As of and for the year ended 31 December 2020

Increases in fixed assets for internal work

Increases in fixed assets for internal work are recognized in value of production in the Income Statement for a total of Euro 2,484,514 (Euro 3,464,853 in the previous year).

The individual items consist of the following:

Description	2019	Variation	2020
Increases in intangible fixed assets	3,464,853	(980,339)	2,484,514
Total	3,464,853	(980,339)	2,484,514

Other income

Other income are recognized in value of production in the Income Statement for a total of Euro 18,672,365 (Euro 17,590,657 in the previous year).

The individual items consist of the following:

	2019	Variation	2020
Operating grants	21,519	25,106	46,625
Other			
Real estate earnings	300,059	56,336	356,395
Expense reimbursements	71,809	99,527	171,336
Income from promotional activities	15,831,135	920,517	16,751,652
Insurance compensation	122,583	9,416	131,999
Capital gains of a non-financial nature	112,335	-78,667	33,668
Contingencies and contingent assets	238,356	26,271	264,627
Other revenues and income	892,861	23,202	916,063
Total other	17,569,138	1,056,602	18,625,740
Total other income	17,590,657	1,081,708	18,672,365

The increase in the item “other income” is mainly due to the increase in income from promotional activities that the Company achieved during the year, as well as for the recharges of the services that the Company provides to its subsidiaries.

PRODUCTION COSTS

Costs for raw materials, consumables, goods

The costs for raw materials, consumables, goods are recorded in production costs in the Income Statement for a total of Euro 180,894,819 (Euro 175,820,576 in the previous year).

The purchase of goods, net of rebates and bonuses, amounts to Euro 178,665,153.

Service costs

Service costs are recorded in production costs of the Income Statement for a total of Euro 45,490,801 (Euro 38,701,620 in the previous year).

The individual items consist of the following:

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	2019	Variation	2020
Transport	7,709,099	947,760	8,656,859
Warehousing	5,939,789	1,096,218	7,036,007
Subcontracting	501,041	55,591	556,632
Electricity	4,090,940	70,127	4,161,067
Gas	120,116	-20,056	100,060
Water	72,079	-10,357	61,722
Maintenance and repairs	867,357	581,114	1,448,471
Technical services and consulting	2,883,461	-401,721	2,481,740
Directors' fees	1,133,000	275,117	1,408,117
Statutory auditor and auditor fees	188,122	-25,791	162,331
Commissions payable	271,907	-271,907	0
Advertising	7,152,646	3,879,893	11,032,539
Legal fees and consulting	130,905	-10,967	119,938
Tax, administrative and sales consulting	659,401	-261,980	397,421
Telephone expenses	438,789	7,064	445,853
Services of a non-financial nature provided by financial institutions and banks	1,291,117	271,569	1,562,686
Insurance	413,454	34,051	447,505
Entertainment expenses	0	9,394	9,394
Travel and mission expenses	536,352	-207,445	328,907
Secondment	71,311	-10,702	60,609
Provision to indemnity fund for termination of agency and supplementary customer relationships	160,719	-160,719	0
Other	4,070,015	942,928	5,012,943
Total	38,701,620	6,789,181	45,490,801

The most significant increase in service costs is due to the costs of logistics and transport, advertising and the costs directly relating to the points of sale (electricity, cleaning, etc.).

Leases and rentals

Leases and rentals are recorded in production costs in the Income Statement for a total of Euro 27,161,136 (Euro 25,086,619 in the previous year).

The individual items consist of the following:

	2019	Variation	2020
Rent and leases	24,674,890	1,960,221	26,635,111
Asset lease instalments	6,244	67,247	73,491
Other	405,485	47,049	452,534
Total	25,086,619	2,074,517	27,161,136

The costs relating to rent increased in 2020 due to the effect of the opening of new stores.

Personnel expenses

Personnel expenses to Euro 51,197,700 with an increase of 2,760,797 compared to the previous year 2019.

	2019	Variation	2020
Personnel expenses	48,436,903	2,760,797	51,197,700
Total	48,436,903	2,760,797	51,197,700

This increase is mainly due to the fact that, in 2020, with the opening of the new points of sale, new employees were hired with consequent important recruitment and training work.

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Amortization, depreciation and impairments

Amortization, depreciation and impairments for the year amount to Euro 30,456,487, the composition of which has changed as follows:

	2019	Variation	2020
Amortization of intangible assets	25,204,702	339,545	25,544,247
Depreciation of tangible assets	4,107,976	134,514	4,242,490
Other asset and payables impairments	1,509,456	(839,706)	669,750
Total	30,822,134	(365,647)	30,456,487

The increase in the amortization of intangible assets is mainly due to the amortization of the pre-opening expenses of the Stores capitalized in previous years and of the new Stores opened in 2020.

Change in inventories of raw materials, consumables and goods

The change in inventories of raw material, consumables and good are recorded in production costs in the Income Statement for a total of Euro 2,596,044 (Euro -1,211,356 in the previous year).

Provisions for risks

Provisions for risks are recorded in production costs in the Income Statement for a total of Euro 226,687 (Euro 123,029 in the previous year) and relate to risks for potential legal proceedings.

Other provisions

Other provisions are recorded in production costs in the Income Statement for a total of Euro 12,391 (Euro 29,476 in the previous year) and relate to future expenses.

Other operating expenses

Other operating expenses are recognized in production costs in the Income Statement for a total of Euro 4,186,268 (Euro 3,024,532 in the previous year).

The individual items consist of the following:

	2019	Variation	2020
Stamp tax	22,126	8,698	30,824
ICI/IMU (Local Property Tax/Municipal Property Tax)	6,551	1,147	7,698
Registration fee	130,724	3,353	134,077
Chamber of Commerce fees	40,801	-5,539	35,262
Losses on receivables	15,242	115	15,357
Magazine and newspaper subscriptions	1,442	1,485	2,927
Social and welfare expenses	1,666	24,000	25,666
Contingencies and contingent liabilities	538,738	-326,627	212,111
Capital losses of a non-financial nature	195,471	337,783	533,254
Other operating expenses	2,071,771	1,117,321	3,189,092
Total	3,024,532	1,161,736	4,186,268

The most significant items included under other miscellaneous operating expenses are the waste tax (Euro 1,017,260), the advertising tax (Euro 813,434) and gifts (Euro 1,106,218).

FINANCIAL INCOME AND CHARGES

Interests and financial charges — Breakdown by type of payable

In relation to art. 2427, par. 1, no. 12, of the Italian Civil Code, the following statements show the breakdown of the item “interest and other financial charges”:

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	<u>Interests and financial charges</u>
Bank payables	6,511,009
Other	994
Total	6,512,003

Interests and financial charges are substantially equal to those of the previous year.

Foreign exchange gains and losses

Information on the breakdown of foreign exchange gains and losses deriving from the year-end measurement with respect to those actually realized is provided below:

	<u>Unrealized gains/losses</u>	<u>Realized gains/losses</u>	<u>Total</u>
Exchange gains	6,796	13,488	20,284
Exchange losses	2	40,180	40,182

REVENUE OF EXCEPTIONAL EXTENT OR IMPACT

In relation to art. 2427, par. 1, no. 13, of the Italian Civil Code, it should be noted that revenue elements of exceptional extent or impact have been recorded, which are provided below:

- contribution for tax credit for sanitation equal to Euro 28,297.

COSTS OF EXCEPTIONAL EXTENT OR IMPACT

In accordance with art. 2427, par. 1, no. 13, of the Italian Civil Code, cost elements of exceptional extent or impact have been recorded, which are provided below:

- intangible fixed asset impairment equal to Euro 154,028;
- expenses relating to the health emergency equal to Euro 1,928,402, mainly represented by (i) rent payable and related expenses paid on days closed (Euro 860,665); (ii) extraordinary bonus paid to employees (Euro 308,620); (iii) purchases for health emergencies (Euro 537,232); costs for sanitation (Euro 103,243).

INCOME TAX EXPENSE

The individual items consist of the following:

	<u>Current taxes</u>	<u>Prior year taxes</u>	<u>Deferred taxes</u>	<u>Deferred tax assets</u>
IRES (corporate income tax)	6,395,813	-3,174,633	-788,137	76,828
IRAP (regional income tax)	2,089,240	0	-128,271	-4,902
Total	8,485,053	-3,174,633	-916,408	71,926

Deferred taxes mainly contain the reversals relating to the initial recognition of the “Provision for deferred taxes” which directly affected shareholders’ equity in 2016. As already stated, the deferred tax provision was set aside during the year, in compliance with OIC 4, at the time of allocation of part of the merger deficit on the ARCAPLANET trademark. The portion of the deferred tax provision relating to the amortization of the ARCAPLANET trademark pertaining to the year was released in the current year. This release is equal to Euro 917,621.

Taxes relating to previous years relate to the lower IRES for the 2019 financial year which, when quantifying the benefit relating to the patent box, revealed a contingent asset, as well as the IRES credit deriving from the supplementary declarations presented to recover the ACE benefit of Noah 3 S.p.A. for the years 2016 and 2017.

The following tables were prepared based on the recommendations made by OIC 25, and illustrate the information requested in art. 2427, par. 1, no. 14, letters a) and b) of the Italian Civil Code.

In particular, they contain information on the summary values of the changes during the year in “Comprehensive prepaid and deferred taxation”, on the composition of the deductible temporary differences

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that originated “Deferred tax assets” and on the composition of the taxable temporary differences that originated “Liabilities for deferred taxes”.

	IRES (corporate income tax)	IRAP (regional income tax)
A) Temporary differences		
Total deductible temporary differences	320,118	-125,684
Total taxable temporary differences	-3,283,905	-3,288,964
Net temporary differences	-3,604,023	-3,163,280
B) Tax effects		
Deferred tax provision (prepaid) at the beginning of the year	11,978,289	2,076,120
Deferred taxes (prepaid) for the year	-864,965	-123,368
Deferred tax provision (prepaid) at the end of the year	11,113,324	1,952,752

Description	Amount at the end of the previous year	Changes during the year	Amount at the end of the year	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Inventory obsolescence provision	1,332,481	400,000	1,732,481	24.00	415,796	0	0
Directors' fees	250,000	275,000	525,000	24.00	126,000	0	0
Unpaid taxes	76,234	72,972	149,206	24.00	35,809	0	0
Payable impairment and provisions	16,054	-5,109	10,945	24.00	2,627	0	0
Interest expenses for late payments	202	-202	0	0	0	0	0
Brand amortization	428,124	4,817	432,941	24.00	103,906	3.90	16,885
Goodwill amortization	88,600	422	89,022	24.00	21,365	3.90	3,472
Accrual for future expenses	29,476	-17,085	12,391	24.00	2,974	0	0
Unrealized foreign exchange losses	0	0	0	0	0	0	0
Risk provisions	123,029	224,831	347,860	24.00	83,486	0	0
Fixed asset impairment provisions	1,274,071	-357,761	916,310	24.00	219,914	0	0
Agent indemnity fund	276,747	-274,353	2,394	24.00	575	0	0
Other	78,672	-3,416	75,256	24.00	18,062	0	0

Description	Amount at the end of the previous year	Changes during the year	Amount at the end of the year	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Brand-allocated deficit	53,881,493	-3,288,964	50,592,529	24.00	12,142,207	3.90	1,973,109
Unrealized foreign exchange gains	1,737	5,059	6,796	24.00	1,631	0	0

OTHER INFORMATION

Workforce

The information relating to the personnel is provided below, in accordance with art. 2427, par. 1, no. 15 of the Italian Civil Code:

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	<u>Average number</u>
Executives	8
Managers	7
Employees	419
Workers	1,098
Other employees	6
Total employees	1,538

Amounts paid to corporate bodies

The information concerning the directors, for the sole part of their remuneration, net of the INPS contribution, and the statutory auditors, pursuant to art. 2427, par. 1, no. 16, of the Italian Civil Code, is reported below:

	<u>Directors</u>	<u>Statutory auditors</u>
Remuneration	1,375,000	36,905

Compensation to the statutory auditor or auditing firm

Below is the information regarding the statutory auditor or the auditing company's fees pursuant to art. 2427, par. 1, no. 16 bis of the Italian Civil Code:

	<u>Value</u>
Statutory audit of annual accounts	105,000
Other auditing services	0
Tax consultancy services	0
Other services other than auditing	0
Total compensation to the statutory auditor or auditing firm	105,000

Categories of shares issued by the Company

The information required by art. 2427, par. 1, no. 17 of the Italian Civil Code regarding the shares making up the company's share capital, including the number and par value of the shares subscribed during the year, can be extrapolated from the following tables:

Description	Opening no of shares	Opening nominal value	Shares subscribed during the period, number	Shares subscribed during the period, nominal value	Final no of shares	Final nominal value
Ordinary shares	1,121,363	1,121,363	0	0	1,121,363	1,121,363
Total	1,121,363	1,121,363	0	0	1,121,363	1,121,363

Securities issued by the Company

Pursuant to art. 2427, par. 1, no. 18, of the Italian Civil Code, it should be noted that no other securities have been issued.

Financial instruments

Pursuant to art. 2427, par. 1, no. 19, of the Italian Civil Code, it should be noted that the company did not issue financial instruments.

Commitments, guarantees and contingent liabilities not shown in the balance sheet

In relation to that set out by art. 2427, par. 1, no. 9, of the Italian Civil Code, it should be noted that the Company has no commitments, guarantees and potential liabilities not recorded on the balance sheet.

Information on assets and loans allocated to a specific business transaction

There are no assets and loans allocated to a specific business transaction.

Agrifarma S.p.A.
Notes to the financial statements
As of and for the year ended 31 December 2020

Related party transactions

During the 2020 financial year, the Company did not carry out any significant related party transactions at non-market conditions.

Off-balance sheet agreements

The Company has not entered into any transactions relating to off-balance sheet agreements in the year ended 31 December 2020.

Important events occurring after the closure of the financial period

Pursuant to art. 2427, par. 1, no. 22 quater), of the Italian Civil Code, no significant events occurred after the close of the financial year.

However, in the first months of 2021 the containment measures of the COVID-19 virus imposed by the Government continued, although the launch of the vaccination campaign favourably reflects on the longer-term prospects. Despite the difficulties in facing the pandemic, forecasts remain positive. In fact, the growth trend recorded in recent years is expected to continue, without any particular negative impacts on the business, considering the pandemic as a completely exceptional event that did not compromise the business continuity, profitability and capital strength of the Company.

The current health emergency does not constitute an event that entails adjustments to the items recorded in the Company's financial statements as of 31 December 2020. Based on the information and estimates available to date, we also do not believe that the Company's business could suffer any repercussions such as to question the Company's continuity. The management is not aware of any significant uncertainties relating to events or conditions that could lead to the emergence of serious doubts on the ability of the Company to continue to operate as a going concern.

Derivative financial instruments

Information is provided below for each category of derivative financial instruments pursuant to art. 2427 bis, par. 1, no. 1, of the Italian Civil Code.

The Company has the following derivative contract in place:

- a derivative contract at an interest rate of 1% stipulated with UniCredit S.p.A. on part of the UniCredit loan for a value of Euro 75,000,000 starting from 24 May 2018.

Information on companies or organizations that exercise management and coordination activities — art. 2497 bis of the Italian Civil Code

It should be noted that, pursuant to articles from 2497 to 2497-*septies* of the Italian Civil Code, Agrifarma S.p.A. with Sole Shareholder, despite being wholly owned by the company Noah 2 S.p.A., is not subject to the management and coordination of the latter and, therefore, is not subject to disclosure obligations provided for by art. 2497-*bis* of the Italian Civil Code.

In particular, with reference to the presumption contained in art. 2497-*sexies* of the Italian Civil Code, it should be noted that the Administrative Body of Agrifarma S.p.A. autonomously approves the commercial, economic, financial policies, as well as the strategic action plans of the company Agrifarma S.p.A. with sole shareholder and without giving prior information to the sole shareholder.

Information ex art. 1, par. 125 of the Law dated 4 August 2017, no. 124

Pursuant to art. 1, par. 125, of Law no. 124, we point out the amounts and information relating to grants, subsidies, advantages, contributions or aids, in cash or in kind, not of a general nature and without payment, remuneration or compensation paid by public administrations:

Agrifarma S.p.A.

**Notes to the financial statements
As of and for the year ended 31 December 2020**

<u>Third party</u>	<u>Contribution received</u>	<u>Collection date</u>	<u>Plan</u>
Fondimpresa – Interprofessional Fund	6,095	13.02.2020	215159
Fondimpresa – Interprofessional Fund	6,111	28.05.2020	244288
Fondimpresa – Interprofessional Fund	810	10.02.2020	242607
Fondimpresa – Interprofessional Fund	800	13.02.2020	246069
Fondimpresa – Interprofessional Fund	25,000	23.04.2020	217742
Fondimpresa – Interprofessional Fund	25,000	17.04.2020	210992
Fondimpresa – Interprofessional Fund	6,326	19.11.2020	244698
Fondimpresa – Interprofessional Fund	8,076	06.11.2020	248443
Total	78,218		

Allocation of the operating result

Pursuant to art. 2427, par. 1 no. 22-*septies* of the Italian Civil Code, the allocation of the operating result for the year is proposed as follows:

Dear Shareholder,

We kindly request you approve the Financial Statements for the year ended on 31 December 2020 with a profit for the year of Euro 7,322,635 and we propose to allocate:

- Euro 12,943.77 to the legal reserve;
- Euro 6,794.19 to the exchange gain reserve;
- the remainder of the profit for the year to retained earnings and losses.

The Administrative body

Declaration of conformity

Copy corresponding to documents held by the Company.

The undersigned Michele Foppiani, as Legal Representative of the company Agrifarma S.p.A., aware of the criminal liabilities envisaged in the event of a false declaration, certifies the correspondence of the copies of the documents enclosed with this file to the documents kept in the Company's records pursuant to art. 47 of Presidential Decree 445/2000.

2019 Agrifarma Financial Statements as at and for the year ended December 31, 2019

Independent auditor's report

To the Sole Shareholder of
Agrifarma SpA

Opinion

We have audited the financial statements of Agrifarma SpA (the "Company"), which comprise the balance sheet as of 31 December 2019, the income statement and cash flow statement for the year then ended and related notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company 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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the 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 Company'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 the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Genova, 23 June 2020

PricewaterhouseCoopers SpA

Signed by

Andrea Manchelli
(Partner)

Agrifarma S.p.A.
Balance Sheet
As of 31 December 2019

ASSETS	31/12/2019	31/12/2018
A) RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL DUE		
Total Receivables from shareholders for payments still due (A)	0	0
B) FIXED ASSETS		
I – Intangible fixed assets		
1) Incorporation and expansion costs	6,380,471	5,601,466
2) Development costs	377,215	241,026
3) Industrial patents and intellectual property rights	633,737	603,622
4) Concessions, licenses, trademarks and similar rights	53,942,466	57,310,382
5) Goodwill	257,329,634	244,178,119
6) Assets under development and advances	315,793	782,374
7) Other	21,843,824	14,748,377
Total intangible fixed assets	340,823,140	323,465,366
II – Tangible fixed assets		
1) Land and buildings	65,333	67,754
2) Plant and machinery	83,877	19,372
3) Industrial and commercial equipment	5,838,156	3,509,554
4) Other assets	10,416,481	6,348,128
5) Assets under development and advances	420,401	173,931
Total tangible fixed assets	16,824,248	10,118,739
III – Financial fixed assets		
1) Equity Investments in		
a) Subsidiaries	2,537,302	40,470,500
d-bis) Other companies	5,595	926
Total equity investments (1)	2,542,897	40,471,426
2) Receivables		
a) From subsidiaries		
– due beyond one year	1,100,000	1,000,000
Total receivables from subsidiaries	1,100,000	1,000,000
d-bis) From others		
– due beyond one year	472,276	273,613
Total Other Receivables	472,276	273,613
Total Receivables	1,572,276	1,273,613
Total Financial Fixed Assets (III)	4,115,173	41,745,039
Total Fixed Assets (B)	361,762,561	375,329,144
C) CURRENT ASSETS		
I) Inventories		
1) Raw ancillary materials and consumables	519,968	283,402
4) Finished products and goods	56,770,806	46,900,208
5) Advances	0	62,364
Total inventories	57,290,774	47,245,974
II) Receivables		
1) From customers		
– due within one year	7,737,089	5,509,927
Total Receivables from customers	7,737,089	5,509,927
2) From subsidiaries		
due within one year	985,722	4,258,303
Total Receivables from subsidiaries	985,722	4,258,303
5-bis) Taxes		
– due within one year	114,157	3,402
– due beyond one year	24,679	154,136
Total taxes	138,836	157,538
5-ter) Deferred tax assets	978,944	351,639
5-quater) From others		
– due within one year	475,601	224,628
Total Other Receivables	475,601	224,628
Total receivables	10,316,192	10,502,035
III – Non fixed financial assets		
5) Derivative financial instrument assets	57	13,647
Total financial assets not held as fixed assets	57	13,647
IV – Cash and cash equivalents		
1) Bank and postal deposits	52,042,730	31,041,748
3) Cash in hand	592,862	414,464
Total cash and cash equivalents	52,635,592	31,456,212
Total Current Assets (C)	120,242,615	89,217,868
D) ACCRUED INCOME AND PREPAID EXPENSES	1,698,159	887,395
TOTAL ASSETS	483,703,335	465,434,407

Agrifarma S.p.A.
Balance Sheet
As of 31 December 2019

BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES	31/12/2019	31/12/2018
A) SHAREHOLDERS' EQUITY		
I – Share Capital	1,121,363	1,121,363
II – Share premium reserve	17,635,394	17,635,394
III – Revaluation reserves	0	0
IV – Legal reserve	211,329	211,329
V – Statutory reserves	0	0
VI – Other reserves, shown separately		
Extraordinary reserve	22,986,625	22,986,625
Merger surplus reserve	226,776,765	226,776,765
Other reserves	1	-1
Total other reserves	249,763,391	249,763,389
VII – Changes in hedging reserves	0	0
VIII – Retained earnings / (accumulated losses)	-16,592,103	-8,836,095
IX – Profit (loss) for the year	-4,076,314	-7,032,943
Loss covered during the year	0	0
X – Negative reserve for treasury shares in portfolio	0	0
Total shareholders' equity	248,063,060	252,862,437
B) PROVISIONS FOR RISKS AND CHARGES		
1) Retirement benefits and similar obligations	281,440	0
2) Taxes, including deferred taxes	15,033,353	15,948,733
4) Other	152,505	1,894
Total provisions for risks and charges (B)	15,467,298	15,950,627
C) EMPLOYEES' SEVERANCE INDEMNITY	3,036,732	755,321
D) PAYABLES		
4) To banks		
– maturing within one year	1,440,128	68,918
– maturing after one year	144,713,308	145,154,903
Total bank payables (4)	146,153,436	145,223,821
6) Advances		
– maturing within one year	425,163	202,452
Total Advances (6)	425,163	202,452
7) To suppliers		
– maturing within one year	55,244,457	41,492,736
Total supplier payables (7)	55,244,457	41,492,736
9) To subsidiaries		
– maturing within one year	0	6,100
Total payables to subsidiaries (9)	0	6,100
12) Tax payables		
– maturing within one year	3,410,240	1,266,455
Total tax payables (12)	3,410,240	1,266,455
13) Due to social security and welfare institutions		
– maturing within one year	3,006,321	2,134,589
Total Payables due to social security and welfare institutions (13)	3,006,321	2,134,589
14) Other		
– maturing within one year	8,728,791	5,442,245
Total other payables (14)	8,728,791	5,442,245
Total payables (D)	216,968,408	195,768,398
E) ACCRUED EXPENSES AND DEFERRED INCOME	167,837	97,624
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	483,703,335	465,434,407

Agrifarma S.p.A.
Income Statement
For the year ended 31 December 2019

	<u>31/12/2019</u>	<u>31/12/2018</u>
A) VALUE OF PRODUCTION:		
1) Revenue from sales and services	305,911,826	227,485,424
4) Increases in fixed assets for internal work	3,464,853	2,926,506
5) Other income:		
Operating grants	21,519	0
Other	17,569,138	14,043,183
Total other income	17,590,657	14,043,183
Total value of production	326,967,336	244,455,113
B) PRODUCTION COSTS:		
6) Raw materials, consumables , goods	175,820,576	132,755,112
7) Service costs	38,701,620	28,839,629
8) Leases and rentals	25,086,619	17,585,588
9) Personnel expenses:		
a) Wages and salaries	36,435,372	26,786,723
b) Social security contributions	9,403,472	6,343,786
c) Severance indemnity	2,433,739	1,732,192
e) Other personnel costs	164,320	102,598
Total personnel expenses	48,436,903	34,965,299
10) Amortization, depreciation and impairments:		
a) Amortization of intangible assets	25,204,702	22,120,844
b) Depreciation of tangible assets	4,107,976	2,718,181
c) Impairments of fixed assets	1,509,456	167,675
d) Provisions for doubtful accounts included in current assets and cash and cash equivalents	0	25,098
Total amortization, depreciation and impairments	30,822,134	25,031,798
11) Change in inventories of raw materials, consumables and goods	-1,211,356	2,223,225
12) Provisions for risks	123,029	0
13) Other provisions	29,476	1,894
14) Other operating expenses	3,024,532	2,015,619
Total production costs	320,833,533	243,418,164
Difference between value and cost of production (A-B)	6,133,803	1,036,949
C) FINANCIAL INCOME AND CHARGES:		
16) Other financial income:		
d) other income:		
– from other	11,760	24,229
Total financial income other than the previous	11,760	24,229
Total other financial income	11,760	24,229
17) Interests and financial charges		
– from other	6,688,381	6,577,845
Total Interests and financial charges	6,688,381	6,577,845
17-bis) Foreign exchange gains / (losses)	-19,464	-56,939
Total financial income/(charges) (C) (15+16-17+-17-bis)	-6,696,085	-6,610,555
D) VALUATION ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES :		
18) Reversals of impairment losses:		
d) Derivative financial instruments	0	13,444
Total reversals	0	13,444
19) Impairment:		
d) Derivative financial instruments	13,590	0
Total impairment	13,590	0
Total valuation adjustments to financial assets and liabilities (18-19)	-13,590	13,444
PROFIT/(LOSS) BEFORE TAXES (A-B+-C+-D)	-575,872	-5,560,162
20) Income tax expense		
Current taxes	5,347,441	3,101,883
Prior year taxes	-796,418	-570,996
Deferred taxes	-1,050,581	-1,058,106
Total income tax expense	3,500,442	1,472,781
21) PROFIT/(LOSS) FOR THE YEAR	-4,076,314	-7,032,943

Agrifarma S.p.A.

Cash Flow Statement

As of and for the year ended 31 December 2019

	Year Current	Year Previous
A. Cash flow from operating activities		
Profit/(loss) for the year	(4,076,314)	(7,032,943)
Income taxes	3,500,442	1,472,781
Interest expense/(interest income)	7,625,700	6,553,616
(Dividends)	0	0
(Gains)/losses on disposals of assets	745,577	50,132
1. Profit/(loss) for the year before taxation, interest, dividends and gains/losses on disposals	7,795,405	1,043,586
<i>Adjustments for non-monetary items that do not have a corresponding item in net working capital</i>		
Allocation to provisions	2,556,768	1,734,086
Amortization and depreciation of fixed assets	29,312,678	24,839,025
Impairment losses	786,393	167,675
Value adjustments of financial assets and liabilities of derivative financial instruments that do not involve monetary movements	(57)	(13,444)
Other increases/(decreases) adjustments for non-monetary items	0	25,098
<i>Total adjustments for non-monetary items that do not have a corresponding item in net working capital</i>	<i>32,655,782</i>	<i>26,752,440</i>
2. Cash flow before changes in net working capital	40,451,187	27,796,026
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	(1,054,779)	2,305,533
Decrease/(increase) in receivables from customers	(1,429,477)	(572,711)
Increase/(decrease) in payables to suppliers	9,841,358	978,155
Decrease/(increase) in accrued income and prepaid expenses	(513,993)	(129,152)
Increase/(decrease) in accrued expenses and deferred income	(65,496)	22,676
Other changes in net working capital	5,324,787	(2,227,880)
<i>Total changes in net working capital</i>	<i>12,102,400</i>	<i>376,621</i>
3. Cash flow after changes in net working capital	52,553,587	28,172,647
<i>Other adjustments</i>		
Interest collected/(paid)	(5,400,818)	(5,674,625)
(Income tax paid)	(1,933,816)	(2,494,853)
Dividends collected	0	0
(Use of provisions)	(152,328)	(1,788,120)
Other collections/(payments)	0	0
<i>Total other adjustments</i>	<i>(7,486,962)</i>	<i>(9,957,598)</i>
Cash flow from operating activities (A)	45,066,625	18,215,049
B. Cash flow from investing activities		
<i>Tangible fixed assets</i>		
(Purchases)	(8,805,977)	(3,749,395)
Proceeds from disposals	0	239,920
<i>Intangible fixed assets</i>		
(Purchases)	(11,065,910)	(8,373,714)
Proceeds from disposals	0	0
<i>Financial assets</i>		
(Purchases)	(2,745,459)	(26,513,920)
Proceeds from disposals	0	0
<i>Financial assets not held as fixed assets</i>		
(Purchases)	0	0
Proceeds from disposals	0	0
(Acquisition of businesses net of cash and cash equivalents)	(1,301,932)	0
Sale of businesses net of cash and cash equivalents	0	0
Cash flow from investing activities (B)	(23,919,278)	(38,397,109)
C. Cash flow from financing activities		
<i>Third party financing</i>		
Increase/(decrease) of short term payables due to banks	32,033	1,689
Opening of new loans	0	34,020,044
(Repayment of loans)	0	0
<i>Equity</i>		
Paid capital increase	0	0
(Capital reimbursement)	0	0
Sale (Purchase) of treasury shares	0	0
(Dividends and advances on dividends paid)	0	0
Cash flow from financing activities (C)	32,033	34,021,733
Increase (decrease) in cash and cash equivalents (A ± B ± C)	21,179,380	13,839,673
Exchange effects on cash and cash equivalents	0	0
Cash and cash equivalents at beginning of the period		
Bank and postal deposits	31,041,748	17,123,492
Cheques	0	0
Cash in hand	414,464	493,047
Total Cash and cash equivalents at beginning of the period	31,456,212	17,616,539
Of which not freely usable	0	0
Cash and cash equivalents at end of the period		
Bank and postal deposits	52,042,730	31,041,748
Cheques	0	0
Cash in hand	592,862	414,464
Total Cash and cash equivalents at end of the period	52,635,592	31,456,212
Of which not freely usable	0	0

Agrifarma S.p.A.

Notes to the financial statements As of and for the years ended 31 December 2019

INTRODUCTION

The financial statements of Agrifarma S.p.A. (the “Company” or “Agrifarma”) as of and for the year ended 31 December 2019, of which these explanatory notes form an integral part pursuant to art. 2423, par.1 of the Italian Civil Code, correspond to the accounting records regularly kept and are prepared up in accordance with articles 2423, 2423-*ter*, 2424, 2424-*bis*, 2425, 2425-*bis*, 2425-*ter* of the Italian Civil Code, and in compliance with the provisions of art. 2423-*bis* and evaluation criteria pursuant to art. 2426 of the Italian Civil Code.

The financial statements include the: Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Notes.

The Cash Flow Statement presents the positive or negative changes in cash and cash equivalents during the year and was prepared following the indirect method using the scheme pursuant to accounting standard OIC 10.

The Company, even in the presence of controlling shareholdings, has not prepared consolidated financial statements, availing itself of the exemption provided for by art. 27, paragraphs 3 and 4, of Legislative Decree 9 April 1991, no. 127, as the consolidated financial statements will be prepared by the parent company NOAH 1 S.p.A. based in Milan, Via San Paolo 10.

On 30 October 2019, with effect from 1 November 2019, Agrifarma acquired the 100% stake in the company Arcawip S.r.l., for a provisional consideration of Euro 2,686,655. This consideration is subject to adjustment, as per the Preliminary Business Purchase Agreement signed on 23 July 2019, and was definitively determined at Euro 2,381,272. The company Arcawip S.r.l. was established on 23 September 2019, registered in the register of companies on 27 September 2019 and was the beneficiary of a business branch transfer by the former shareholder on 24 October 2019 with effect from 1 November 2019. The company conferred is represented by the branch called “Pet Food”, operating in the retail pet food and accessory sector through 11 points of sale located in the Lombardia, Piemonte and Veneto regions.

On 31 May 2019, Agrifarma purchased the business unit relating to the stores sold by Zoodom Italia S.r.l., operating in the retail pet food and accessory sector, consisting of 15 points of sale operating in the Abruzzo, Lombardia, Veneto and Marche regions under the “Zoodom” brand.

On 24 May 2018, Agrifarma purchased a shareholding of 297,000 shares, in the company Mondial Pet Distribution S.p.A. for a price of Euro 24 million. Subsequently, on 29 May 2019, Noah S.p.A contributed its shareholding of 202,500 shares in Mondial Pet Distribution S.p.A. to Agrifarma thorough a capital increase of Euro 64,720, and a share premium of Euro 14,935,280, subscribed by the Sole Shareholder Noah 2 S.p.A. Following these two transactions, Agrifarma, as at 31 December 2018, held a 100% stake in Mondial Pet Distribution S.p.A., a company operating in the same sector as Agrifarma and owner of 71 points of sale in Piemonte, Liguria, Valle d’Aosta, Lombardia and Emilia Romagna. Subsequently, on 16 September 2019, the Boards of Directors of Agrifarma and Mondial Pet Distribution S.p.A. prepared a plan for the merger by incorporation of Mondial Pet Distribution S.p.A. into Agrifarma, drawn up pursuant to and for the purposes of articles 2501-*bis* and 2501-*ter* of the Italian Civil Code. This merger plan with the annexed documents (including the report of the auditing company required pursuant to art. 2501-*bis*, par. 5, of the Italian Civil Code), with the reports of the administrative bodies drawn up pursuant to art. 2501-*quinquies*, of the code and with the expert report pursuant to art. 2501-*bis*, par. 4, of the Italian Civil Code were the subject of a resolution discussed at the Mondial Pet Distribution S.p.A. and Agrifarma shareholders’ meetings on 7 October 2019. Finally, on 12 December 2019, the deed of merger by incorporation of Mondial Pet Distribution S.p.A. into Agrifarma was signed and legally entered into effect as of 31 December 2019 with accounting and tax effectiveness from 1 January 2019.

In light of the above, these financial statements represent the effects of the merger by incorporation of Mondial Pet Distribution S.p.A. As required by accounting standard OIC 4, in order to understand the effects of the merger, a table is disclosed in the explanatory notes that allows a homogeneous comparison between the values as at 31 December 2019 (without the effect of the merger) and those of the previous year.

For a more complete comment on the merger changes, please refer to what is described in the paragraph “Homogeneous comparison table” contained in these explanatory notes.

Agrifarma S.p.A.

**Notes to the financial statements
As of and for the years ended 31 December 2019**

REPORTING STANDARDS

In order to prepare the financial statements with clarity and provide a true and fair representation of the Company's equity and financial situation and economic results, in accordance with the provisions of article 2423-*bis* of the Italian Civil Code, the necessary steps were taken to:

- assess the individual items according to prudence and in anticipation of normal going concern;
- recognize and present the items taking the substance of the transaction or the contract into account;
- only include profits actually earned during the financial year;
- determine income and costs in accordance with the accrual principle, and regardless of their financial manifestation;
- include all the relevant risks and losses, even if they were discovered after the end of the financial year;
- consider the different elements included in the various items of the financial statements separately, for the purposes of the relative assessment;
- keep the valuation criteria adopted unchanged with respect to the previous year.

All the financial statement principles envisaged by OIC 11 par. 15 were followed:

- a) prudence;
- b) going concern perspective;
- c) substantial representation;
- d) accrual;
- e) constancy in the valuation criteria;
- f) relevance;
- g) comparability.

Going concern perspective

As far as this principle is concerned, the valuation of the items on the financial statements was carried out in accordance with the going concern assumption, as management has confirmed the absence of financial, operating or other factors, which may suggest the inability of the Company to meet its obligations during the 12 months after the reporting date. The financial statements were presented in Euro.

EXCEPTIONAL CASES PURSUANT TO ART. 2423, PAR. 5 OF THE ITALIAN CIVIL CODE

No exceptional events occurred that made it necessary to apply exceptions pursuant to art.2423, paragraph five of the Italian Civil Code.

CHANGES IN ACCOUNTING STANDARDS

There were no changes in the accounting standards during the period.

CORRECTION OF SIGNIFICANT ERRORS

No significant errors related to prior years emerged during the financial year.

COMPARABILITY AND ADAPTATION ISSUES

There are no assets or liabilities falling under more than one financial statement category.

Pursuant to art. 2423-*ter*, par. 5 of the Italian Civil Code, no issues arose regarding comparability and classifications of the financial statement items of the current year with those relating to the previous year.

There have been no reclassifications of comparative information.

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**Notes to the financial statements
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VALUATION CRITERIA APPLIED

The measurement criteria for the financial statements is described in the notes hereto and comply with the provisions of art. 2426 of the Italian Civil Code.

The measurement criteria pursuant to art. 2426 of the Italian Civil Code comply with those used in the preparation of the financial statements for the previous year.

Intangible fixed assets

Intangible fixed assets are stated, within the limit of the recoverable value, at the cost of purchase or internal production, including any directly attributable incidental expenses, and are amortized on a straight line basis over the estimated useful life.

Pursuant to OIC 24 par. 37, acquisitions with deferred payment at conditions other than those normally applied on the market are recognized at the value corresponding to the debt determined pursuant to OIC 19.

Incorporation and expansion costs relate to the capitalization of costs for the incorporation or expansion of operational capacity and are amortized over 5 years. These incorporation and expansion costs are mainly composed of *incorporation* costs incurred for the opening of new points of sale.

Development costs derive from the application of the results of basic research or other knowledge owned or acquired, before the beginning of commercial production or use, and are amortized according to their useful life which has been estimated at 3 years.

Industrial patents and intellectual property rights are amortized based on their expected period of use, which cannot exceed the contract duration. Industrial patents and intellectual property rights are amortized over a period of 5 years.

The value attributed to trademarks for registration and maintenance costs was amortized over 3 years.

The value attributed to the ARCAPLANET trademark in the allocation of part of the merger deficit, which took place at the end of 2016, was the subject to an appraisal report, which also determined the estimated useful life of 20 years. To date, there are no indicators of impairment.

Goodwill is determined by the difference between the total price incurred for the acquisition of the company and the fair value of the assets and liabilities that are transferred. Goodwill is amortized over its useful life and, in exceptional cases in which it is not possible to reliably estimate its useful life, goodwill is amortized over a period not exceeding ten years. When the useful life of goodwill is estimated to be over 10 years, objective facts and circumstances are required to support this estimate. In any case, the useful life of the goodwill cannot exceed 20 years. For further details, see the note on intangible fixed assets.

Assets under development are not amortized.

Improvement expenses on third party assets, recorded in other intangible assets, are amortized over the estimated useful life or, if shorter, the remaining lease term, taking into account any renewal period, if at the option of the tenant.

Fixed assets are impaired when the estimated residual value is lower than the book value. Impairment losses are reversed if the reasons for the impairment no longer apply in the subsequent years.

The capitalisation and valuation of intangible fixed assets was performed with the consent of the Board of Statutory Auditors where required by the Italian Civil Code.

In accordance with the provisions of accounting standard OIC 9, the Company performs an impairment test for goodwill if there is an indication that value is impaired, carries out an impairment test considering the entity as a whole.

Tangible fixed assets

Tangible fixed assets are recognized on the date upon which the risks and benefits associated with the acquired assets are transferred, and are recorded, within the limit of their recoverable value, at the purchase or

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production cost net of accumulated depreciation, including all directly attributable costs and ancillary charges, indirect costs relating to internal production, and any costs associated with the financing of internal manufacturing incurred during the manufacturing period and up until the time at which the asset is ready for use.

Pursuant to OIC 26 par. 33, acquisitions with deferred payment at conditions other than those normally applied on the market are recognized at the value corresponding to the debt determined pursuant to OIC 19.

The costs incurred in relation to the expansion, modernization and improvement of existing assets, as well as those incurred to render them more effective or for any extraordinary maintenance performed in accordance with the provisions of OIC 16 par. 49 to 53, were only capitalized if there was a significant and measurable increase in the asset's production capacity or useful life.

For these assets, depreciation was applied on a straight line, based on the new book value, taking into account their residual useful life.

For tangible fixed assets consisting of components with different useful life, in accordance with the provisions of OIC 16 in paragraph 45 and 46, the values of the individual assets were determined in order to identify the different duration of their useful life.

The cost of fixed assets whose use is limited in time is systematically depreciated each year based on economic-technical rates determined in relation to the residual possibility of use.

All the assets have been depreciated, including those temporarily not in use, with the only exception being those with unlimited useful life, which consist of land, non-instrumental buildings, and civil works.

The depreciation starts from the moment the assets are available and ready for use.

Amortization of assets acquired during the year is based on 50% of the annual depreciation and the rates have been applied in accordance with OIC 16 par. 61.

Depreciation rates, in accordance with OIC 16 paragraph 70 are reviewed in the event of a change in the residual useful life.

Obsolete assets and those that will no longer be used or usable in the production cycle, based on OIC 16 par. 80, have not been depreciated and have been valued at the lower value between the net book value and the recoverable value.

The depreciation rates applied are specified below:

Buildings: 3%

Temporary constructions: 10%

Plant and machinery: 15%

Industrial and commercial equipment: 15%

Other assets:

- furniture and fixtures: 12%
- electronic office equipment: 20%
- transport vehicles: 20%
- cars: 25%

The depreciation rates are consistent with the previous year.

Equity investments

Equity investments are classified as fixed assets or current assets according to their intended use.

They are initially stated at purchase or acquisition cost, including ancillary costs.

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Pursuant to OIC 21 par. 21, acquisitions with deferred payment at conditions other than those normally applied on the market are recognized at the value corresponding to the debt determined pursuant to OIC 19.

Non-current equity investments

Non-current equity investments, listed and unlisted, are recorded at cost.

Pursuant to art. 2426, no. 3 of the Italian Civil Code, in the presence of impairment, defined and determined based on OIC 21, paragraphs 31 to 41, the cost is adjusted.

Inventories

Inventories are recognized on the date on which the risks and benefits associated with the acquired assets are transferred and are recognized at the lower value of the purchase cost, including all directly attributable costs and ancillary charges and indirect costs relating to in-house production determined according to the weighted average cost criterion, and the estimated realizable value inferable from the market trend.

Pursuant to OIC 13 par. 22, acquisitions with deferred payment at conditions other than those normally applied on the market are recognized at the value corresponding to the debt determined pursuant to OIC 19.

The realizable value was thus determined based on the provisions of OIC 13 par. 51 to 53 and in particular based on the estimate of the sale price of the goods and finished products in the course of normal management, having regard to the information available from the market. For the purposes of determining the realizable value, market trends are used taking into account the rate of obsolescence and turnaround times, among others.

The obsolescence rate relates to the slow turnover of goods in stock and is calculated based on estimates made on low-turnover products. At the end of each financial year, the Company makes estimates in order to verify the need to adjust the inventory obsolescence fund.

Derivative financial instruments

Derivative financial instruments are recorded at fair value corresponding to the fair value, if any, or the value resulting from evaluation models and techniques that ensure a reasonable approximation to fair value. The financial instruments for which these methods could not be used are evaluated based on their purchase price.

The fair value, if positive, is recorded as an asset, in the specific item of financial fixed assets or in current assets depending on the destination, or under liabilities in the specific item included among the provisions for risks and charges, in the case of which the fair value is negative.

Derivatives to hedge cash flows (cash flow hedges) are offset by a net equity reserve, or, for the ineffective portion, in the Income Statement.

The changes in the fair value of speculative derivatives and price hedges (fair value edge) are recorded in the Income Statement.

Receivables including those recognized as financial fixed assets

Receivables are classified as fixed assets or current assets based on their destination/origin with respect to ordinary business, and are recorded at their estimated realizable value.

The breakdown between current and non-current is based on the contractual or legal maturity, also taking into account facts and events that may entail modifying the original maturity, the ability of the debtor to fulfil the obligation within the contractual terms, and the time frame within which it is believed reasonably possible for the receivable to be settled.

Receivables pursuant to art. 2426, par. 1, no. 8 of the Italian Civil Code are recorded at amortized cost, with the exception of receivables for which the effects of applying the amortized cost, pursuant to art. 2423, par. 4 of the Italian Civil Code, are irrelevant (maturity under 12 months).

For the principle of relevance already mentioned, receivables have not been discounted if the interest rate derived from the contractual conditions is not significantly different from the market interest rate.

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Notes to the financial statements As of and for the years ended 31 December 2019

The “time factor” referred to in art. 2426, par. 1, no. 8, of the Italian Civil Code was also taken into account by discounting non-current receivables in the event of a significant difference between the effective interest rate and the market rate.

Receivables for which the amortized cost criterion was not applied were recognized at their estimated realizable value.

Regardless of whether or not the amortized cost was applied, receivables are shown in the financial statements net of the recognition of a bad debt provision relating to the receivables deemed non-collectable, as well as the generic risk relating to the remaining receivables. This risk relies on estimates based on past experience, the trend in the seniority indices of overdue receivables, the general economic situation, sector and country risk, and events occurring after the close of the financial year that have an impact on the values at the financial statements date.

Taxes and deferred tax assets

The item “Taxes” includes certain and determined amounts deriving from receivables for which a right of realization has arisen through reimbursement or compensation.

“Deferred tax assets” are calculated based on deductible time differences or the carry-forward of tax losses, applying the estimated tax rate in force at the time when these differences are expected to arise.

Deferred tax assets have been recognized where there is reasonable certainty that they will be recovered in the future, as proven by a tax plan for a reasonable period of time that provides sufficient taxable income to use the losses carried forward and/or by the presence of sufficient taxable time differences to absorb the losses carried forward.

Cash and cash equivalents

Cash and cash equivalents represent the balances of bank and postal deposits, cheques, as well as cash and cash equivalents on hand at the year’s end. Bank and postal deposits and cheques are valued at the estimated realizable value, cash in hand and cash value securities at face value while foreign currency receivables are valued at the exchange rate in effect at the end of the year.

Accrued income and prepaid expenses

Accrued income and prepaid expenses have been recorded on an accrual basis and relate to the revenue/costs pertaining to the year and payable in subsequent years, and the revenue/costs incurred by the end of the year but pertaining to subsequent years.

Therefore, only the portions of costs and revenue common to two or more years are recorded, the amount of which varies according to time.

At the end of the year, it was verified that the conditions that determined the initial recognition have been met, making, if necessary, the required value adjustments, taking into account not only the time factor but also any recoverability.

Accrued income, in the same way as receivables, are measured at the presumable realizable value and, if lower than the book value, an impairment is recorded in the Income Statement.

Accrued expenses, in the same way as payables, are recorded at nominal value.

For prepaid expenses, an assessment was made of the future economic benefit related to the deferred costs, making an adjustment if this benefit was lower than the deferred portion.

Provisions for risks and charges

The provisions for risks and charges are recorded to cover losses or liabilities of a specific nature, of certain or probable existence, whose amount or date of occurrence are, however, uncertain at the end of the year.

The estimation process is carried out and/or adjusted at the financial statements date based on past experience and of information available.

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In accordance with OIC 31 par. 19, given that the criterion of classification by nature of costs prevails, the allocations to the provisions for risks and charges are recorded among the asset items to which the transaction refers (characteristic, ancillary or financial).

Tax provisions, including deferred taxes

This includes the liabilities for probable taxes, deriving from non-definitive assessments and pending disputes, and the deferred tax liabilities determined based on the taxable temporary differences, applying the estimated rate in force at the moment in which these differences are deemed to be reversed.

In accordance with OIC 25 paragraphs 53 to 85, the provision for deferred taxes also includes deferred taxes arising from extraordinary transactions, revaluation of assets and suspended taxation that are not reflected in the Income Statement or in net equity.

Employees' severance indemnity

Employees' severance indemnity is recorded in accordance with the provisions of current legislation and correspond to the actual commitment of the Company towards its individual employees as of the financial statements date, after deduction of paid advances.

Payables

Payables pursuant to art. 2426, par. 1, no. 8, of the Italian Civil Code are recognized according to the amortized cost criterion, with the exception of payables for which the effects of the application of the amortized cost, pursuant to art. 2423 par. 4 of the Italian Civil Code, are irrelevant (maturity less than 12 months) For the principle of relevance, the payables have not been discounted if the interest rate derived from the contractual conditions is not significantly different from the market interest rate.

The 'time factor' referred to in art. 2426, par. 1, no. 8, of the Italian Civil Code was also taken into account by discounting non-current payables in the event of a significant difference between the effective interest rate and the market rate.

Payables for which the amortized cost criterion was not applied were recognized at their nominal value.

Current and non-current amounts are classified based on the contractual or legal maturity, also taking into account facts and events that may lead to a change in the original maturity.

Payables originating from acquisitions of assets are entered at the time when the risks, charges and benefits are transferred; those relating to services are recognized when the service is performed; financial and other types when the obligation to the counter-party arises.

Tax payables include liabilities for certain and determined taxes, as well as withholding taxes as a substitute and not yet paid at the financial statements date, and, where offset is permitted, are recorded net of advances, withholding taxes and tax receivables.

Foreign currency values

Receivables and payables originally expressed in currencies other than the Euro are recorded at the exchange rate on the date of the transaction. Exchange differences realized on the settlement of foreign currency receivables and payables are recognized in the Income Statement under item 17-*bis*. At the end of the financial year, items in foreign currency are directly adjusted to the official exchange rates in force at the end of the financial year, and the exchange rate differences are recorded in the Income Statement under item 17-*bis*.

Any net profits resulting from adjustment of foreign currency items to exchange rates not absorbed by any losses in the financial year are recorded in a dedicated non-distributable reserve until it is actually realized.

Non-monetary assets and liabilities in foreign currency are recognized at the exchange rate in effect at the time of their purchase, and, pursuant to OIC 26 par. 31, when preparing the financial statements, this cost is compared with the recoverable value (fixed assets) or with the value inferable from market trends (current assets).

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Costs and revenue

These are reported in accordance with the principles of prudence and economic accrual.

With reference to “Revenue from sales and services”. It should be noted that adjustments of revenue, pursuant to OIC 12 par. 50, are deducted from the revenue item, excluding those referring to previous years and resulting from corrections of errors or changes in accounting principles, recognized pursuant to OIC 29 on the opening balance of shareholders’ equity.

As per industry practice, discounts on purchases are recognized as a reduction in the purchase cost of goods while income from promotional activities with suppliers are recognized in other income.

Income taxes

Current taxes are calculated based on a realistic forecast of taxable income for the year, determined according to tax legislation, and by applying the tax rates in force on the reporting date. The related tax liability is recognized in the balance sheet at nominal value, net of advances paid, withholding taxes and tax receivables that can be offset and are not requested for reimbursement; in the event that the advances paid, withholding taxes and receivables exceed the taxes due, the relevant tax credit will be recorded. Deferred and prepaid income taxes are calculated on the cumulative amount of all temporary differences between the values of assets and liabilities, as determined using statutory accounting criteria with their values recognized for tax purposes.

Deferred and prepaid income taxes are recognized in the financial year in which the temporary differences emerge, and are calculated by applying the tax rates in effect during the financial year in which the temporary differences will be reversed. This applies when these rates have already been defined on the reference date for the financial statements; otherwise they are calculated based on the rates in effect on the reference date for the financial statements.

Events occurring after the end of the financial year

Events occurring after the end of the financial year that modify existing conditions at the balance sheet date and which require changes to asset and liability values, in accordance with the relevant accounting standard, are recognized in the balance sheet, in accordance with the accrual principle, to reflect the effect that these events have on the financial position and on the profit or loss at the end of the financial year. Events occurring after the end of the financial year that modify existing conditions at balance sheet date, but which do not require changes in book values, in accordance with the reference accounting standard, because they will be included in the following financial year, are not recognized in balance sheet but are shown in the notes when necessary, in order to disclose the relevant information. The period within which the event must occur for it to be taken into account ends on the date of preparation of the draft financial statements by the Directors, except in cases where events occur that may require an amendment to the draft financial statements between that date and the date scheduled for the approval of the financial statements by the shareholders.

OTHER INFORMATION

The standards and recommendations published by the Italian Accounting Standard Setter (OIC) were complied with, and, where lacking, were integrated by the generally accepted international standards (IAS/IFRS and USGAAP) in order to give a truthful and fair representation of the equity and financial position and the economic result for the financial year.

Lastly, it should be noted that the change between the previous year and the current year is also influenced by the merger by incorporation of Mondial Pet Distribution S.p.A., already mentioned in the introduction.

The tables indicating the breakdown and changes in intangible and tangible fixed assets under the item “Increases due to acquisitions” also include the balance of the fixed assets recognized in the financial statements of Mondial Pet Distribution S.p.A. as at 31 December 2018.

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ASSETS

FIXED ASSETS

Intangible fixed assets

Intangible fixed assets amounted to Euro 340,823,140 (Euro 323,465,366 in the previous year).

The composition and the changes to the individual items are as follows:

	Incorporation and expansion costs	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Goodwill	Intangible fixed assets under development and advances	Other intangible fixed assets	Total intangible fixed assets
Value at the start of the year								
Cost	16,480,446	408,928	1,721,212	64,660,494	277,115,257	782,374	21,621,655	382,790,366
Amortization (Accumulated depreciation)	10,878,980	167,902	1,117,590	7,350,112	32,937,138	0	6,873,278	59,325,000
Net book value	5,601,466	241,026	603,622	57,310,382	244,178,119	782,374	14,748,377	323,465,366
Changes during the year								
Increases for acquisitions/ mergers	3,671,353	408,801	930,467	13,054	28,779,286	0	9,694,336	43,497,297
Decreases for disposals and divestments (of the carrying value)	30,768	0	0	0	0	19,495	0	50,263
Depreciation for the year	2,861,580	272,612	462,880	3,380,970	15,627,771	0	2,598,889	25,204,702
Impairment during the year	0	0	437,472	0	0	447,086	0	884,558
Total changes	779,005	136,189	30,115	-3,367,916	13,151,515	-466,581	7,095,447	17,357,774
Value at the end of the year								
Cost	19,874,603	817,729	2,850,573	64,681,949	306,796,345	762,879	33,115,853	428,899,931
Amortization (Accumulated depreciation)	13,494,132	440,514	1,779,363	10,739,483	49,466,711	0	11,272,029	87,192,232
Impairment losses	0	0	437,473	0	0	447,086	0	884,559
Net book value	6,380,471	377,215	633,737	53,942,466	257,329,634	315,793	21,843,824	340,823,140

The main increases in 2019 are directly related to Company's normal expansion policy and the merger by incorporation of Mondial Pet Distribution S.p.A.

In particular, the increase in the items Incorporation and expansion costs, Goodwill and Other intangible fixed assets is mainly due to:

- the incorporation costs incurred during the year for the opening of new stores, as well as the merger of Mondial Pet Distribution S.p.A.;

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- the merger deficit resulting from the merger by incorporation of Mondial Pet Distribution S.p.A., which was allocated to Goodwill. The recognition of goodwill is a consequence of the forecast of future economic benefits such as to support its recoverability over time;
- the costs of improvements on third party assets to open new stores, as well as the merger balances of Mondial Pet Distribution S.p.A.

The decreases in intangible fixed assets are mainly due to amortization, with particular regard to the amortization of the post-merger goodwill of Noah 3 for the year and amounted to Euro 13,455,190, to the amortization of the ARCAPLANET trademark which in the year amounted to Euro 3,279,978 and the amortization of post-merger goodwill of Mondial Pet Distribution S.p.A. which in the year amounted to Euro 1,474,925. The decreases also include impairment relating to Software deriving from the merger of Mondial Pet Distribution S.p.A. and to Advances due to a supplier for the construction of intangible assets.

Incorporation and expansion costs

In accordance with the provisions of art. 2427, par. 1, no. 3, of the Italian Civil Code, the composition of the incorporation and expansion costs is shown.

Incorporation and expansion costs, equal to Euro 6,380,471, includes the set-up costs for the establishment and amendments to the deed of incorporation of the Company, the costs for the merger by reverse incorporation of Noah3, Saluki and Angelica, the costs for direct mergers of Zoomarket Group Sardegna S.r.l. and Mondial Pet Distribution S.p.A., the expenses for the purchase of the business unit from Country Shop S.r.l. and incorporation costs incurred during the financial years for the opening of new points of sale. These costs have been capitalized because they have multi-year usefulness.

Development costs

The item in question, equal to Euro 377,215, relates to the expenses incurred for the design, construction and testing of new product lines.

Industrial patents and intellectual property rights

The item in question, equal to Euro 633,737, relates exclusively to the purchase of software licenses. This item is net of a bad debt provision equal to Euro 437,473.

Concessions, licenses, trademarks and similar rights

The item in question, equal to Euro 53,942,466, mainly includes the value of the ARCAPLANET trademark allocated after the reverse merger operation (i.e. the reverse incorporation of Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l., into Agrifarma) which had legal effect on 1 December 2016 and the costs relating to the registration and maintenance of private trademarks.

The tax effect, determined with the tax rates in force, in accordance with accounting principle OIC 4, is recorded in the deferred tax liabilities.

This book value was the subject of a appraisal dated January, 31 2017 about the value of the ARCAPLANET brand which confirmed the book value as of 1 December 2016 for an estimated useful life of 20 years.

To date, no elements have emerged such as to suggest brand value impairment.

Goodwill

Goodwill, equal to Euro 257,329,634, mainly refers to:

Costs incurred for the recognition of individual shop expenses

This element includes:

- Goodwill deriving from the purchase of the business relating to the Imperia shop (which took place in 2012) equal to Euro 26,000 net of amortization;

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- Goodwill deriving from the purchase of the business relating to the Rome shop (Via Tiburtina) (which took place in 2014) equal to Euro 16,000 net of amortization;
- Goodwill deriving from the purchase of the business relating to the Lucca shop (which took place in 2018) equal to Euro 26,597 net of amortization;
- Goodwill deriving from the purchase of the business relating to the Comacchio shop (which took place in 2019) equal to Euro 47,451 net of amortization.

For goodwill already recorded as at 31 December 2015, the business availed itself of the exemption provided for by Legislative Decree no. 139 of 2015 and did not determine the useful life. Specifically, they are depreciated over 10 years, as permitted by art. 2426 of the Italian Civil Code.

Costs incurred for the recognition of business complex expenses

This element includes:

- The goodwill deriving from the transfer of a business unit which took place in 2007 to Bulldog S.r.l. (company incorporated in 2009); this goodwill is amortized over a period of 20 years from the date of registration, taking into account the duration relating to its use equal to Euro 1,151,682 net of amortization;
- The goodwill deriving from the allocation of the deficit from the merger by incorporation of Bulldog S.r.l. which was depreciated over a residual useful life of 18 years from the date of registration which amounts to Euro 67,820 net of amortization;
- The goodwill deriving from the transfer of a business unit which took place in 2008 to New Lucky Dog S.r.l. (company incorporated in 2011), goodwill is amortized over a period of 20 the date of registration, taking into account the duration relating to its use equal to Euro 612,000 net of amortization;
- The goodwill deriving from the allocation of the deficit from the merger by incorporation of New Lucky Dog S.r.l. which was amortized over a residual useful life of 18 years from the date of registration which amounts to Euro 167,923 net of amortization.

For goodwill already recorded at 31 December 2015, the Company availed itself of the exemption provided for by Legislative Decree no. 139 of 2015 and did not determine the useful life. Specifically, they were already amortized, taking into account the duration of their use, over a time frame that varies between 18 and 20 years.

This element also includes:

- The goodwill deriving from the allocation of the deficit from the merger by incorporation of Zoomarket Group Sardegna S.r.l. which was amortized over a useful life of 20 years from the date of registration which amounts to Euro 3,729,026 net of depreciation;
- The goodwill deriving from the purchase of the business unit relating to the shops sold by Country Shop S.r.l. (which took place in 2017), which was amortized over a useful life of 20 years from the date of registration and amounts to Euro 3,201,914 net of amortization;
- The goodwill deriving from the purchase of the business unit relating to the shops sold by Zoodom Italy S.r.l. (which took place in 2019), which was amortized over a useful life of 20 years from the date of registration and amounts to Euro 97,057 net of amortization;
- The goodwill deriving from the allocation of the deficit from the merger by incorporation of Mondial Pet Distribution S.p.A.. which was amortized over a useful life of 20 years and amounts to Euro 27,150,745 net of amortization.

Costs incurred for the recognition of Agrifarma business complex expenses

This element includes:

- The goodwill deriving from the allocation of the deficit from the merger by reverse incorporation of Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l., into Agrifarma S.p.A. which amounts to Euro 221,033,751 net of amortization.

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The period of time within which the Company expects to recover, in financial or income terms, the investments made also in consideration of the objective facts and circumstances formally documented by the Company Board of Directors is 18/20 years from the date of acquisition, a period that is also compliant with the amortization time frame of the main asset represented by the ARCAPLANET trademark.

To date, no elements have emerged such as to suggest the impairment of goodwill recorded in the financial statements.

Assets under development and advances

Assets under development and advances, equal to Euro 315,793, refer to advances that have been paid to suppliers for improvement works not yet started on some points of sale and for the implementation of new software. This item is net of an impairment provision equal to Euro 447,086.

Composition of the item “Other intangible fixed assets”

The item “Other intangible fixed assets” amounting to Euro 21,843,824 is broken down as follows:

Description	Value at the start of the year	Changes during the year	Value at the end of the year
Improvements to third party assets	14,431,309	7,141,649	21,572,958
Renovation expenses	2,258	-2,258	0
Non competition agreement costs	46,659	-15,991	30,668
Other multi-year costs	268,151	-27,953	240,198
Total	14,748,377	7,095,447	21,843,824

It should be noted that the Other intangible fixed assets, as indicated above, are mainly made up of the expenses that the Company incurs on third party properties leased and used as points of sale. These expenses are amortized in the shorter period between the future usefulness of the expenses incurred and the residual period of the lease. The increase in these expenses is due to the expansionary policy of the company which provides for the continuous opening of points of sale.

Tangible fixed assets

Tangible fixed assets amounted to Euro 16,824,248 (Euro 10,118,739 in the previous year). This item is net of an impairment provision equal to Euro 389,512.

The composition and the changes to the individual items are as follows:

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	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible fixed assets under development and advances	Total tangible fixed assets
Value at the start of the year						
Cost	80,707	285,835	7,717,679	13,416,945	173,931	21,675,097
Amortization (Accumulated depreciation)	12,953	266,463	4,208,125	7,068,817	0	11,556,358
Net book value	67,754	19,372	3,509,554	6,348,128	173,931	10,118,739
Changes during the year						
Increases for acquisitions/mergers .	876,243	89,672	4,288,138	6,560,280	246,470	12,060,803
Decreases for disposals and divestments (of the carrying value)	857,806	0	0	0	0	857,806
Depreciation for the year	20,858	25,167	1,624,291	2,437,660	0	4,107,976
Impairment during the year	0	0	335,245	54,267	0	389,512
Total changes	-2,421	64,505	2,328,602	4,068,353	246,470	6,705,509
Value at the end of the year						
Cost	80,707	550,431	15,403,468	20,200,058	420,401	36,655,065
Amortization (Accumulated depreciation)	15,374	466,554	9,230,067	9,729,310	0	19,441,305
Impairment losses	0	0	335,245	54,267	0	389,512
Net book value	65,333	83,877	5,838,156	10,416,481	420,401	16,824,248

The following additional information is provided below.

The increases in fixed assets referred to in the above table refer mainly to purchases for various equipment linked to the new openings, as well as office and department furniture, furnishings and equipment, ordinary and electronic office machines, internal means of transport and cars.

As regards the determination of the depreciation of tangible assets for the year, equal to Euro 4,107,976, only economic-technical depreciation was calculated, based on the rates deemed to express the residual useful life of the asset.

Composition of the item "Other tangible fixed assets"

The item "Other tangible fixed assets" amounting to Euro 10,416,481 is broken down as follows:

Description	Value at the start of the year	Changes during the year	Value at the end of the year
Furniture and fixtures	4,853,464	2,974,663	7,828,127
Electronic office equipment	1,325,792	888,253	2,214,045
Cars	61,167	100,093	161,260
Transport vehicles	107,705	105,344	213,049
Total	6,348,128	4,068,353	10,416,481

Financial lease transactions

Pursuant to art. 2427, par. 1, no. 22, of the Italian Civil Code, it should be noted that a financial leasing contract is in place at the closing date of this year. This financial lease contract, stipulated on 19 December 2019, relates to a property located in Comacchio, consisting of a portion of a building used as a commercial warehouse with an adjoining warehouse. The information regarding financial leasing transactions is provided below.

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Balance Sheet – Financial leasing method

Tangible fixed assets	835,100	Shareholders' equity	-5,070
Accumulated depreciation	-12,527	Financial payables	749,549
Deferred tax assets	1,962	Deferred tax liability	
Adjustment of deferred income	-80,056		
Total assets	744,479	Total liabilities	744,479

Income Statement – Financial leasing method

Reversal of leasing fees	-6,244	Deferred tax assets	1,962
Depreciation for the period	12,527		
Interest expenses	749		
Total costs	7,032	Total assets	1,962
(Profit)/Loss	5,070		

Financial fixed assets

Equity investments, other securities and derivative financial instrument assets

Equity investments included in financial fixed assets amounted to Euro 2,542,897 (Euro 40,471,426 in the previous year).

The composition and the changes to the individual items are as follows:

	Equity investments in subsidiaries	Equity investments in other companies	Total equity investments
Value at the start of the year			
Cost	40,470,500	926	40,471,426
Carrying value	40,470,500	926	40,471,426
Changes during the year			
Increases for acquisitions	2,447,302	4,969	2,452,271
Decreases for disposals (of the carrying value)	40,380,500	300	40,380,800
Total changes	-37,933,198	4,669	-37,928,529
Value at the end of the year			
Cost	2,537,302	5,595	2,542,897
Carrying value	2,537,302	5,595	2,542,897

The change in equity investments is related to the acquisition of Arcawip S.r.l. which took place on 30 October 2019 and the related accessory costs and the merger by incorporation of Mondial Pet Distribution S.p.A. into Agrifarma which took legal effect as of 31 December 2019. With reference to the investment in Arcawip S.r.l., given the recent acquisition and the recent contribution for which an appraisal was performed by an independent expert, there was no need for an impairment of the investment.

Equity investments in other companies relate to shares in various consortia and shareholdings in cooperative credit banks which were received following the merger of Mondial Pet Distribution S.p.A. The increases due to acquisitions are exclusively represented by the carry-over of the balances of the merger.

Total non current receivables

Equity investments included in financial fixed assets amounted to Euro 1,572,276 (Euro 1,273,613 in the previous year).

The composition and the changes to the individual items are as follows:

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	Opening nominal value	Opening bad debt provision	Opening net book value	Allowances to bad debt provision	Use of the bad debt provision
From subsidiary companies	1,000,000	0	1,000,000	0	0
Cash security deposits	273,613		273,613		
Total	1,273,613	0	1,273,613	0	0

	(Write-downs)/ Write-backs	Reclassified from/(to) other items	Other change increases/ (decreases)	Closing nominal value	Closing bad debt provision	Closing net book value
From subsidiary companies	0	0	100,000	1,100,000	0	1,100,000
Cash security deposits	0	0	198,663	472,276		472,276
Total	0	0	298,663	1,572,276	0	1,572,276

Non current receivables refer to (i) the non-interest bearing loan granted to the subsidiary Arcaplanet SA, for an amount of Euro 1,100,000, , and to (ii) receivables for deposits with lessors of the commercial properties and service providers (*multiutilities*).

With reference to the loan granted to Arcaplanet SA, it should be noted that the amount of the non-interest bearing loan is equal to Euro 2,000,000 disbursed as at 31 December 2019 for Euro 1,100,000. The maturity is 24 months after the final disbursement. The loan is recorded at nominal value net of the portion waived during the year.

A summary of the changes is provided below:

	Value at the start of the year	Changes during the year	Value at the end of the year	Current	Non-current	Due beyond 5 years
Receivables from subsidiaries	1,000,000	100,000	1,100,000	0	1,100,000	0
Receivables from third parties	273,613	198,663	472,276	0	472,276	0
Total non current receivables	1,273,613	298,663	1,572,276	0	1,572,276	0

Equity investments in subsidiaries

Below are the data relating to equity investments in subsidiaries, pursuant to art. 2427, par. 1, no. 5 of the Italian Civil Code:

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share Capital in Euro	Profit (Loss) for the last fiscal year in Euro	Shareholders' equity in Euro	Share held in Euro	Share held in %	Book value or corresponding credit
Arcawip S.r.l.	Carasco (GE)	02635740992	10,000	73,733	577,724	577,724	100.00	2,447,302
Arcaplanet SA	Switzerland		90,000	-390,152	-300,152	-300,152	100.00	90,000
Total								2,537,302

The data referring to the equity investment in Arcawip S.r.l. refer to the first financial statements for the year ended 31 December 2019.

The equity investment in Arcawip S.r.l., relating to 100% of its share capital, was purchased on 30 October 2019, with effect from 1 November 2019, for a purchase price of Euro 2,381,272, plus capitalized accessory charges. The Company operates in the same sector as Agrifarma and owns 11 points of sale in Lombardia, Veneto and Piemonte.

The data referring to the investment in Arcaplanet SA refer to the financial statements as at 31 December 2018, as the financial statements ended 31 December 2019 were not finalised when these financial statements were prepared.

The investment in Arcaplanet SA, relating to 100% of the share capital, was recorded following its establishment on 2 February 2018. The Company operates in the same sector as Agrifarma and owns 2 points

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of sale in Switzerland. This Company is still in the start-up phase and it is believed that the losses incurred are not of a lasting nature.

Non current receivables — Breakdown by geographical area

The breakdown of non-current receivables by geographical area is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

Geographical area	Non current receivables from subsidiaries	Non current receivables from third parties	Total non current receivables
Italy	0	472,276	472,276
EU	0	0	0
Non-EU	1,100,000	0	1,100,000
Total	1,100,000	472,276	1,572,276

CURRENT ASSETS

Inventories

Goods are recognized in inventories when the transfer of the risks and benefits associated with the goods acquired takes place, and consequently include the goods existing in the Company's warehouses, with the exception of those received from third parties for which the right of ownership has not been acquired (for inspection, for processing, for consignment), goods owned by third parties (for inspection, for processing, for consignment), and goods in transit where the risks and benefits connected to the acquired goods have already been transferred.

The inventories included in current assets amounted to Euro 57,290,774 (Euro 47,245,974 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Raw ancillary materials and consumables	283,402	236,566	519,968
Finished products and goods	46,900,208	9,870,598	56,770,806
Advances	62,364	-62,364	0
Total inventories	47,245,974	10,044,800	57,290,774

Inventories of finished products and goods, as well as consumables, have been recorded at the lower of the purchase or manufacturing cost and the corresponding realisable value. Cost was determined by applying the weighted average cost method.

Inventories of finished products and goods are recorded net of an obsolescence provision equal to Euro 1,332,481.

The changes in the obsolescence provision are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Obsolescence provision	582,481	750,000	1,332,481

It should be noted that the change in the inventory write-down provision relates to the Mondial Pet Distribution S.p.A. merger balance.

Receivables

Receivables included in current assets amounted to Euro 10,316,192 (Euro 10,502,035 in the previous year).

The breakdown is as follows:

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	Current	Non-current	Total nominal value	(Bad debt provision)	Net value
Receivables from customers . . .	7,762,089	0	7,762,089	25,000	7,737,089
From subsidiaries	985,722	0	985,722	0	985,722
Taxes	114,157	24,679	138,836		138,836
Deferred tax assets			978,944		978,944
From others	475,601	0	475,601	0	475,601
Total	9,337,569	24,679	10,341,192	25,000	10,316,192

Receivables — Breakdown by maturity

The breakdown of receivables by maturity is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

	Value at the start of the year	Changes during the year	Value at the end of the year	Current	Non-current	Due beyond 5 years
Current Receivables from customers	5,509,927	2,227,162	7,737,089	7,737,089	0	0
Current Receivables from subsidiaries	4,258,303	-3,272,581	985,722	985,722	0	0
Current Taxes	157,538	-18,702	138,836	114,157	24,679	0
Deferred tax assets	351,639	627,305	978,944			
Other current receivables . .	224,628	250,973	475,601	475,601	0	0
Total current receivables . . .	10,502,035	-185,843	10,316,192	9,312,569	24,679	0

Receivables — Breakdown by geographical area

The breakdown of the receivables entered in current assets by geographical area is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

	Total	Italy	EU	Non-EU
Geographical area				
Current Receivables from customers	7,737,089	7,737,089	0	0
Current Subsidiary receivables	985,722	407,087	0	578,635
Current Taxes	138,836	138,836	0	0
Deferred tax assets	978,944	978,944	0	0
Other current receivables	475,601	475,601	0	0
Total current receivables	10,316,192	9,737,557	0	578,635

Receivables from customers

Receivables from customers, equal to Euro 7,737,089, mainly relate to receivables from suppliers for promotional activities to be collected within the next year (net of credit notes to be issued).

With regard to receivables, it should be noted that a bad debt provision has been recorded, amounting to Euro 25,000, deriving in part from the merger of Mondial Pet Distribution S.p.A., in order to align the book value of the receivables with their presumed realizable value.

Receivables from subsidiaries

Receivables from subsidiaries, equal to Euro 985,722, consist of receivables for the supply of goods to the subsidiaries Arcawip S.r.l. and Arcaplanet SA.

Taxes

Taxes recognized in the financial statements for the year ended 31 December 2019 amount to Euro 138,836 and relate to the receivable from the tax authorities for IRES which amounts to Euro 24,679, to the VAT credit which amounts to Euro 78,801 and other taxes for Euro 35,356.

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The non-current portion of taxes, equal to Euro 24,679, relates to the IRES refund requests, presented during the months of February and March 2013, as a result of the failure to deduct, for IRES purposes, the IRAP referable expenses for employees and similar personnel, and to the provisional payment of the amounts ascertained for the 2010 tax period, which have been the subject of legal disputes.

Deferred tax assets

Deferred tax assets, equal to Euro 978,944, relate to temporary differences between statutory profit and taxable income that will be reversed in future periods. The asset was recognized as there is a reasonable certainty that these temporary differences will be reflected in the Company's future taxable income.

Below is the breakdown of the deferred tax assets at the end of the year:

Description	Total prepaid IRES receivable	Total prepaid IRAP receivable
Waste tax	10,806	0
Interest charges for late payments	48	0
Advertising tax	5,534	0
Unpaid director's fee	60,000	0
Provision for doubtful receivables	3,853	0
Registration fee	1,467	0
Municipal taxes	5	0
Stamp tax	485	0
Auditors' fee	18,881	0
Unrealized foreign exchange losses	0	0
Inventory write-down reserve	319,796	0
Future expense reserve	7,074	0
Contingency fund	29,527	0
Intangible asset impairment reserve	212,294	0
Tangible asset impairment reserve	93,483	0
Agent indemnity fund	66,419	5,106
Brand amortization	102,750	16,697
Goodwill amortization	21,264	3,455
Total	953,686	25,258

The provision to the bad debt provision, equal to Euro 25,000, generated, for the part not deducted for tax purposes, IRES deferred tax assets for Euro 3,853, and refers to receivables recorded in receivables from customers.

The IRES deferred tax assets have been determined using the rate of 24%.

The IRAP rate used to quantify deferred tax assets is 3.90%.

Other receivables

This item consists of receivables deriving from non-strictly commercial transactions; in particular it deals with:

Description	Value at the start of the year	Changes during the year	Value at the end of the year
Receivables for discount coupons	14,661	5,526	20,187
INAIL receivables	—	6,407	6,407
Employee receivables	49,120	8,450	57,570
Supplier advances	30,278	37,281	67,559
Other receivables	130,569	193,309	323,878
Total	224,628	250,973	475,601

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Financial assets

Financial assets included in current assets amounted to Euro 57 (Euro 13,647 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Current Derivative financial instruments	13,647	-13,590	57
Total current financial assets	13,647	-13,590	57

Derivative financial instruments amounting to Euro 57 relate to the “Mark to Market” assessment of derivatives entered into in 2018 .

Cash and cash equivalents

Cash and cash equivalents included in current assets amounted to Euro 52,635,592 (Euro 31,456,212 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Bank and postal deposits	31,041,748	21,000,982	52,042,730
Cash in hand	414,464	178,398	592,862
Total cash and cash equivalents	31,456,212	21,179,380	52,635,592

Cash in hand

This item indicates the cash and cash equivalents held by the Company to be deposited in the bank account mainly relating to collections from shops not deposited in the bank due to the end of year holidays.

ACCRUED INCOME AND PREPAID EXPENSES

Accrued income and prepaid expenses amounted to Euro 1,698,159 (Euro 887,395 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Accrued Income	0	1,249	1,249
Prepaid expenses	887,395	809,515	1,696,910
Total accrued income and prepaid expenses	887,395	810,764	1,698,159

Breakdown of prepaid expenses:

They mainly consist of portions of costs pertaining to 2020 and subsequent financial years, reversed and deferred to the future financial year, relating to insurance premiums, utilities, maintenance fees, condominium expenses and rent fees.

SHAREHOLDERS' EQUITY

Shareholder's equity as at the end of the year is equal to Euro 248,063,060 (Euro 252,862,437 in the previous year).

The following tables show the changes during the year in the individual components of shareholders' equity and the details of the item “Other reserves”:

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	<u>Value at the start of the year</u>	<u>Allocation of dividends</u>	<u>Other destinations</u>	<u>Increases</u>
Share capital	1,121,363	0	0	0
Share premium reserve	17,635,394	0	0	0
Legal reserve	211,329	0	0	0
Other reserves				
Extraordinary reserve	22,986,625	0	0	0
Merger surplus reserve	226,776,765	0	0	0
Other	-1	0	0	2
Total other reserves	249,763,389	0	0	2
Retained earnings / (accumulated losses)	-8,836,095	0	-723,065	-7,032,943
Profit / (loss) for the year	-7,032,943	0	0	0
Total Shareholders' equity	252,862,437	0	-723,065	-7,032,941

	<u>Decreases</u>	<u>Reclassifications</u>	<u>Profit/(loss) for the year</u>	<u>Value at the end of the year</u>
Share capital	0	0		1,121,363
Share premium reserve	0	0		17,635,394
Legal reserve	0	0		211,329
Other reserves				
Extraordinary reserve	0	0		22,986,625
Merger surplus reserve	0	0		226,776,765
Other	0	0		1
Total other reserves	0	0		249,763,391
Retained earnings / (accumulated losses)	0	0		-16,592,103
Profit (loss) for the year	-7,032,943	0	-4,076,314	-4,076,314
Total Shareholders' equity	-7,032,943	0	-4,076,314	248,063,060

<u>Description</u>	<u>Amount</u>
Euro rounding reserve	1
Total	1

The changes in shareholders' equity items are as follows:

	<u>Value at the start of the year</u>	<u>Allocation of dividends</u>	<u>Other destinations</u>	<u>Increases</u>
Share capital	1,056,643	0	0	64,720
Share premium reserve	2,700,114	0	0	14,935,280
Legal reserve	211,329	0	0	0
Other reserves				
Extraordinary reserve	22,986,625	0	0	0
Merger surplus reserve	226,776,765	0	0	0
Other	0	0	0	0
Total other reserves	249,763,390	0	0	0
Retained earnings / (accumulated losses)	0	0	0	-8,836,095
Profit (loss) for the year	-8,836,095	0	0	0
Total Shareholders' equity	244,895,381	0	0	6,163,905

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	Decreases	Reclassifications	Profit/(loss) for the year	Value at the end of the year
Share capital	0	0		1,121,363
Share premium reserve	0	0		17,635,394
Legal reserve	0	0		211,329
Other reserves				
Extraordinary reserve	0	0		22,986,625
Merger surplus reserve	0	0		226,776,765
Other	1	0		-1
Total other reserves	1	0		249,763,389
Retained earnings / (accumulated losses)	0	0		-8,836,095
Profit (loss) for the year	-8,836,095	0	-7,032,943	-7,032,943
Total Shareholders' equity	-8,836,094	0	-7,032,943	252,862,437

Availability and use of shareholders' equity items

The information required by art. 2427, par. 1, no. 7-bis of the Italian Civil Code regarding the specification of equity items, gross of losses carried forward and losses for the year, in regards to their origin, possibility of use and distribution, as well as their utilisation in prior years, is derived from the following tables:

	Amount	Origin/nature	Possibility of use	Amount available	Summary of uses in the three previous years — for loss hedging	Summary of uses in the three previous years — for other reasons
Share capital	1,121,363	share capital — profit		0	0	0
Share premium reserve	17,635,394	Share capital	A,B,C	17,635,394	0	0
Legal reserve	211,329	profit	B	211,329	0	0
Other reserves						
Extraordinary reserve	22,986,625	profit	A,B,C	22,986,625	0	0
Merger surplus reserve	226,776,765	Share capital	A,B,C	226,776,765	0	0
Other	1			0	0	0
Total other reserves	249,763,391			249,763,390	0	0
Total	268,731,477			267,610,113	0	0
Non-distributable amount				24,604,409		
Residual distributable amount				243,005,704		

Key: A: for share capital increase; B: to cover losses; C: for distribution to shareholders D: for other statutory restrictions E: other

To complete the information provided on shareholders' equity, the following additional information is specified below.

Share capital

The Share capital of the Company amounts to Euro 1,121,263 and comprises 1,121,363 ordinary shares with a nominal value of Euro 1.00 each. The share capital at 31 December 2019 is fully subscribed by Noah 2 S.p.A. It should be noted that share capital was increased by Euro 64,720 with the minutes of the extraordinary shareholders' meeting of 29 May 2018.

Share premium reserve

The share premium reserve is equal to Euro 17,635,394 and includes (i) Euro 2,400,000 deriving from the share capital increase approved by the Company on December 23, 2005 (ii) Euro 300,114, deriving from the share capital increase subscribed on December 2, 2010 and (iii) Euro 14,935,280 related to the share capital increase resolved on May 29, 2018.

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Legal reserve

The legal reserve amounts to Euro 211,329 and, due to the capital increase carried out during the year, has not yet reached the limit envisaged by art. 2430 of the Italian Civil Code.

Extraordinary reserve

The extraordinary reserve is equal to Euro 22,986,625 and is unchanged compared to the previous year.

Merger surplus reserve

The merger surplus reserve, equal to Euro 226,776,765, was generated on 1 December 2016 from the increase in shareholders' equity that Agrifarma had following the legal effectiveness of the reverse merger with which it incorporated Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l.

Retained earnings / (accumulated losses)

It includes the result for the year 2017 which was negative for Euro 8,836,095, the result for 2018 which was negative for Euro 7,032,943, and was carried forward.

Profit (loss) for the year

It includes the result for the year 2019 which is negative for Euro 4,076,314.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognized in liabilities for a total of Euro 15,467,298 (Euro 15,950,627 in the previous year).

The composition and the changes to the individual items are as follows:

	Provisions for pensions and similar obligations	Tax provisions including deferred taxes	Derivative financial instrument liabilities	Other accruals	Total provisions for risks and charges
Value at the start of the year	0	15,948,733	0	1,894	15,950,627
Changes during the year					
Allocations during the year	160,719	0	0	152,505	313,224
Use for the year	48,530	915,380	0	1,894	965,804
Other changes	169,251	0	0	0	169,251
Total changes	281,440	-915,380	0	150,611	-483,329
Value at the end of the year	281,440	15,033,353	0	152,505	15,467,298

In order to recognize the deferred taxation on the part of the merger deficit (not tax deductible) allocated to the ARCAPLANET trademark, the provision for deferred taxes, equal to Euro 15,033,353, was originally recorded on 1 December 2016 (effective date of the merger by incorporation of Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l.), for the amount of Euro 17,865,750 and subsequently released at 31 December 2016 for the amount of Euro 87,472, and in the 2017 and 2018 financial years for Euro 915,114 each year. This latest release corresponds to the part of deferred taxes relating to the amortization of the ARCAPLANET trademark which took place in the 2019 financial year.

The deferred tax provision as at 31 December 2019 also includes of Euro 417 deferred taxes on unrealized exchange gains.

The provision for deferred taxes recognized in the financial statements at 31 December 2019 was determined using the IRES rate at 24% and the IRAP rate at 3.9%.

The provision for pensions and similar obligations relates to Mondial Pet Distribution S.p.A. and in particular to the agents it had in 2019, which ceased at the end of and for which the related provision was liquidated in 2020.

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Other provisions for risks and charges includes a provision for future expenses equal to Euro 29,476 was set aside which should be released during the following year and a provision for risks and charges equal to Euro 123,029.

EMPLOYEES' SEVERANCE INDEMNITY

Employees' severance indemnity are recognized among liabilities for a total of Euro 3,036,732 (Euro 755,321 in the previous year).

The composition and the changes to the individual items are as follows:

	Employees' severance indemnity
Value at the start of the year	755,321
Changes during the year	
Allocations during the year	2,433,739
Use for the year	565,650
Other changes	413,322
Total changes	2,281,411
Value at the end of the year	3,036,732

The table above shows the provision and use of the employees' severance indemnity and the other changes show the allocation of employee severance indemnity outside the Company.

The increase in the employees' severance indemnity benefits is due to the merger by incorporation of Mondial Pet Distribution S.p.A. which kept the severance pay set aside in the Company.

PAYABLES

Payables are recognized in liabilities for a total of Euro 216,968,408 (Euro 195,768,398 in the previous year).

The individual items consist of the following:

	Value at the start of the year	Changes during the year	Value at the end of the year
Bank payables	145,223,821	929,615	146,153,436
Advances	202,452	222,711	425,163
Payables to suppliers	41,492,736	13,751,721	55,244,457
Payables to subsidiaries	6,100	-6,100	0
Tax payables	1,266,455	2,143,785	3,410,240
Payables due to social security and welfare institutions	2,134,589	871,732	3,006,321
Other payables	5,442,245	3,286,546	8,728,791
Total	195,768,398	21,200,010	216,968,408

Payables — Breakdown by maturity

The breakdown of the payables by maturity is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

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	Value at the start of the year	Changes during the year	Value at the end of the year	Current	Non-current	Due beyond 5 years
Bank payables	145,223,821	929,615	146,153,436	1,440,128	144,713,308	0
Advances	202,452	222,711	425,163	425,163	0	0
Payables to suppliers	41,492,736	13,751,721	55,244,457	55,244,457	0	0
Payables to subsidiaries	6,100	-6,100	0	0	0	0
Tax payables	1,266,455	2,143,785	3,410,240	3,410,240	0	0
Payables due to social security and welfare institutions	2,134,589	871,732	3,006,321	3,006,321	0	0
Other payables	5,442,245	3,286,546	8,728,791	8,728,791	0	0
Total payables	195,768,398	21,200,010	216,968,408	72,255,100	144,713,308	0

Payables — Breakdown by geographical area

The breakdown of the payables by geographical area is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

	Total	Italy	EU	Non-EU
Geographical area				
Bank payables	146,153,436	146,153,436	0	0
Advances	425,163	425,163	0	0
Payables to suppliers	55,244,457	53,857,287	1,204,363	182,807
Tax payables	3,410,240	3,410,240	0	0
Payables due to social security and welfare institutions	3,006,321	3,006,321	0	0
Other payables	8,728,791	8,728,791	0	0
Payables	216,968,408	215,581,238	1,204,363	182,807

Payables secured by collateral on Company assets

Information concerning the debts secured by collateral on corporate assets is provided below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

	Payables secured by pledges	Total payables secured by collateral	Payables not secured by collateral	Total
Bank payables	146,052,484	146,052,484	100,952	146,153,436
Advances	0	0	425,163	425,163
Payables to suppliers	0	0	55,244,457	55,244,457
Tax payables	0	0	3,410,240	3,410,240
Payables due to social security and welfare institutions	0	0	3,006,321	3,006,321
Other payables	0	0	8,728,791	8,728,791
Total payables	146,052,484	146,052,484	70,915,924	216,968,408

Information on maturity, repayment methods and interest rates are specified below for payables secured by collateral.

The bank loan disbursed by a pool of credit institutions led by UniCredit S.p.A. amounts to Euro 146,052,484 (net of the effect of the amortized cost which is equal to Euro 2,875,360). Please note that the loan has the following repayment schedule and interest rates:

- Euro 105 million repayable in a “bullet” repayment maturing on 31 May 2023 and an interest rate equal to the spread (3.75%, from 28 February 2019 3.50%) + the 6-month Euribor (0% if negative)
- Euro 4.428 million and Euro 4.5 million, repayable in 3 instalments, the last of which maturing on 30 November 2022 and an interest rate equal to the spread (3.25%, from 28 February 2019 3.00%) + the 6-month Euribor (0% if negative)

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- Euro 35 million, repayable in a “bullet” repayment maturing on 31 May 2023 and an interest rate equal to the spread (3.75%, 3.50% from 28 February 2019) + the 6-month Euribor (0% if negative).

In light of the above, the following table summarizes the main conditions of the loans granted:

Description	Nominal value	Maturity	Interest rate at 31 December 2019
B1 Loan	102,000,000	31/05/2023	3.50%
B2 Loan	3,000,000	31/05/2023	3.50%
Capex 1 loan	4,427,844	3 instalments — last 30 November 2022	3.00%
Capex 2 loan	4,500,000	3 instalments — last 30 November 2022	3.00%
B1 loan extension	35,000,000	31/05/2023	3.50%
Total	148,927,844		

The Sole Shareholder Noah 2 S.p.A. has pledged the shares representing 100% of Agrifarma S.p.A. to the pool of credit institutions headed by UniCredit S.p.A. for this loan.

Bank payables

Bank payables mainly relate to the loan explained above which has final maturity on 31 May 2023, for an amount of Euro 146,052,484. This loan, was provided to Noah 3 S.p.A. in order to carry out the acquisition of Saluki SA, Angelica S.r.l. and Agrifarma S.p.A., and was recorded in the Agrifarma S.p.A. financial statements at 31 December 2019 as a result of the reverse merger that took place in 2016.

Advances

Payables for advances amounted to Euro 425,163 and mainly relate to advances paid by customers.

Payables to suppliers

Payables to suppliers, which amount to a total of Euro 55,244,457, relate to payables for invoices received, net of credit notes to be received and payables for invoices to be received.

These payables are all commercial in nature in relation to goods and services purchased during the year and are all due within the following year.

Tax payables

Tax payables mainly represent the payable to the tax authorities for IRPEF and additional regional and municipal withholdings made to employees and collaborators (Euro 964,088) and paid in 2020, the payable to the tax authorities for IRES, equal to Euro 1,999,885, and the payable to the tax authorities for VAT of Euro 446,267.

Payables due to social security and welfare institutions

Payables due to social security and welfare institutions, equal to Euro 3,006,321, mainly consists of social security charges to be paid essentially to INPS and payables for supplementary pension provisions.

Other payables

The balance of other payables consists of:

- payables to personnel for Euro 6,351,740 for accrued and unpaid wages, accrued and unused holidays, and year-end bonuses;
- other payables for Euro 440,556, mainly related to payables to directors (Euro 306,364);
- payables for acquisitions relating to the purchase of the business branch of Country Shop S.r.l. (Euro 162,641) and the purchase of the equity investment in Arcawip S.r.l. (Euro 1,773,854).

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ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income are recorded in liabilities for a total of Euro 167,837 (Euro 97,624 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Accrued expenses	97,544	23,342	120,886
Deferred income	80	46,871	46,951
Total accrued expenses and deferred income	97,624	70,213	167,837

Breakdown of accrued expenses:

Accrued expenses, equal to Euro 120,886, consist of costs pertaining to the year such as utilities and condominium expenses.

VALUE OF PRODUCTION

Revenue from sales and service — Breakdown by business category

In relation to art. 2427, par. 1, no. 10, of the Italian Civil Code, the following statements show the breakdown of revenues by business category:

Business category	2019
Revenues from retail sales	301,508,143
Other revenues	4,403,683
Total	305,911,826

The following table shows the change from the previous year:

Business category	2018	Variation	2019
Revenues from retail sales	215,510,670	85,997,473	301,508,143
Other revenues	11,974,754	(7,571,071)	4,403,683
Total	227,485,424	78,426,402	305,911,826

The item Other revenues, equal to Euro 4,403,683, is mainly composed of revenues from subsidiaries for the sale of goods by the Company and revenues for wholesale trade.

The increase in Revenue from sales and service is mainly due to:

- the opening of new stores which, albeit only for a few months, contributed to the increase in revenues;
- the merger by incorporation of Mondial Pet Distribution S.p.A., which being backdated to 1 January 2019, incorporates all the retail sales revenues of the merged Company.

Revenue from sales and service — Breakdown by geographical area

In relation to art. 2427, par. 1, no. 10, of the Italian Civil Code, the following statements show the breakdown of revenues by geographical area:

Geographical area	2019
Italy	305,443,664
EU	194
Non-EU	467,968
Total	305,911,826

The following table shows the change from the previous year:

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Geographical area	2018	Variation	2019
Italy	227,098,585	78,345,079	305,443,664
EU	434	(240)	194
Non-EU	386,405	81,563	467,968
Total	227,485,424	78,426,402	305,911,826

Increases in fixed assets for internal work

Increases in fixed assets for internal work are recognized in the value of production in the Income Statement for a total of Euro 3,464,853 (Euro 2,926,506 in the previous year).

The individual items consist of the following:

Description	Value for the previous year	Variation	Value for the current year
Increases in intangible fixed assets for internal work	2,926,506	538,347	3,464,853
Total	2,926,506	538,347	3,464,853

Other income

Other income are recognized in value of production value of the Income Statement for a total of Euro 17,590,657 (Euro 14,043,183 in the previous year).

The individual items consist of the following:

	2018	Variation	2019
Operating grants	0	21,519	21,519
Other			
Real estate earnings	126,415	173,644	300,059
Expense reimbursements	703,435	-631,626	71,809
Income from promotional activities	12,625,633	3,205,502	15,831,135
Insurance compensation	65,253	57,330	122,583
Capital gains of a non-financial nature	4,174	108,161	112,335
Contingencies and contingent assets	171,117	67,239	238,356
Other revenues and income	347,156	545,705	892,861
Total other	14,043,183	3,525,955	17,569,138
Total other income	14,043,183	3,547,474	17,590,657

The increase in the item other income is mainly due to the increase in income from promotional activities that the Company achieved during the year, as well as for the recharges of the services that the Company provides to its subsidiaries.

PRODUCTION COSTS

Costs for raw materials, consumables, goods

The costs for raw materials, consumables, goods are recorded in production costs in the Income Statement for a total of Euro 175,820,576 (Euro 132,755,112 in the previous year).

The purchase of goods, net of rebates and bonuses, amounts to Euro 174,193,149.

Service costs

Service costs are recorded in production costs of the Income Statement for a total of Euro 38,701,620 (Euro 28,839,629 in the previous year).

The individual items consist of the following:

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	2018	Variation	2019
Transport	5,061,622	2,647,477	7,709,099
Warehousing	4,662,141	1,277,648	5,939,789
Subcontracting	378,848	122,193	501,041
Electricity	2,869,387	1,221,553	4,090,940
Gas	74,254	45,862	120,116
Water	45,309	26,770	72,079
Maintenance and repairs	607,794	259,563	867,357
Technical services and consulting	1,672,246	1,211,215	2,883,461
Directors' fees	1,680,329	-547,329	1,133,000
Statutory auditor and auditor fees	140,081	48,041	188,122
Commissions payable	0	271,907	271,907
Advertising	6,492,598	466,808	6,959,406
Legal fees and consulting	70,476	60,429	130,905
Tax, administrative and sales consulting	483,148	176,253	659,401
Telephone expenses	278,361	160,428	438,789
Services of a non-financial nature provided by financial institutions and banks	881,484	409,633	1,291,117
Insurance	288,071	125,383	413,454
Travel and mission expenses	367,508	168,844	536,352
Secondment	0	71,311	71,311
Provision to indemnity fund for termination of agency and supplementary customer relationships	0	160,719	160,719
Other	2,785,972	1,477,283	4,263,255
Total	28,839,629	9,861,991	38,701,620

The most significant increase in service costs is due to the costs of logistics and transport, advertising and the costs directly relating to the points of sale (electricity, cleaning, etc.).

Leases and rentals

Leases and rentals are recorded in production costs in the Income Statement for a total of Euro 25,086,619 (Euro 17,585,588 in the previous year).

The individual items consist of the following:

	2018	Variation	2019
Rent and leases	17,199,555	7,475,335	24,674,890
Asset lease instalments	719	5,525	6,244
Other	385,314	20,171	405,485
Total	17,585,588	7,501,031	25,086,619

The costs relating to rent increased in 2019 due to the effect of the opening of new points of sale and the merger of Mondial Pet Distribution S.p.A.

Personnel expenses

Personnel expenses to Euro 48,436,903 with an increase of 13,471,604 compared to the previous year 2018.

	2018	Variation	2019
Personnel expenses	34,965,299	13,471,604	48,436,903
Total	34,965,299	13,471,604	48,436,903

This increase is mainly due to the fact that, in 2019, with the opening of the new points of sale, new employees were hired with consequent important recruitment and training work and the employees of Mondial Pet Distribution S.p.A. following the merger.

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Amortization, depreciation and impairments

Amortization, depreciation and impairments for the year amount to Euro 30,822,134, the composition of which has changed as follows:

	2018	Variation	2019
Amortization of intangible assets	22,120,844	3,083,858	25,204,702
Depreciation of tangible assets	2,718,181	1,389,795	4,107,976
Other asset and payables impairments	192,773	1,316,683	1,509,456
Total	25,031,798	5,790,336	30,822,134

This increase is mainly due to the amortization of the pre-opening expenses of the stores capitalized in previous years and of the new stores opened in 2019, in addition to the amortization of the goodwill deriving from the merger of Mondial Pet Distribution S.p.A.

Change in inventories of raw materials, consumables and goods

The change in inventories of raw materials, consumables and goods are recorded in production costs in the Income Statement for a total of Euro -1,211,356 (Euro 2,223,225 in the previous year).

Provisions for risks

Provisions for risks are recorded in production costs in the Income Statement for a total of Euro 123,029 (Euro 0 in the previous year) and relate to risks for potential legal proceedings.

Other provisions

Other provisions are recorded in production costs in the Income Statement for a total of Euro 29,476 (Euro 1,894 in the previous year) and relate to future expenses.

Other operating expenses

Other operating expenses are recognized in production costs in the Income Statement for a total of Euro 3,024,532 (Euro 2,015,619 in the previous year).

The individual items consist of the following:

	2018	Variation	2019
Stamp tax	13,517	8,609	22,126
ICI/IMU (Local Property Tax/Municipal Property Tax)	2,931	3,620	6,551
Registration fee	89,065	41,659	130,724
Chamber of Commerce fees	25,059	15,742	40,801
Losses on receivables	0	15,242	15,242
Magazine and newspaper subscriptions	523	919	1,442
Social and welfare expenses	10,666	-9,000	1,666
Contingencies and contingent liabilities	155,216	383,522	538,738
Capital losses of a non-financial nature	29,241	166,230	195,471
Other operating expenses	1,689,401	382,370	2,071,771
Total	2,015,619	1,008,913	3,024,532

The most significant items included under other miscellaneous operating expenses are the waste tax (Euro 999,067), the advertising tax (Euro 786,738) with increased during the year for Euro 223,116 and Euro 251,764 respectively.

FINANCIAL INCOME AND CHARGES

Interest and financial charges — Breakdown by type of payable

In relation to art. 2427, par. 1, no. 12, of the Italian Civil Code, the following statements show the breakdown of the item “interest and financial charges”:

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	Interests and financial charges
Bank payables	6,686,976
Other	1,405
Total	6,688,381

Interests and financial charges are substantially equal to those of the previous year. This equivalence is due, on the one hand, to a 0.25% reduction in interest rates from February 2019 and, on the other hand, to an increase in loans. The loan amounted to a nominal amount of Euro 113.9 million until May 2018 and since then it has increased to a nominal value of Euro 148.9 million, with a consequent increase in interest expense substantially mitigated by the reduction in the interest rate.

Foreign exchange gains and losses

Information on the breakdown of foreign exchange gains and losses deriving from the year-end measurement with respect to those actually realized is provided below:

	Unrealized gains/losses	Realized gains/losses	Total
Exchange gains	0	12,532	12,532
Exchange losses	0	31,996	31,996

REVENUE OF EXCEPTIONAL EXTENT OR IMPACT

In relation to art. 2427, 2427, par. 1 point 13, of the Italian Civil Code, it should be noted that no revenue items of exceptional size or incidence were recorded.

COSTS OF EXCEPTIONAL EXTENT OR IMPACT

In accordance with art. 2427, par. 1, no. 13, of the Italian Civil Code, cost elements of exceptional extent or impact have been recorded, which are provided below:

- intangible fixed asset impairment equal to Euro 884,558;
- tangible fixed asset impairment equal to Euro 357,635.

Both items of exceptional extent and impact mainly refer to the merger by incorporation of Mondial Pet Distribution S.p.A.

INCOME TAX EXPENSE

The individual items consist of the following:

	Current taxes	Prior year taxes	Deferred taxes	Deferred tax assets
IRES (corporate income tax)	3,732,289	-796,418	-787,546	132,521
IRAP (regional income tax)	1,615,152	0	-127,919	2,595
Total	5,347,441	-796,418	-915,465	135,116

Deferred taxes mainly contain the reversals relating to the initial recognition of the “Provision for deferred taxes” which directly affected shareholders’ equity in 2016. As already stated, the deferred tax provision was set aside during the year, in compliance with OIC 4, at the time of allocation of part of the merger deficit on the ARCAPLANET trademark. The portion of the deferred tax provision relating to the amortization of the ARCAPLANET trademark pertaining to the year was released in the current year. This release is equal to Euro 915,114.

Taxes relating to previous years relate to the lower IRES for 2018 financial year which, when quantifying the benefit relating to the patent box, revealed a contingent asset.

The following tables were prepared based on recommendations made by OIC 25, and illustrate the information inquired by art. 2427, par. 1, no. 14, letters a) and b) of the Italian Civil Code.

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In particular, they contain information on the summary values of the changes during the year in “Comprehensive prepaid and deferred taxation”, on the composition of the deductible temporary differences that originated “Deferred tax assets” and on the composition of the taxable temporary differences that originated “Liabilities for deferred taxes”.

	<u>IRES (corporate income tax)</u>	<u>IRAP (regional income tax)</u>
A) Temporary differences		
Total deductible temporary differences	552,173	66,529
Total taxable temporary differences	-3,281,442	-3,279,978
Net temporary differences	-3,833,615	-3,346,507
B) Tax effects		
Deferred tax provision (prepaid) at the beginning of the year	12,898,357	2,206,634
Deferred taxes (prepaid) for the year	-920,068	-130,514
Deferred tax provision (prepaid) at the end of the year	11,978,289	2,076,120

<u>Description</u>	<u>Amount at the end of the previous year</u>	<u>Changes during the year</u>	<u>Amount at the end of the year</u>	<u>IRES rate</u>	<u>IRES tax effect</u>	<u>IRAP rate</u>	<u>IRAP tax effect</u>
Inventory obsolescence provision . . .	582,481	750,000	1,332,481	24.00	319,796	0	0
Directors' fees	250,000	0	250,000	24.00	60,000	0	0
Unpaid taxes	27,161	49,073	76,234	24.00	18,296	0	0
Impairment and provisions for non-deductible credit risks	25,098	-9,044	16,054	24.00	3,853	0	0
Interest expenses for late payments . .	138	64	202	24.00	48	0	0
Brand amortization	364,106	64,018	428,124	24.00	102,750	3.90	16,697
Goodwill amortization	83,068	5,532	88,600	24.00	21,264	3.90	3,455
Provision for future expenses	1,894	27,582	29,476	24.00	7,074	0	0
Unrealized foreign exchange losses . .	13,357	-13,357	0	24.00	0	0	0
Risk provisions	0	123,029	123,029	24.00	29,527	0	0
Fixed asset impairment provisions . .	0	1,274,071	1,274,071	24.00	305,777	0	0
Agent indemnity fund	0	276,747	276,747	24.00	66,419	3.90	5,106
Other	54,660	24,012	78,672	24.00	18,881	0	0

<u>Description</u>	<u>Amount at the end of the previous year</u>	<u>Changes during the year</u>	<u>Amount at the end of the year</u>	<u>IRES rate</u>	<u>IRES tax effect</u>	<u>IRAP rate</u>	<u>IRAP tax effect</u>
Brand-allocated deficit	57,161,471	-3,279,978	53,881,493	24.00	12,931,558	3.90	2,101,378
Unrealized foreign exchange gains	2,845	-1,108	1,737	24.00	417	0	0

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OTHER INFORMATION

Workforce

The information relating to the personnel is provided below, in accordance with art. 2427, par. 1, no. 15 of the Italian Civil Code:

	<u>Average number</u>
Executives	7
Managers	7
Employees	397
Workers	1,020
Other employees	10
Total employees	1,441

Amounts paid to corporate bodies

The information concerning the directors, for the sole part of their remuneration, net of the INPS contribution, and the statutory auditors, pursuant to art. 2427, par. 1, no. 16, of the Italian Civil Code, is reported below:

	<u>Directors</u>	<u>Statutory auditors</u>
Remuneration	1,100,000	57,002

Compensation to the statutory auditor or auditing firm

Below is the information regarding the statutory auditor's or the auditing company's fees pursuant to art. 2427, par. 1, no. 16 bis of the Italian Civil Code:

	<u>Value</u>
Statutory audit of annual accounts	116,000
Other auditing services	0
Tax consultancy services	0
Other services other than auditing	0
Total compensation to the statutory auditor or auditing firm	116,000

Categories of shares issued by the Company

The information required by art. 2427, par. 1, no. 17 of the Italian Civil Code regarding the shares making up the company's share capital, including the number and par value of the shares subscribed during the year, can be extrapolated from the following tables:

Description	Opening no of shares	Opening nominal value	Shares subscribed during the period, number	Shares subscribed during the period, nominal value	Final no of shares	Final nominal value
Ordinary shares	1,121,363	1,121,363	0	0	1,121,363	1,121,363
Total	1,121,363	1,121,363	0	0	1,121,363	1,121,363

Securities issued by the Company

Pursuant to art. 2427, par. 1, no. 18, of the Italian Civil Code, it should be noted that no other securities have been issued.

Financial instruments

Pursuant to art. 2427, par. 1, no. 19, of the Italian Civil Code, it should be noted that the company did not issue financial instruments.

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Commitments, guarantees and contingent liabilities not shown in the balance sheet

In relation to that set out by art. 2427, par. 1, no. 9, of the Italian Civil Code, it should be noted that the Company has no commitments, guarantees and potential liabilities not recorded on the balance sheet.

Information on assets and loans allocated to a specific business transaction

There are no assets and loans allocated to a specific business transaction.

Related party transactions

During the 2019 financial year, the Company did not carry out any significant related party transactions at non-market conditions.

Off-balance sheet agreements

The Company has not entered into any transactions relating to off-balance sheet agreements in the year ended 31 December 2019.

Important events occurring after the closure of the financial period

Pursuant to art. 2427, par. 1, no. 22 quater), of the Italian Civil Code, it should be noted that the pandemic linked to Covid-19 in March 2020 (so-called “Coronavirus”) which initially involved China and a few other countries in the Asian area, had a strong expansion initially in Italy and subsequently in the rest of Europe, in the United States and more generally in the rest of the world. In this market context, the Company has adopted all the necessary control and prevention measures, in agreement with the local authorities, the supervisory board and all the relevant health and safety and other regulations, at its points of sale and headquarters in order to safeguard the health of its employees, but also of its customers and suppliers.

In particular, as of 26 February 2020, various information was sent to employees aimed at helping them comply with the Prime Ministerial Decree on the emergency that followed, as well as with the memorandum of understanding signed between trade associations and trade unions. All the necessary safeguards were also distributed and all the measures required by the documents mentioned above were taken.

The activity performed by the Company is not included among those subject to total restriction, as it is included among those necessary to guarantee the provision of primary goods and services in this emergency period. The Company, in fact, sells pet food and products necessary for the sustenance of the country’s family pets. It therefore carries out an activity necessary for everyday life, even in a situation of lockdown and social isolation.

Despite this, in April the Company suffered a slight decline in revenues due to the closures of some shopping centres on weekends and due to the ban on moving between regions during the lockdown period. The partial reopening of travel in the month of May within the region of residence, and the subsequent total re-opening in June allowed revenues to return to values similar to those prior to lockdown. The Company is confident that turnover will have returned to levels higher than that pre-Covid by the end of June.

From the profitability standpoint, the Company believes that it is not yet possible to estimate the impact that this pandemic will have during the year. The decline in the population’s 2020 forecast spending power, as a consequence of the experienced health and economic crisis, could have an impact, albeit limited, on per capita goods consumption. However, we believe that, given the primary utility nature of the goods marketed by the Company and the Company’s ability to react also to the phases of economic crisis, already experienced in previous decades, the impact could be limited.

The current health emergency does not constitute an event that entails adjustments to the items recorded in the Company’s financial statements as of 31 December 2019. Based on the information and estimates available to date, we also do not believe that the Company’s business could suffer any repercussions such as to question the Company’s continuity. The management is not aware of any significant uncertainties relating to events or conditions that could lead to the emergence of serious doubts on the ability of the Company to continue to operate as a going concern.

Agrifarma S.p.A.
Notes to the financial statements
As of and for the years ended 31 December 2019

Derivative financial instruments

Information is provided below for each category of derivative financial instruments pursuant to art. 2427 bis, par. 1, no. 1, of the Italian Civil Code.

The Company has the following derivative contract in place:

- a derivative contract at an interest rate of 1% stipulated with UniCredit S.p.A. on part of the UniCredit loan for a value of Euro 75,000,000 starting from 24 May 2018.

Information on companies or organizations that exercise management and coordination activities — art. 2497 bis of the Italian Civil Code

It should be noted that, pursuant to articles from 2497 to 2497-*septies* of the Italian Civil Code, Agrifarma S.p.A. with Sole Shareholder, despite being wholly owned by the company Noah 2 S.p.A., is not subject to the management and coordination of the latter and, therefore, is not subject to disclosure obligations provided for by art. 2497-*bis* of the Italian Civil Code.

In particular, with reference to the presumption contained in art. 2497-*sexies* of the Italian Civil Code, it should be noted that the Administrative Body of Agrifarma S.p.A. autonomously approves the commercial, economic, financial policies, as well as the strategic action plans of the company Agrifarma S.p.A. with sole shareholder and without giving prior information to the sole shareholder.

Information ex art. 1, par. 125 of the Law dated 4 August 2017, no. 124

Pursuant to art. 1, par. 125, of Law no. 124, we point out the amounts and information relating to grants, subsidies, advantages, contributions or aids, in cash or in kind, not of a general nature and without payment, remuneration or compensation paid by public administrations:

Third party	Contribution received	Collection date	Plan
Fondimpresa – Interprofessional Fund . . .	1,450	04/11/2019	Veterinary training
Fondimpresa – Interprofessional Fund . . .	720	18/12/2019	Veterinary training
Fondimpresa – Interprofessional Fund . . .	13,874	15/05/2019	Area Manager skill development
Fondimpresa – Interprofessional Fund . . .	13,070	04/07/2019	Contributions to employee training for the use of the NAV software
Ministry for Economic Development	14,972	07/06/2019	New Sabatini Law
Total	44,086		

Allocation of the operating result

Pursuant to art. 2427, par. 1 no. 22-*septies* of the Italian Civil Code, the allocation of the operating result for the year is proposed as follows:

Dear Shareholder,

We kindly request you approve the financial statements for the year ended on 31 December 2019 and we propose to carry forward the loss for the year of Euro 4,076,314.

Comparison table

As a result of the merger by incorporation of Mondial Pet Distribution S.p.A., the Company proceeded to:

- integrate the Mondial Pet Distribution S.p.A. balance sheet and Income Statement balances, with retroactive effect from 1 January 2019;
- eliminate the investment held in Mondial Pet Distribution S.p.A.;
- recognize a merger deficit by allocating it to the goodwill item for Euro 29,518,707;
- amortize goodwill deriving from the merger deficit;

Agrifarma S.p.A.

**Notes to the financial statements
As of and for the years ended 31 December 2019**

- reverse inter-company receivables/payables and costs/revenues between Agrifarma S.p.A. and Mondial Pet Distribution S.p.A.

As already explained in the Introduction paragraph, below is a reconciliation table which highlights the net effects of the merger and compares the figures for 2019 (without merger) with those for 2018.

For a better understanding of the table below, it should be noted that the column “ Merger effect as at 31 December 2019 “ is an expression of all the effects resulting from the merger by incorporation of Mondial Pet Distribution S.p.A. into Agrifarma S.p.A., such as example:

- the Mondial Pet Distribution S.p.A. balance sheet and Income Statement as at 31 December 2019;
- merger adjustments as at 31 December 2019;
- adjustments of the intercompany items between Agrifarma S.p.A. and Mondial Pet Distribution S.p.A.;

while the “Variation” column shows the difference between the amounts of the balance sheet items as at 31 December 2019 without the effects of the merger and the amounts of the balance sheet items as at 31 December 2018.

Agrifarma S.p.A.

**Notes to the financial statements
As of and for the years ended 31 December 2019**

Description	Agrifarma as at 31 December 2019 (a)	Other merger adjustments (b)	MDP as at 31 December 2019 (c)	Merger effect as at 31 December 2019 (d)=(c)-(b)	Agrifarma as at 31 December 2019 without merger (e)=(a)-(d)	Agrifarma as at 31 December 2018 (f)	Variation (g)=(e)-(f)
Balance Sheet Balance sheet – Assets							
B Fixed assets	361,762,561	13,323,045	6,913,058	-6,409,986	368,172,547	375,329,144	-7,156,597
<i>I Intangible fixed assets . . .</i>	<i>340,823,140</i>	<i>-27,057,456</i>	<i>3,043,339</i>	<i>30,100,795</i>	<i>310,722,345</i>	<i>323,465,366</i>	<i>-12,743,021</i>
1 Incorporation and expansion costs	6,380,471	0	35,925	35,925	6,344,546	5,601,466	743,080
2 Development costs	377,215	0	0	0	377,215	241,026	136,189
3 Industrial patents and intellectual property rights	633,737	93,290	633,081	539,791	93,946	603,622	-509,676
4 Concessions, licenses, trademarks and similar rights	53,942,466	0	5,361	5,361	53,937,105	57,310,382	-3,373,277
5 Goodwill	257,329,634	-27,150,745	0	27,150,745	230,178,889	244,178,119	-13,999,230
6 Assets under development and advances	315,793	0	0	0	315,793	782,374	-466,581
7 Other	21,843,824	0	2,368,972	2,368,972	19,474,852	14,748,377	4,726,475
II Tangible fixed assets . . .	16,824,248	0	3,864,750	3,864,750	12,959,498	10,118,739	2,840,759
1 Land and buildings	65,333	0	0	0	65,333	67,754	-2,421
2 Plant and machinery	83,877	0	70,326	70,326	13,551	19,372	-5,821
3 Industrial and commercial equipment	5,838,156	0	1,879,215	1,879,215	3,958,941	3,509,554	449,387
4 Other assets	10,416,481	0	1,915,209	1,915,209	8,501,272	6,348,128	2,153,144
5 Assets under development and advances	420,401	0	0	0	420,401	173,931	246,470
III Financial fixed assets . .	4,115,173	40,380,500	4,969	-40,375,532	44,490,705	41,745,039	2,745,666
1 Equity investments	2,542,897	40,380,500	4,969	-40,375,532	42,918,429	40,471,426	2,447,003
2 Receivables	1,572,276	0	0	0	1,572,276	1,273,613	298,663
C Current assets	120,242,615	3,896,533	12,825,638	8,929,105	111,313,510	89,217,868	22,095,642
<i>I Inventories</i>	<i>57,290,774</i>	<i>0</i>	<i>7,201,919</i>	<i>7,201,919</i>	<i>50,088,855</i>	<i>47,245,974</i>	<i>2,842,881</i>
<i>II Receivables</i>	<i>10,316,192</i>	<i>3,896,533</i>	<i>2,484,894</i>	<i>-1,411,639</i>	<i>11,727,831</i>	<i>10,502,035</i>	<i>1,225,796</i>
1 Receivables from customers	7,737,089	0	554,840	554,840	7,182,249	5,509,927	1,672,322
2 From subsidiaries	985,722	3,896,533	0	-3,896,533	4,882,255	4,258,303	623,952
4 From parent companies	0	0	0	0	0	0	0
5bis Taxes	138,836	0	976,148	976,148	-837,312	157,538	-994,850
5ter Deferred tax assets	978,944	0	492,189	492,189	486,755	351,639	135,116
5quater From others	475,601	0	461,717	461,717	13,884	224,628	-210,744
III Financial assets	57	0	0	0	57	13,647	-13,590
IV Cash and cash equivalents	52,635,592	0	3,138,825	3,138,825	49,496,767	31,456,212	18,040,555
D Accrued income and prepaid expenses	1,698,159	0	181,185	181,185	1,516,974	887,395	629,579
Total assets	483,703,335	17,219,578	19,919,881	2,700,303	481,003,032	465,434,407	15,568,625

Agrifarma S.p.A.

Notes to the financial statements
As of and for the years ended 31 December 2019

Description	Agrifarma as at 31 December 2019(a)	Other merger adjustments (b)	MDP as at 31 December 2019(c)	Merger effect as at 31 December 2019 (d)=(c)-(b)	Agrifarma as at 31 December 2019 without merger (e)=(a)-(d)	Agrifarma as at 31 December 2018(f)	Variation (g)=(e)-(f)
Balance Sheet – Liabilities							
To Shareholders' equity . .	248,063,060	13,323,045	9,538,257	-3,784,787	251,847,847	252,862,437	-1,014,590
<i>I Share capital</i>	<i>1,121,363</i>	<i>499,500</i>	<i>499,500</i>	<i>0</i>	<i>1,121,363</i>	<i>1,121,363</i>	<i>0</i>
<i>II Share premium</i>							
<i>reserve</i>	<i>17,635,394</i>	<i>6,913,244</i>	<i>6,913,244</i>	<i>0</i>	<i>17,635,394</i>	<i>17,635,394</i>	<i>0</i>
<i>IV Legal reserve</i>	<i>211,329</i>	<i>99,900</i>	<i>99,900</i>	<i>0</i>	<i>211,329</i>	<i>211,329</i>	<i>0</i>
<i>V Statutory reserves</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>VI Other reserves</i>	<i>249,763,391</i>	<i>5,120,171</i>	<i>5,120,171</i>	<i>0</i>	<i>249,763,391</i>	<i>249,763,389</i>	<i>2</i>
<i>VIII Retained earnings /</i>							
<i>(accumulated losses) . .</i>	<i>-16,592,103</i>	<i>-784,695</i>	<i>-1,507,760</i>	<i>-723,066</i>	<i>-15,869,037</i>	<i>-8,836,095</i>	<i>-7,032,942</i>
<i>IX Profit (loss) for the</i>							
<i>year</i>	<i>-4,076,314</i>	<i>1,474,925</i>	<i>-1,586,797</i>	<i>-3,061,722</i>	<i>-1,014,592</i>	<i>-7,032,943</i>	<i>6,018,351</i>
B Provisions for risks and							
charges	15,467,298	0	277,115.06	277,115.06	15,190,183	15,950,627	-760,444
<i>1 retirement benefits and</i>							
<i>similar obligations</i>	<i>281,440</i>	<i>0</i>	<i>277,030</i>	<i>277,030</i>	<i>4,410</i>	<i>0</i>	<i>4,410</i>
<i>2 For taxes, including</i>							
<i>deferred taxes</i>	<i>15,033,353</i>	<i>0</i>	<i>85</i>	<i>85</i>	<i>15,033,268</i>	<i>15,948,733</i>	<i>-915,465</i>
<i>3 Derivative financial</i>							
<i>instrument liabilities . .</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>4 Other</i>	<i>152,505</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>152,505</i>	<i>1,894</i>	<i>150,611</i>
C Employees' severance							
indemnity	3,036,732	0	1,926,400	1,926,400	1,110,332	755,321	355,011
D Payables	216,968,408	3,896,533	8,098,412	4,201,879	212,766,529	195,768,398	16,998,131
<i>4 Bank payables</i>	<i>146,153,436</i>	<i>0</i>	<i>15,511</i>	<i>15,511</i>	<i>146,137,925</i>	<i>145,223,821</i>	<i>914,104</i>
<i>5 Payables due to other</i>							
<i>lenders</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>6 Advances</i>	<i>425,163</i>	<i>0</i>	<i>5,377</i>	<i>5,377</i>	<i>419,786</i>	<i>202,452</i>	<i>217,334</i>
<i>7 Payables to suppliers . . .</i>	<i>55,244,457</i>	<i>0</i>	<i>2,263,500</i>	<i>2,263,500</i>	<i>52,980,957</i>	<i>41,492,736</i>	<i>11,488,221</i>
<i>9 Payables to</i>							
<i>subsidiaries</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>6,100</i>	<i>-6,100</i>
<i>11 Payables to parent</i>							
<i>companies</i>	<i>0</i>	<i>3,896,533</i>	<i>3,896,533</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>12 Tax payables</i>	<i>3,410,240</i>	<i>0</i>	<i>635,597</i>	<i>635,597</i>	<i>2,774,643</i>	<i>1,266,455</i>	<i>1,508,188</i>
<i>13 Payables due to Social</i>							
<i>Security and welfare</i>							
<i>institutions</i>	<i>3,006,321</i>	<i>0</i>	<i>323,583</i>	<i>323,583</i>	<i>2,682,738</i>	<i>2,134,589</i>	<i>548,149</i>
<i>14 Other payables</i>	<i>8,728,791</i>	<i>0</i>	<i>958,311</i>	<i>958,311</i>	<i>7,770,480</i>	<i>5,442,245</i>	<i>2,328,235</i>
E Accrued expenses and							
deferred income	167,837	0	79,697	79,697	88,140	97,624	-9,484
Total liabilities	483,703,335	17,219,578	19,919,881	2,700,303	481,003,032	465,434,407	15,568,625

Agrifarma S.p.A.

Notes to the financial statements As of and for the years ended 31 December 2019

Description	Agrifarma as at 31 December 2019(a)	Other merger adjustments (b)	MDP as at 31 December 2019(c)	Merger effect as at 31 December 2019 (d)=(c)-(b)	Agrifarma as at 31 December 2019 without merger (e)=(a)-(d)	Agrifarma as at 31 December 2018(f)	Variation (g)=(e)-(f)
Income statement							
To Value of production	326,967,336	28,599,340	53,213,316	24,613,976	302,353,360	244,455,113	57,898,247
1 Revenue from sales and services	305,911,826	27,542,748	52,943,571	25,400,823	280,511,003	227,485,424	53,025,579
4 Increases in fixed assets for internal worked assets	3,464,853	0	0	0	3,464,853	2,926,506	538,347
5 Other income	17,590,657	1,056,592	269,744	-786,847	18,377,504	14,043,183	4,334,321
B Production costs	320,833,533	27,124,414	54,193,311	27,068,896	293,764,637	243,418,164	50,346,473
6 Raw materials, consumables, goods	175,820,576	26,732,128	31,268,077	4,535,948	171,284,628	132,755,112	38,529,516
7 Service costs	38,701,620	1,863,211	6,051,416	4,188,206	34,513,414	28,839,629	5,673,785
8 Leases and rentals	25,086,619	0	4,753,323	4,753,323	20,333,296	17,585,588	2,747,708
9 Personnel expenses:	48,436,903	0	9,208,179	9,208,179	39,228,724	34,965,299	4,263,425
10 Amortization, depreciation and impairments:	30,822,134	-1,474,925	1,613,778	3,088,703	27,733,431	25,031,798	2,701,633
11 change in the inventories of raw materials, consumables and goods	-1,211,356	0	412,291	412,291	-1,623,647	2,223,225	-3,846,872
12 provisions for risks	123,029	0	0	0	123,029	0	123,029
13 other accruals	29,476	0	0	0	29,476	1,894	27,582
14 other operating expenses	3,024,532	4,001	886,247	882,247	2,142,285	2,015,619	126,666
Difference between value and cost of production	6,133,803	1,474,925	-979,995	-2,454,920	8,588,723	1,036,949	7,551,774
C Financial income and charges	-6,696,085	0	-145,764	-145,764	-6,550,321	-6,610,555	60,234
15 Income from equity investments	0	0	0	0	0	0	0
16 Other financial income	11,760	0	188	188	11,572	24,229	(12,657)
17 Interest and financial charges	6,688,381	0	142,833	142,833	6,545,548	6,577,845	(32,297)
17bis Gains and (losses) on foreign exchange	(19,464)	0	(3,119)	(3,119)	(16,345)	(56,939)	40,594
D Adjustments to the value of financial assets	-13,590	0	0	0	-13,590	13,444	-27,034
18 Reversals of impairment losses	0	0	0	0	0	13,444	(13,444)
19 Impairment losses	13,590	0	0	0	13,590	0	13,590
Income/(losses) before tax	-575,872	1,474,925	-1,125,759	-2,600,684	2,024,812	-5,560,162	7,584,974
20 Income Tax expense	3,500,442	0	461,037	461,037	3,039,405	1,472,781	1,566,624
Profit (loss) for the year	-4,076,314	1,474,925	-1,586,797	-3,061,722	-1,014,592	-7,032,943	6,018,351

The Administrative body

Declaration of conformity

Copy corresponding to documents held by the Company.

The undersigned Michele Foppiani, as Legal Representative of the company Agrifarma S.p.A., aware of the criminal liabilities envisaged in the event of a false declaration, certifies the correspondence of the copies of the documents enclosed with this file to the documents kept in the Company's records pursuant to art. 47 of Presidential Decree 445/2000.

Independent auditor's report

To the Sole Shareholder of
Agrifarma SpA

Opinion

We have audited the financial statements of Agrifarma SpA (the “Company”), which comprise the balance sheet as of 31 December 2018, the income statement and cash flow statement for the year then ended and related notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company 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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the 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 Company'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 the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Genova, 29 April 2019

PricewaterhouseCoopers SpA

Signed by

Andrea Manchelli
(Partner)

Agrifarma S.p.A.
Balance Sheet
As of 31 December 2018

ASSETS	31/12/2018	31/12/2017
A) RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL DUE		
Total Receivables from shareholders for payments still due (A)	0	0
B) FIXED ASSETS		
I – Intangible fixed assets		
1) Incorporation and expansion costs	5,601,466	5,252,970
2) Development costs	241,026	63,113
3) Industrial patents and intellectual property rights	603,622	606,180
4) Concessions, licenses, trademarks and similar rights	57,310,382	60,666,642
5) Goodwill	244,178,119	258,289,259
6) Assets under development and advances	782,374	155,949
7) Other	14,748,377	12,283,616
Total intangible fixed assets	323,465,366	337,317,729
II – Tangible fixed assets		
1) Land and buildings	67,754	70,175
2) Plant and machinery	19,372	27,221
3) Industrial and commercial equipment	3,509,554	3,173,675
4) Other assets	6,348,128	5,956,811
5) Assets under development and advances	173,931	187,071
Total tangible fixed assets	10,118,739	9,414,953
III – Financial fixed assets		
1) Equity Investments in		
a) Subsidiaries	40,470,500	0
d-bis) Other companies	926	926
Total equity investments (1)	40,471,426	926
2) Receivables		
a) From subsidiaries		
– due beyond one year	1,000,000	0
Total receivables from subsidiaries	1,000,000	0
d-bis) From others		
– due beyond one year	273,613	230,193
Total Other Receivables	273,613	230,193
Total Receivables	1,273,613	230,193
Total Financial Fixed Assets (III)	41,745,039	231,119
Total Fixed Assets (B)	375,329,144	346,963,801
C) CURRENT ASSETS		
I) Inventories		
1) Raw ancillary materials and consumables	283,402	258,785
4) Finished products and goods	46,900,208	49,148,050
5) Advances	62,364	144,672
Total inventories	47,245,974	49,551,507
II) Receivables		
1) From customers		
– due within one year	5,509,927	4,937,216
Total receivables from customers	5,509,927	4,937,216
2) From subsidiaries		
– due within one year	4,258,303	0
Total receivables from subsidiaries	4,258,303	0
5-bis) Taxes		
– due within one year	3,402	1,195,317
– due beyond one year	154,136	310,176
Total taxes	157,538	1,505,493
5-ter) Deferred tax assets	351,639	208,506
5-quater) From others		
– due within one year	224,628	250,144
Total Other Receivables	224,628	250,144
Total receivables	10,502,035	6,901,359
III – Non fixed financial assets		
5) Derivative financial instrument assets	13,647	203
Total financial assets not held as fixed assets	13,647	203
IV – Cash and cash equivalents		
1) Bank and postal deposits	31,041,748	17,123,492
3) Cash in hand	414,464	493,047
Total cash and cash equivalents	31,456,212	17,616,539
Total Current Assets (C)	89,217,868	74,069,608
D) ACCRUED INCOME AND PREPAID EXPENSES	887,395	758,243
TOTAL ASSETS	465,434,407	421,791,652

Agrifarma S.p.A.
Balance Sheet
As of 31 December 2018

BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES	31/12/2018	31/12/2017
A) SHAREHOLDERS' EQUITY		
I – Share capital	1,121,363	1,056,643
II – Share premium reserve	17,635,394	2,700,114
III – Revaluation reserves	0	0
IV – Legal reserve	211,329	211,329
V – Statutory reserves	0	0
VI – Other reserves, shown separately		
Extraordinary reserve	22,986,625	22,986,625
Merger surplus reserve	226,776,765	226,776,765
Other reserves	-1	0
Total other reserves	249,763,389	249,763,390
VII – Changes in hedging reserves	0	0
VIII – Retained earnings / (accumulated losses)	-8,836,095	0
IX – Profit (loss) for the year	-7,032,943	-8,836,095
Loss covered during the year	0	0
X – Negative reserve for treasury shares in portfolio	0	0
Total shareholders' Equity	252,862,437	244,895,381
B) PROVISIONS FOR RISKS AND CHARGES		
2) Taxes, including deferred taxes	15,948,733	16,863,707
4) Other	1,894	8,001
Total provisions for risks and charges (B)	15,950,627	16,871,708
C) EMPLOYEES' SEVERANCE INDEMNITY	755,321	803,247
D) PAYABLES		
4) To banks		
– maturing within one year	68,918	67,229
– maturing after one year	145,154,903	110,269,396
Total bank payables (4)	145,223,821	110,336,625
5) Payables due to other lenders		
Current	0	41,983
Total payables due to other lenders (5)	0	41,983
6) Advances		
– maturing within one year	202,452	59,412
Total Advances (6)	202,452	59,412
7) To suppliers		
– maturing within one year	41,492,736	40,514,581
Total supplier payables (7)	41,492,736	40,514,581
9) To subsidiaries		
– maturing within one year	6,100	0
Total payables to subsidiaries (9)	6,100	0
12) Tax payables		
– maturing within one year	1,266,455	648,072
Total tax payables (12)	1,266,455	648,072
13) Due to social security and welfare institutions		
– maturing within one year	2,134,589	1,811,274
Total Payables due to social security and welfare institutions (13)	2,134,589	1,811,274
14) Other		
– maturing within one year	5,442,245	5,734,421
Total other payables (14)	5,442,245	5,734,421
Total payables (D)	195,768,398	159,146,368
E) ACCRUED EXPENSES AND DEFERRED INCOME	97,624	74,948
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES	465,434,407	421,791,652

Agrifarma S.p.A.

Income Statement

For the years ended 31 December 2018 and 2017

	<u>31/12/2018</u>	<u>31/12/2017</u>
A) VALUE OF PRODUCTION:		
1) Revenue from sales and services	227,485,424	189,033,542
4) Increases in fixed assets for internal work	2,926,506	3,451,464
5) Other income		
Other	14,043,183	12,595,095
Total other income	14,043,183	12,595,095
Total value of production	244,455,113	205,080,101
B) PRODUCTION COSTS:		
6) Raw materials, consumables, goods	132,755,112	121,810,623
7) Service costs	28,839,629	23,904,010
8) Leases and rentals	17,585,588	14,934,805
9) Personnel expenses:		
a) Wages and salaries	26,786,723	23,800,453
b) Social security contributions	6,343,786	5,279,764
c) Severance indemnity	1,732,192	1,520,292
e) Other personnel costs	102,598	131,129
Total personnel expenses	34,965,299	30,731,638
10) Amortization, depreciation and impairments:		
a) Amortization of intangible assets	22,120,844	21,401,662
b) Depreciation of tangible assets	2,718,181	2,326,305
c) Impairments of fixed assets	167,675	58,746
d) Provisions for doubtful accounts included in current assets and cash and cash equivalents	25,098	0
Total amortization, depreciation and impairments	25,031,798	23,786,713
11) Changes in inventories of raw materials, consumables and goods	2,223,225	-10,322,484
13) Other provisions	1,894	8,001
14) Other operating expenses	2,015,619	1,709,407
Total production costs	243,418,164	206,562,713
Difference between value and cost of production (A-B)	1,036,949	-1,482,612
C) FINANCIAL INCOME AND CHARGES:		
16) Other financial income:		
d) Other income		
– from other	24,229	24,101
Total financial income other than previous	24,229	24,101
Total other financial income	24,229	24,101
17) Interests and financial charges		
– from other	6,577,845	5,849,739
Total Interests and financial charges	6,577,845	5,849,739
17-bis) Foreign exchange gains / (losses)	-56,939	4,174
Total financial income/(charges) (C) (15+16-17+-17-bis)	-6,610,555	-5,821,464
D) VALUATION ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES:		
18) Reversals of impairment losses:		
d) Derivative financial instruments	13,444	1,511
Total reversals	13,444	1,511
19) Impairment:		
d) Derivative financial instruments	0	23,044
Total impairment	0	23,044
Total valuation adjustments to financial assets and liabilities (18-19)	13,444	-21,533
PROFIT/(LOSS) BEFORE TAXES (A-B+-C+-D)	-5,560,162	-7,325,609
20) Income tax expense		
Current taxes	3,101,883	3,201,486
Prior year taxes	-570,996	-760,776
Deferred taxes	-1,058,106	-930,224
Total income tax expense	1,472,781	1,510,486
21) PROFIT/(LOSS) FOR THE YEAR	-7,032,943	-8,836,095

Agrifarma S.p.A.

Cash Flow Statement

As of and for the year ended 31 December 2018

	Year Current	Year Previous
A. Cash flow from operating activities		
Profit/(loss) for the year	(7,032,943)	(8,836,095)
Income taxes	1,472,781	1,510,486
Interest expenses/(interest income)	6,553,616	5,825,638
(Dividends)	0	0
(Gains)/losses on disposals of assets	50,132	9,817
1. Profit/(loss) for the year before taxation, interest, dividends and gains/losses on disposals	1,043,586	(1,490,154)
<i>Adjustments for non-monetary items that do not have a corresponding item in net working capital</i>		
Allocations to provisions	1,734,086	1,528,293
Amortization and depreciation of fixed assets	24,839,025	23,727,967
Impairment losses	167,675	58,746
Value adjustments of financial assets and liabilities of derivative financial instruments that do not involve monetary movements	(13,444)	21,532
Other increases/(decreases) adjustments for non-monetary items		264,195
<i>Total adjustments for non-monetary items that do not have a corresponding item in net working capital</i>	26,752,440	25,600,733
2. Cash flow before changes in net working capital	27,796,026	24,110,579
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	2,305,533	(11,441,240)
Decrease/(increase) in receivables from customers	(572,711)	(169,188)
Increase/(decrease) in payables to suppliers	978,155	8,859,476
Decrease/(increase) in accrued income and prepaid expenses	(129,152)	(344,665)
Increase/(decrease) in accrued expenses and deferred income	22,676	(20,383)
Other changes in net working capital	(2,227,880)	225,614
<i>Total changes in net working capital</i>	376,621	(2,890,386)
3. Cash flow after changes in net working capital	28,172,647	21,220,193
<i>Other adjustments</i>		
Interest collected/(paid)	(5,674,625)	(5,316,312)
(Income tax paid)	(2,494,853)	(1,418,006)
Dividends collected	0	0
(Use of provisions)	(1,788,120)	(1,172,971)
Other collections/(payments)	0	0
<i>Total other adjustments</i>	(9,957,598)	(7,907,289)
Cash flow from operating activities (A)	18,215,049	13,312,904
B. Cash flow from investing activities		
<i>Tangible fixed assets</i>		
(Purchases)	(3,749,395)	(3,830,519)
Proceeds from disposals	239,920	(9,817)
<i>Intangible fixed assets</i>		
(Purchases)	(8,373,714)	(8,385,546)
Proceeds from disposals	0	0
<i>Financial assets</i>		
(Purchases)	(26,513,920)	0
Proceeds from disposals	0	(309,637)
<i>Financial assets not held as fixed assets</i>		
(Purchases)	0	0
Proceeds from disposals	0	0
(Acquisition of businesses net of cash and cash equivalents)	0	(2,916,495)
Sale of businesses net of cash and cash equivalents	0	0
Cash flow from investing activities (B)	(38,397,109)	(15,452,014)
C. Cash flow from financing activities		
<i>Third party financing</i>		
Increase/(decrease) of short term payables due to banks	1,689	0
Opening of new loans	34,020,044	4,500,000
(Repayment of loans)	0	0
<i>Equity</i>		
Paid capital increase	0	0
(Capital reimbursement)	0	0
Sale (Purchase) of treasury shares	0	0
(Dividends and advances on dividends paid)	0	0
Cash flow from financing activities (C)	34,021,733	4,500,000
Increase (decrease) in cash and cash equivalents (A ± B ± C)	13,839,673	2,360,890
Exchange effects on cash and cash equivalents	0	0
Cash and cash equivalents at beginning of the period		
Bank and postal deposits	17,123,492	14,913,267
Cheques	0	0
Cash in hand	493,047	342,382
Total Cash and cash equivalents at beginning of the period	17,616,539	15,255,649
Of which not freely usable	0	0
Cash and cash equivalents at end of the period		
Bank and postal deposits	31,041,748	17,123,492
Cheques	0	0
Cash in hand	414,464	493,047
Total Cash and cash equivalents at end of the period	31,456,212	17,616,539
Of which not freely usable	0	0

Agrifarma S.p.A.

Notes to the financial statements As of and for the year ended 31 December 2018

INTRODUCTION

The financial statements of Agrifarma S.p.A. (the “Company” or “Agrifarma”) as of and for the year ended 31 December 2018, of which these explanatory notes form an integral part pursuant to art. 2423, par.1 of the Italian Civil Code, correspond to the accounting records regularly kept and are prepared in accordance with articles 2423, 2423-ter, 2424, 2424-bis, 2425, 2425-bis, 2425-ter of the Italian Civil Code, and in compliance with the provisions of art. 2423-bis and evaluation criteria pursuant to art. 2426 of the Italian Civil Code.

The financial statements include the Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Notes.

The Cash Flow Statement presents the positive or negative changes in cash, cash equivalents during the year, and was prepared following the indirect method using the scheme pursuant to accounting standard OIC 10.

The Company, even in the presence of controlling shareholdings, has not prepared consolidated financial statements, availing itself of the exemption provided for by art. 27, paragraphs 3 and 4, of Legislative Decree no. 127 of 9 April 1991, as the consolidated financial statements will be prepared by the parent company NOAH 2 S.p.A. based in Milan, Via San Paolo 10.

On 2 February 2018, by means of a notarial public deed stipulated by Atty. Simona Gaggini, the limited company Arcaplanet SA was established with headquarters in Lugano, Switzerland. Arcaplanet SA conducts the same business activities as Agrifarma through two sales outlets located in Grancia and Morbio Inferiore.

On 24 May 2018, Agrifarma purchased a shareholding of 297,000 shares, in the company Mondial Pet Distribution S.p.A. for a price of Euro 24 million. Subsequently, on 29 May 2019, Noah S.p.A contributed its shareholding of 202,500 shares in Mondial Pet Distribution S.p.A. to Agrifarma thorough a capital increase of Euro 64,720, and a share premium of Euro 14,935,280, subscribed by the Sole Shareholder Noah 2 S.p.A. A valuation of the aforementioned shares was prepared by Professor Pozza, an independent expert pursuant to art. 2343-ter, paragraph 2, lett. b), of the Italian Civil Code. Following these two transactions, Agrifarma held a 100% stake in Mondial Pet Distribution S.p.A., a company operating in the same sector as Agrifarma and owner of 71 points of sale in Piemonte, Liguria, Valle d’Aosta, Lombardia and Emilia Romagna.

REPORTING STANDARDS

In order to prepare the financial statements with clarity and provide a true and fair representation of the Company’s equity and financial situation and economic results, in accordance with the provisions of article 2423-bis of the Italian Civil Code, the necessary steps were taken to:

- assess the individual items according to prudence and in anticipation of normal going concern;
- recognize and present the items taking the substance of the transaction or the contract into account;
- only include profits actually earned during the financial year;
- determine income and costs in accordance with the accrual principle, and regardless of their financial manifestation;
- include all the relevant risks and losses, even if they were discovered after the end of the financial year;
- consider the different elements included in the various items of the financial statements separately, for the purposes of the relative assessment;
- keep the valuation criteria adopted unchanged with respect to the previous year.

All the financial statement principles envisaged by OIC 11 par. 15 were followed:

- a) prudence; b) going concern perspective;
- c) substantial representation;
- d) accrual;
- e) constancy in the valuation criteria;

Agrifarma S.p.A.
Notes to the financial statements
As of and for the year ended 31 December 2018

f) relevance;

g) comparability.

Going concern perspective

As far as this principle is concerned, the valuation of the items on the financial statements was carried out in accordance with the going concern assumption, as management has confirmed the absence of financial, operating or other factors, which may suggest the inability of the Company to meet its obligations during the 12 months after the reporting date.

The financial statements were presented in Euro.

EXCEPTIONAL CASES PURSUANT TO ART. 2423, PAR. 5 OF THE ITALIAN CIVIL CODE

No exceptional events occurred that made it necessary to apply exceptions pursuant to art.2423, paragraph five of the Italian Civil Code.

CHANGES IN ACCOUNTING STANDARDS

There were no changes in the accounting standards during the period.

CORRECTION OF SIGNIFICANT ERRORS

No significant errors related to prior years emerged during the financial year.

COMPARABILITY AND ADAPTATION ISSUES

There are no assets or liabilities falling under more than one financial statement category.

Pursuant to art. 2423-ter, par. 5 of the Italian Civil Code, no issues arose regarding comparability and classifications of the financial statement items of the current year with those relating to the previous year.

However, in order to better represent certain accounting items in the financial statements certain items were classified in a different manner in 2018 compared to 2017. To ensure comparability of the information the comparative information for 2017 was also reclassified as follows:

- Euro 99,293 in advances to suppliers were reclassified from item C II 5-quater) Other receivables to item C I 5) Advances;
- Euro 45,379 in advances to suppliers were reclassified from item D 7) Payables to suppliers to item C I 5) Advances.

VALUATION CRITERIA APPLIED

The measurement criteria for the financial statements is described in the notes hereto and, comply with the provisions of art. 2426 of the Italian Civil Code.

The measurement criteria pursuant to art. 2426 of the Italian Civil Code comply with those used in the preparation of the financial statements for the previous year.

Intangible fixed assets

Intangible fixed assets are stated, within the limit of the recoverable value, at the cost of purchase or internal production, including any directly attributable incidental expenses, and are amortized on a straight line basis over the estimated useful life.

Pursuant to OIC 24 par. 37, acquisitions with deferred payment at conditions other than those normally applied on the market are recognized at the value corresponding to the debt determined pursuant to OIC 19.

Incorporation and expansion costs relate to the capitalization of costs for the incorporation or expansion of operational capacity and are amortized over 5 years.

Agrifarma S.p.A.

**Notes to the financial statements
As of and for the year ended 31 December 2018**

Development costs derive from the application of the results of basic research or other knowledge owned or acquired, before the beginning of commercial production or use, and are amortized according to their useful life which has been estimated at 3 years.

Industrial patents and intellectual property rights are amortized based on their expected period of use, which cannot exceed the contract duration, industrial patents and intellectual property rights are amortized over a period of 5 years.

The value attributed to trademarks for registration and maintenance costs was amortized over 3 years.

The value attributed to the ARCAPLANET trademark in the allocation of part of the merger deficit, which took place at the end of 2016, was the subject to an appraisal report, which also determined the estimated useful life of 20 years. To date, there are no indicators of impairment.

Goodwill is determined by the difference between the total price incurred for the acquisition of the company and the fair value of the assets and liabilities that are transferred. Goodwill is amortized over its useful life and, in exceptional cases in which it is not possible to reliably estimate its useful life, goodwill is amortized over a period not exceeding ten years. When the useful life of goodwill is estimated to be over 10 years, objective facts and circumstances are required to support this estimate. In any case, the useful life of the goodwill cannot exceed 20 years. For further details, see the note on intangible fixed assets.

Asset under development are not amortized.

Improvement expenses on third party assets, recorded in other intangible assets, are amortized over the estimated useful life or, if shorter, the remaining lease term, taking into account any renewal period, if at the option of the tenant.

Fixed assets are impaired when the estimated residual value is lower than the book value. Impairment losses are reversed if the reasons for the impairment no longer apply in the subsequent years.

The capitalisation and valuation of intangible fixed assets was performed with the consent of the Board of Statutory Auditors where required by the Italian Civil Code.

In accordance with the provisions of accounting standard OIC 9, the Company performs an impairment test for goodwill if there is an indication that value is impaired, carries out an impairment test considering the entity as a whole.

Tangible fixed assets

Tangible fixed assets are recognized on the date upon which the risks and benefits associated with the acquired assets are transferred, and are recorded, within the limit of their recoverable value, at the purchase or production cost net of accumulated depreciation, including all directly attributable costs and ancillary charges, indirect costs relating to internal production, and any costs associated with the financing of internal manufacturing incurred during the manufacturing period and up until the time at which the asset is ready for use.

Pursuant to OIC 26 par. 33, acquisitions with deferred payment at conditions other than those normally applied on the market are recognized at the value corresponding to the debt determined pursuant to OIC 19.

The costs incurred in relation to the expansion, modernization and improvement of existing assets, as well as those incurred to render them more effective or for any extraordinary maintenance performed in accordance with the provisions of OIC 16 par. 49 to 53, were only capitalized if there was a significant and measurable increase in the asset's production capacity or useful life.

For these assets, depreciation was applied on a straight line, based on the new book value, taking into account their residual useful life.

For tangible fixed assets consisting of components with different useful life, in accordance with the provisions of OIC 16 in para. 45 and 46, the values of the individual assets were determined in order to identify the different duration of their useful life.

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Notes to the financial statements As of and for the year ended 31 December 2018

The cost of fixed assets whose use is limited in time is systematically depreciated each year based on economic-technical rates determined in relation to the residual possibility of use.

All the assets have been depreciated, including those temporarily not in use, with the only exception being those with unlimited useful life, which consist of land, non-instrumental buildings, and civil works.

The depreciation starts from the moment the assets are available and ready for use.

Amortization of assets acquired during the year is based on 50% of the annual depreciation and the rate have been applied in accordance with OIC 16 par. 61.

Depreciation rates, in accordance with OIC 16 paragraph 70 are reviewed in the event of a change in the residual useful life.

Obsolete assets and those that will no longer be used or usable in the production cycle, based on OIC 16 par. 80, have not been depreciated and have been valued at the lower value between the net book value and the recoverable value.

The depreciation rates applied are specified below:

Buildings: 3%

Temporary constructions: 10%

Plant and machinery: 15%

Industrial and commercial equipment: 15%

Other assets:

- furniture and fixtures: 12%
- electronic office equipment: 20%
- transport vehicles: 20%
- cars: 25%

Equity investments

Equity investments are classified as fixed assets or current assets according to their intended use.

They are initially stated at purchase or acquisition cost, including ancillary costs.

Pursuant to OIC 21 par. 21, acquisitions with deferred payment at conditions other than those normally applied on the market are recognized at the value corresponding to the debt determined pursuant to OIC 19.

Non-current equity investments

Non-current equity investments, listed and unlisted, are recorded at cost.

Pursuant to art. 2426, no. 3 of the Italian Civil Code, in the presence of impairment, defined and determined based on OIC 21, paragraphs 31 to 41, the cost is adjusted.

Inventories

Inventories are recognized on the date on which the risks and benefits associated with the acquired assets are transferred and are recognized at the lower value of the purchase cost, including all directly attributable costs and ancillary charges and indirect costs relating to in-house production determined according to the weighted average cost criterion, and the estimated realizable value inferable from the market trend.

Pursuant to OIC 13 par. 22, acquisitions with deferred payment at conditions other than those normally applied on the market are recognized at the value corresponding to the debt determined pursuant to OIC 19.

The realizable value was thus determined based on the provisions of OIC 13 par. from 51 to 53 and in particular, it is based on the estimate of the sale price of the goods and finished products in the course of

Agrifarma S.p.A.

Notes to the financial statements As of and for the year ended 31 December 2018

normal management, having regard to the information available from the market. For the purposes of determining the realizable value, market trends are used taking into account the rate of obsolescence and turnaround times, among others.

The obsolescence rate relates to the slow turnover of goods in stock and is calculated based on estimates made on low-turnover products. At the end of each financial year, the Company makes estimates in order to verify the need to adjust the inventory obsolescence fund.

Derivative financial instruments

Derivative financial instruments are recorded at fair value corresponding to the fair value, if any, or the value resulting from evaluation models and techniques that ensure a reasonable approximation to fair value. The financial instruments for which these methods could not be used are evaluated based on their purchase price.

The fair value, if positive, is recorded as an asset, in the specific item of financial fixed assets or in current assets depending on the destination, or under liabilities in the specific item included among the provisions for risks and charges, in the case of which the fair value is negative.

Derivatives to hedge cash flows (cash flow hedges) are offset by a net equity reserve, or, for the ineffective portion, in the Income Statement.

The changes in the fair value of speculative derivatives and price hedges (fair value edge) are recorded in the Income Statement.

Receivables including those recognized as financial fixed assets

Receivables are classified as fixed assets or current assets based on their destination/origin with respect to ordinary business, and are recorded at their estimated realizable value.

The breakdown between current and non-current is based on the contractual or legal maturity, also taking into account facts and events that may entail modifying the original maturity, the ability of the debtor to fulfil the obligation within the contractual terms, and the time frame within which it is believed reasonably possible for the receivable to be settled.

Receivables pursuant to art. 2426, par. 1, no. 8 of the Italian Civil Code are recorded at amortized cost, with the exception of receivables for which the effects of applying the amortized cost, pursuant to art. 2423, par. 4 of the Italian Civil Code, are irrelevant (maturity under 12 months).

For the principle of relevance already mentioned, receivables have not been discounted if the interest rate derived from the contractual conditions is not significantly different from the market interest rate.

The “time factor” referred to in art. 2426, par. 1, no. 8, of the Italian Civil Code was also taken into account by discounting non-current receivables in the event of a significant difference between the effective interest rate and the market rate.

Receivables for which the amortized cost criterion was not applied were recognized at their estimated realizable value.

Regardless of whether or not the amortized cost was applied, receivables are shown in the financial statements net of the recognition of a bad debt provision relating to the receivables deemed non-collectable, as well as the generic risk relating to the remaining receivables. This risk relies on estimates based on past experience, the trend in the seniority indices of overdue receivables, the general economic situation, sector and country risk, and events occurring after the close of the financial year that have an impact on the values at the financial statements date.

Taxes and deferred tax assets

The item “Taxes” includes certain and determined amounts deriving from receivables for which a right of realization has arisen through reimbursement or compensation.

“Deferred tax assets” are calculated based on deductible time differences or the carry-forward of tax losses, applying the estimated tax rate in force at the time when these differences are expected to arise.

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Notes to the financial statements As of and for the year ended 31 December 2018

Deferred tax assets have been recognized where there is reasonable certainty that they will be recovered in the future, as proven by a tax plan for a reasonable period of time that provides sufficient taxable income to use the losses carried forward and/or by the presence of sufficient taxable time differences to absorb the losses carried forward.

Cash and cash equivalents

Cash and cash equivalents represent the balances of bank and postal deposits, cheques, as well as cash and cash equivalents on hand at the year's end. Bank and postal deposits and cheques are valued at the estimated realizable value, cash in hand at face value while foreign currency receivables are valued at the exchange rate in effect at the end of the year.

Accrued income and prepayments

Accrued income and prepayments have been recorded on an accrual basis and relate to the revenue/costs pertaining to the year and payable in subsequent years, and the revenue/costs incurred by the end of the year but pertaining to subsequent years.

Therefore, only the portions of costs and revenue common to two or more years are recorded, the amount of which varies according to time.

At the end of the year, it was verified that the conditions that determined the initial recognition have been met, making, if necessary, the required value adjustments, taking into account not only the time factor but also any recoverability.

Accrued income, in the same way as receivables, are measured at the presumable realizable value and, if lower than the book value, an impairment is recorded in the Income Statement.

Accrued expenses, in the same way as payables, are recorded at nominal value.

For prepaid expenses, an assessment was made of the future economic benefit related to the deferred costs, making an adjustment if this benefit was lower than the deferred portion.

Provisions for risks and charges

The provisions for risks and charges are recorded to cover losses or liabilities of a specific nature, of certain or probable existence, whose amount or date of occurrence are, however, uncertain at the end of the year.

The estimation process is carried out and/or adjusted at the financial statements date based on past experience and of information available.

In accordance with OIC 31 par. 19, given that the criterion of classification by nature of costs prevails, the allocations to the provisions for risks and charges are recorded among the asset items to which the transaction refers (characteristic, ancillary or financial).

Tax provisions, including deferred taxes

This includes the liabilities for probable taxes, deriving from non-definitive assessments and pending disputes, and the deferred tax liabilities determined based on the taxable temporary differences, applying the estimated rate in force at the moment in which these differences are deemed to be reversed.

In accordance with OIC 25 paragraphs 53 to 85, the provision for deferred taxes also includes deferred taxes arising from extraordinary transactions, revaluation of assets and suspended taxation that are not reflected in the Income Statement or in net equity.

Employees' severance indemnity

Employees' severance indemnity is recorded in accordance with the provisions of current legislation and correspond to the actual commitment of the Company towards its individual employees as of the financial statements date, after deduction of paid advances.

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Notes to the financial statements As of and for the year ended 31 December 2018

Payables

Payables pursuant to art. 2426, par. 1, no. 8, of the Italian Civil Code are recognized according to the amortized cost criterion, with the exception of payables for which the effects of the application of the amortized cost, pursuant to art. 2423 par. 4 of the Italian Civil Code, are irrelevant (maturity less than 12 months). For the principle of relevance, the payables have not been discounted if the interest rate derived from the contractual conditions is not significantly different from the market interest rate.

The 'time factor' referred to in art. 2426, par. 1, no. 8, of the Italian Civil Code was also taken into account by discounting non-current payables in the event of a significant difference between the effective interest rate and the market rate.

Payables for which the amortized cost criterion was not applied were recognized at their nominal value.

Current and non-current amounts are classified based on the contractual or legal maturity, also taking into account facts and events that may lead to a change in the original maturity.

Payables originating from acquisitions of assets are entered at the time when the risks, charges and benefits are transferred; those relating to services are recognized when the service is performed; financial and other types when the obligation to the counter-party arises.

Tax payables include liabilities for certain and determined taxes, as well as withholding taxes as a substitute and not yet paid at the financial statements date, and, where offset is permitted, are recorded net of advances, withholding taxes and tax receivables.

Foreign currency values

Receivables and payables originally expressed in currencies other than the Euro are recorded for at the exchange rate on the date of the transaction. Exchange differences realized on the settlement of foreign currency receivables and payables are recognized in the Income Statement under item 17-bis. At the end of the financial year, items in foreign currency are directly adjusted to the official exchange rates in force at the end of the financial year, and the exchange rate differences are recorded in the Income Statement under item 17-bis.

Any net profits resulting from adjustment of foreign currency items to exchange rates not absorbed by any losses in the financial year are recorded in a dedicated non-distributable reserve until it is actually realized.

Non-monetary assets and liabilities in foreign currency are recognized at the exchange rate in effect at the time of their purchase, and, pursuant to OIC 26 par. 31, when preparing the financial statements, this cost is compared, with the recoverable value (fixed assets) or with the value inferable from market trends (current assets).

Costs and revenue

These are reported in accordance with the principles of prudence and economic accrual.

With reference to "Revenue from sales and services", it should be noted that adjustments of revenue, pursuant to OIC 12 par. 50, are deducted from the revenue item, excluding those referring to previous years and resulting from corrections of errors or changes in accounting principles, recognized pursuant to OIC 29 on the opening balance of shareholders' equity.

As per industry practice, discounts on purchases are recognized as a reduction in the purchase cost of goods while income from promotional activities with suppliers are recognized in other income.

Income taxes

Current taxes are calculated based on a realistic forecast of taxable income for the year, determined according to tax legislation, and by applying the tax rates in force on the reporting date. The related tax liability is recognized in the balance sheet at nominal value, net of advances paid, withholding taxes and tax receivables that can be offset and are not requested for reimbursement; in the event that the advances paid, withholding taxes and receivables exceed the taxes due, the relevant tax credit will be recorded. Deferred and prepaid

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income taxes are calculated on the cumulative amount of all temporary differences between the values of assets and liabilities, as determined using statutory accounting criteria with their values recognized for tax purposes.

Deferred and prepaid income taxes are recognized in the financial year in which the temporary differences emerge and are calculated by applying the tax rates in effect during the financial year in which the temporary differences will be reversed. This applies when these rates have already been defined on the reference date for the financial statements; otherwise they are calculated based on the rates in effect on the reference date for the financial statements.

Events occurring after the end of the financial year

Events occurring after the end of the financial year that modify existing conditions at the balance sheet date and which require changes to asset and liability values, in accordance with the relevant accounting standard, are recognized in the balance sheet, in accordance with the accrual principle, to reflect the effect that these events have on the financial position and on the profit or loss at the end of the financial year. Events occurring after the end of the financial year that modify existing conditions at balance sheet date, but which do not require changes in book values, in accordance with the reference accounting standard, because they will be included in the following financial year, are not recognized in balance sheet but are shown in the notes when necessary, in order to disclose the relevant information. The period within which the event must occur for it to be taken into account ends on the date of preparation of the draft financial statements by the Directors, except in cases where events occur that may require an amendment to the draft financial statements between that date and the date scheduled for the approval of the financial statements by the shareholders.

OTHER INFORMATION

The standards and recommendations published by the Italian Accounting Standard Setter (OIC) were complied with, and, where lacking, were integrated by the generally accepted international standards (IAS/IFRS and USGAAP) in order to give a truthful and fair representation of the equity and financial position and the economic result for the financial year.

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Notes to the financial statements As of and for the year ended 31 December 2018

ASSETS

FIXED ASSETS

Intangible fixed assets

Intangible fixed assets amounted to Euro 323,465,366 (Euro 337,317,729 in the previous year).

The composition and the changes to the individual items are as follows:

	Incorporation and expansion costs	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Goodwill	Intangible fixed assets under development and advances	Other intangible fixed assets	Total intangible fixed assets
Value at the start of the year								
Cost	13,807,884	94,679	1,466,913	64,613,806	277,085,256	155,949	17,885,425	375,109,912
Amortization (Accumulated depreciation)	8,554,914	31,566	860,733	3,947,164	18,795,997	0	5,601,809	37,792,183
Net book value	5,252,970	3,113	606,180	60,666,642	258,289,259	155,949	12,283,616	337,317,729
Changes during the year . .								
Increases for acquisitions .	2,764,658	314,250	270,603	46,688	30,000	626,425	4,321,090	8,373,714
Decreases for disposals and divestments (of the carrying value)	92,095	0	16,304	0	0	0	402,231	510,630
Depreciation for the year .	2,387,789	136,337	264,143	3,402,948	14,141,140	0	1,788,487	22,120,844
Other changes	63,722	0	7,286	0	0	0	334,389	405,397
Total changes	348,496	177,913	-2,558	-3,356,260	-14,111,140	626,425	2,464,761	-13,852,363
Value at the end of the year								
Cost	16,480,446	408,928	1,721,212	64,660,494	277,115,257	782,374	21,621,655	382,790,366
Amortization (Accumulated depreciation)	10,878,980	167,902	1,117,590	7,350,112	32,937,138	0	6,873,278	59,325,000
Net book value	5,601,466	241,026	603,622	57,310,382	244,178,119	782,374	14,748,377	323,465,366

Changes in the depreciation provisions relating to Decreases for disposals and divestments have been indicated under the Other changes item.

The main increases that took place in 2018 are directly related to the Company's normal expansion policy.

In particular, the increase in the items Incorporation and expansion costs and Other intangible fixed assets is mainly due to:

- the incorporation costs incurred during the year for the opening of new stores;
- the costs of improvements on third party assets to open new stores.

The decreases in intangible fixed assets are mainly due to amortization, with particular regard to the amortization of the post-merger goodwill of Noah 3 for the year and amounted to Euro 13,455,190, and the amortization of the ARCAPLANET trademark which in the year amounted to Euro 3,279,978.

Incorporation and expansion costs

In accordance with the provisions of art. 2427, par. 1, no. 3, of the Italian Civil Code, the breakdown of incorporation and expansion costs is shown below.

Incorporation and expansion costs, equal to Euro 5,601,466, includes the set-up costs for the establishment and amendments to the deed of incorporation of the Company, the costs for the merger by reverse

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incorporation of Noah3, Saluki and Angelica, the costs for the direct merger of Zoomarket Group Sardegna S.r.l., the expenses for the purchase of the business unit from Country Shop S.r.l. and some incorporation costs incurred during the financial years for the opening of new points of sale. These costs have been capitalized because they have multi-year usefulness.

Development costs

The item in question, equal to Euro 241,026, relates to the expenses incurred for the design, construction and testing of new product lines.

Industrial patents and intellectual property rights

The item in question, equal to Euro 603,622, relates exclusively to the purchase of software licenses.

Concessions, licenses, trademarks and similar rights

The item in question, equal to Euro 57,310,382, mainly includes the value of the ARCAPLANET trademark allocated after the reverse merger operation (i.e. the reverse incorporation of Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l., into Agrifarma) which had legal effect on 1 December 2016 and the costs relating to the registration and maintenance of private trademarks.

The tax effect, determined with the tax rates in force, in accordance with accounting principle OIC 4, is recorded in the deferred tax liabilities.

This book value was the subject of a appraisal dated January, 31 2017 about the value of the ARCAPLANET brand which confirmed the book value as of 1 December 2016 for an estimated useful life of 20 years.

To date, no elements have emerged such as to suggest brand value impairment.

Goodwill

Goodwill, equal to Euro 244,178,119, mainly refers to:

Costs incurred for the recognition of individual shop expenses

This element includes:

- Goodwill deriving from the purchase of the business relating to the Imperia shop (which took place in 2012) equal to Euro 39,000 net of amortization;
- Goodwill deriving from the purchase of the business relating to the Rome shop (Via Tiburtina) (which took place in 2014) equal to Euro 20,000 net of amortization;
- Goodwill deriving from the purchase of the business relating to the Lucca shop (which took place in 2018) equal to Euro 29,597 net of amortization.

For goodwill already recorded as at 31 December 2015, the Company availed itself of the exemption provided for by Legislative Decree no. 139 of 2015 and did not determine the useful life. Specifically, they are amortized over 10 years, as permitted by art. 2426 of the Italian Civil Code.

Costs incurred for the recognition of business complex expenses

This element includes:

- The goodwill deriving from the transfer of a business unit which took place in 2007 to Bulldog S.r.l. (company incorporated in 2009); this goodwill is amortized over a period of 20 years from the date of registration, taking into account the duration relating to its use equal to Euro 1,316,208 net of amortization;
- The goodwill deriving from the allocation of the deficit from the merger by incorporation of Bulldog S.r.l. which was amortized over a residual useful life of 18 years from the date of registration which amounts to Euro 77,501 net of amortization;
- The goodwill deriving from the transfer of a business unit which took place in 2008 to New Lucky Dog S.r.l. (company incorporated in 2011), goodwill is amortized over a period of 20 the date of registration, taking into account the duration relating to its use equal to Euro 688,500 net of amortization;

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- The goodwill deriving from the allocation of the deficit from the merger by incorporation of New Lucky Dog S.r.l. which was amortized over a residual useful life of 18 years from the date of registration which amounts to Euro 186,564 net of amortization.

For goodwill already recorded at 31 December 2015, the Company availed itself of the exemption provided for by Legislative Decree no. 139 of 2015 and did not determine the useful life. Specifically, they were already amortized, taking into account the duration of their use, over a time frame that varies between 18 and 20 years.

This element also includes:

- The goodwill deriving from the allocation of the deficit from the merger by incorporation of Zoomarket Group Sardegna S.r.l. which was amortized over a useful life of 20 years from the date of registration which amounts to Euro 3,948,204 net of amortization;
- The goodwill deriving from the purchase of the business unit relating to the shops sold by Country Shop S.r.l. (which took place in 2017), which was amortized over a useful life of 20 years from the date of registration and amounts to Euro 3,381,770 net of amortization.

Costs incurred for the recognition of Agrifarma business complex expenses

This element includes:

- The goodwill deriving from the allocation of the deficit from the merger by reverse incorporation of Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l., into Agrifarma S.p.A. which amounts to Euro 234,488,941 net of amortization.

The period of time within which the Company expects to recover, in financial or income terms, the investments made also in consideration of the objective facts and circumstances formally documented by the Company Board of Directors is 18/20 years from the date of acquisition, a period that is also compliant with the amortization time frame of the main asset represented by the ARCAPLANET trademark.

To date, no elements have emerged such as to suggest the impairment of goodwill recorded in the financial statements.

Assets under development and advances

Assets under development and advances, equal to Euro 782,374, refer to advances that have been paid to suppliers for improvement works not yet started on some points of sale and for the implementation of new software.

Composition of the item “Other intangible fixed assets”

The item “Other intangible fixed assets” amounting to Euro 14,748,377 is broken down as follows:

Description	Value at the start of the year	Changes during the year	Value at the end of the year
Improvements to third party assets	11,973,375	2,457,934	14,431,309
Renovation expenses	16,012	-13,754	2,258
Non competition agreement costs	62,651	-15,992	46,659
Other multi-year costs	231,578	36,573	268,151
Total	12,283,616	2,464,761	14,748,377

It should be noted that the Other intangible fixed assets, as indicated above, are mainly made up of the expenses that the Company incurs on third party properties leased and used as points of sale. These expenses are amortized in the shorter period between the future usefulness of the expenses incurred and the residual period of the lease. The increase in these expenses is due to the expansionary policy of the Company, which provides for the continuous opening of points of sale.

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Tangible fixed assets

Tangible fixed assets amounted to Euro 10,118,739 (Euro 9,414,953 in the previous year).

The composition and the changes to the individual items are as follows:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible fixed assets under development and advances	Total tangible fixed assets
Value at the start of the year						
Cost	80,707	344,320	6,571,052	11,794,515	187,071	18,977,665
Amortization (Accumulated depreciation)	10,532	317,099	3,397,377	5,837,704	0	9,562,712
Net book value	70,175	27,221	3,173,675	5,956,811	187,071	9,414,953
Changes during the year . . .						
Increases for acquisitions . . .	0	43,478	1,400,316	2,305,601	0	3,749,395
Reclassifications (of the carrying value)	0	0	56	-56	0	0
Decreases for disposals and divestments (of the carrying value)	0	101,963	267,263	669,597	13,140	1,051,963
Depreciation for the year . . .	2,421	7,849	953,526	1,754,385	0	2,718,181
Other changes	0	58,485	156,296	509,754	0	724,535
Total changes	-2,421	-7,849	335,879	391,317	-13,140	703,786
Value at the end of the year .						
Cost	80,707	285,835	7,717,679	13,416,945	173,931	21,675,097
Amortization (Accumulated depreciation)	12,953	266,463	4,208,125	7,068,817	0	11,556,358
Net book value	67,754	19,372	5,509,554	6,348,128	173,931	10,118,739

Changes in the depreciation provisions relating to Decreases for disposals and divestments have been indicated under the Other changes item.

The following additional information is provided below.

The increases in tangible fixed assets referred to in the above table refer mainly to purchases for various equipment linked to the new openings, as well as office and department furniture, furnishings and equipment, ordinary and electronic office machines, internal means of transport and cars.

As regards the determination of the depreciation of tangible assets for the year, equal to Euro 2,718,181, only economic-technical depreciation was calculated, based on the rates deemed to express the residual useful life of the asset.

Composition of the item "Other tangible fixed assets"

The item "Other tangible fixed assets" amounting to Euro 6,348,128 is broken down as follows:

Description	Value at the start of the year	Changes during the year	Value at the end of the year
Furniture and fixtures	4,241,343	612,121	4,853,464
Electronic office equipment	1,491,378	-165,586	1,325,792
Cars	74,408	-13,241	61,167
Transport vehicles	149,682	-41,977	107,705
Total	5,956,811	391,317	6,348,128

Financial lease transactions

Pursuant to art. 2427, par. 1, no. 22, of the Italian Civil Code, it should be noted that there were no financial leasing contracts in place at the closing date of this year.

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Financial fixed assets

Equity investments, other securities and derivative financial instrument assets

Equity investments included in financial fixed assets amounted to Euro 40,471,426 (Euro 926 in the previous year).

The composition and the changes to the individual items are as follows:

	Equity investments in subsidiaries	Equity investments in other companies	Total equity investments
Value at the start of the year			
Cost	0	926	926
Carrying value	0	926	926
Changes during the year			
Increases for acquisitions	40,470,500	0	40,470,500
Total changes	40,470,500	0	40,470,500
Value at the end of the year			
Cost	40,470,500	926	40,471,426
Carrying value	40,470,500	926	40,471,426

It should be noted that the change in equity investments is related to the acquisition of Mondial Pet Distribution S.p.A. on 24 May 2018 and the relative ancillary costs, as well as the sole shareholder's transfer of the remaining portion of the equity investment in Mondial Pet Distribution S.p.A. on 29 May 2018, and the establishment of the Swiss subsidiary Arcaplanet SA on 2 February 2018. With reference to the investment in Mondial Pet Distribution S.p.A., given the recent acquisition and the recent contribution for which an appraisal was performed by an independent expert (as previously noted), there was no need for an impairment of the investment.

The equity investments in other companies are attributable to shareholdings in various consortia.

Total non-current receivables

Equity investments included in financial fixed assets amounted to Euro 1,273,613 (Euro 230,193 in the previous year).

The composition and the changes to the individual items are as follows:

	Opening nominal value	Opening bad debt provision	Opening net book value	Allowances to bad debt provision	Uses of the bad debt provision
From subsidiary companies	0	0	0	0	0
Cash security deposits	230,193		230,193		
Total	230,193	0	230,193	0	0

	(Write-downs)/ Write-backs	Reclassified from/ (to) other items	Other change increases/ (decreases)	Closing nominal value	Closing bad debt provision	Closing net book value
From subsidiary companies	0	0	1,000,000	1,000,000	0	1,000,000
Cash security deposits	0	0	43,420	273,613		273,613
Total	0	0	1,043,420	1,273,613	0	1,273,613

Non-current receivables refer to (i) the non-interest bearing loan granted to the subsidiary Arcaplanet SA, for an amount of Euro 1,000,000, and to receivables for deposits with lessors of the commercial properties and service providers (*multiutilities*).

With reference to the loan granted to Arcaplanet SA, it should be noted that the amount of the non-interest bearing loan is equal to Euro 2,000,000 disbursed as at 31 December 2018 for Euro 1,000,000. The maturity is 24 months after the final disbursement. Since the last tranche has not yet been disbursed, the loan has been recorded at nominal value.

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A summary of the changes is provided below:

	Value at the start of the year	Changes during the year	Value at the end of the year	Current	Non-current	Due beyond 5 years
Receivables from subsidiaries	0	1,000,000	1,000,000	0	1,000,000	0
Receivables from third parties	230,193	43,420	273,613	0	273,613	0
Total non-current receivables	230,193	1,043,420	1,273,613	0	1,273,613	0

Equity investments in subsidiaries

Below are the data relating to equity investments in subsidiaries, pursuant to art. 2427, par. 1, no. 5 of the Italian Civil Code:

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share Capital in Euro	Profit/(Loss) for the last fiscal year in Euro	Shareholders' equity in Euro	Share held in Euro	Share held in %	Book value or corresponding credit
Mondial Pet Distribution S.p.A.	Fossano (CN) Italy	02863080046	499,500	344,519	12,631,537	12,631,537	100.00	40,380,500
Arcaplanet SA	Switzerland		90,000	0	90,000	90,000	100.00	90,000
Total								40,470,500

The data referring to the equity investment in Mondial Pet Distribution S.p.A. are attributable to the latest available financial statements, which are those for the year ended 31 December 2017.

The equity investment in Mondial Pet Distribution S.p.A., which consists of 499,500 shares with a nominal value of Euro 1, represents 100% of the share capital of the same. On 24 May 2018, a total of 297,000 shares from this equity investment were purchased for the amount of Euro 24 million, plus capitalized ancillary charges, and 202,500 shares were transferred by the sole shareholder company Noah 2 S.p.A. to subscribe the share capital increase, with a relative share premium of Euro 15 million, of which Euro 64,720 were allocated to the share capital increase and Euro 14,935,280 were allocated to the share premium reserve. The Company operates in the same sector as Agrifarma, and owns 71 points of sale in the regions of Piemonte, Liguria, Valle d'Aosta, Lombardia, and Emilia Romagna.

As described below, the shares representing 100% of the share capital in Mondial Pet Distribution S.p.A. were pledged to a pool of credit institutions led by UniCredit S.p.A.

The data referring to the equity investment in Arcaplanet SA refer to the establishment of this entity, as the company's first year of business was that the year ended 31 December 2018 for which the financial statements were not finalised when these financial statements were prepared.

The investment in Arcaplanet SA, relating to 100% of the share capital, was recorded following its establishment on 2 February 2018. The Company operates in the same sector as Agrifarma and owns 2 points of sale in Switzerland.

Non-current receivables — Breakdown by geographical area

The breakdown of non-current receivables by geographical area is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

Geographical area	Non-current receivables from subsidiaries	Non-current receivables from third parties	Total Non-current receivables
Italy	0	273,613	273,613
EU	0	0	0
Non-EU	1,000,000	0	1,000,000
Total	1,000,000	273,613	1,273,613

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CURRENT ASSETS

Inventories

Goods are recognized in inventories when the transfer of the risks and benefits associated with the goods acquired takes place, and consequently include the goods existing in the Company's warehouses, with the exception of those received from third parties for which the right of ownership has not been acquired (for inspection, for processing, for consignment), goods owned by third parties (for inspection, for processing, for consignment), and goods in transit where the risks and benefits connected to the acquired goods have already been transferred.

The inventories included in current assets amounted to Euro 47,245,974 (Euro 49,551,507 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Raw ancillary materials and consumables	258,785	24,617	283,402
Finished products and goods	49,148,050	-2,247,842	46,900,208
Advances	144,672	-82,308	62,364
Total inventories	49,551,507	-2,305,533	47,245,974

Inventories of finished products and goods, as well as consumables, have been recorded at the lower of the purchase or manufacturing cost and the corresponding realisable value. Cost was determined by applying the weighted average cost method.

As previously explained, a portion of the item Advances item in the 2017 comparatives was reclassified from Other receivables and in part from payables to suppliers.

Inventories of finished products and goods are recorded net of an obsolescence provision equal to Euro 582,481.

The changes in the obsolescence provision are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Obsolescence provision	382,481	200,000	582,481

Receivables

Receivables included in current assets amounted to Euro 10,502,035 (Euro 6,901,359 in the previous year).

The breakdown is as follows:

	Current	Non-current	Total nominal value	(Bad debt provision)	Net value
Receivables from customers	5,509,927	0	5,509,927	0	5,509,927
From subsidiaries	4,258,303	0	4,258,303	0	4,258,303
Taxes	3,402	154,136	157,538		157,538
Deferred tax assets			351,639		351,639
From others	249,726	0	249,726	25,098	224,628
Total	10,021,358	154,136	10,527,133	25,098	10,502,035

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Receivables — Breakdown by maturity

The breakdown of receivables by maturity is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

	Value at the start of the year	Changes during the year	Value at the end of the year	Current	Non-current	Due beyond 5 years
Current Receivables from customers	4,937,216	572,711	5,509,927	5,509,927	0	0
Current Subsidiary receivables . . .	0	4,258,303	4,258,303	4,258,303	0	0
Current Taxes	1,505,493	-1,347,955	157,538	3,402	154,136	0
Deferred tax assets	208,506	143,133	351,639			
Other current receivables	250,144	-25,516	224,628	224,628	0	0
Total current receivables	6,901,359	3,600,676	10,502,035	9,996,260	154,136	0

Receivables — Breakdown by geographical area

The breakdown of the receivables entered in current assets by geographical area is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

Geographical area	Total	Italy	EU	Non-EU
Current Receivables from customers	5,509,927	5,509,927	0	0
Current Subsidiary receivables	4,258,303	3,838,505	0	419,798
Current Taxes	157,538	157,538	0	0
Deferred tax assets	351,639	351,639	0	0
Other current receivables	224,628	224,628	0	0
Total current receivables	10,502,035	10,082,237	0	419,798

Receivables from customers

Receivables from customers, equal to Euro 5,509,927, mainly relate to receivables from suppliers for promotional activities to be collected within the next year (net of credit notes to be issued).

With regard such receivables, it should be noted that no provision was recorded to the bad debt provision, as the receivables' book value is believed to be equal to their presumed realizable value.

Receivables from subsidiaries

Receivables from subsidiaries, equal to Euro 4,258,303, consist of receivables for the supply of goods to the subsidiaries Mondial Pet Distribution S.p.A. and Arcaplanet SA.

Taxes

Taxes recognized in the financial statements for the year ended 31 December 2018 amount to Euro 157,538, and mainly relate to the receivable from the tax authorities for IRES, which respectively amounts to Euro 154,136.

The non-current portion of taxes, equal to Euro 154,136, relates to the IRES refund requests, presented during the months of February and March 2013, as a result of the failure to deduct, for IRES purposes, the IRAP referable to expenses for employees and similar personnel, and to the provisional payment of the amounts ascertained for the 2010 tax period, which have been the subject of legal disputes.

Deferred tax assets

Deferred tax assets, equal to Euro 351,639, relate to temporary differences between statutory profit and taxable income that will be reversed in future periods. The asset was recognized as there is a reasonable certainty that these temporary differences will be reflected in the Company's future taxable income.

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Notes to the financial statements As of and for the year ended 31 December 2018

Below is the breakdown of the deferred tax assets at the end of the year:

Description	IRES deferred tax assets	IRAP deferred tax assets
Waste tax	3,243	0
Interest charges	33	0
Advertising tax	203	0
Unpaid director's fee	60,000	0
Provision for doubtful receivables	6,024	0
Registration fee	587	0
Municipal taxes	1	0
Stamp tax	212	0
Auditors' fee	13,118	0
Unrealized foreign exchange losses	3,206	0
Inventory write-down reserve	139,796	0
Future expense reserve	455	0
Brand amortization	87,385	14,200
Goodwill amortization	19,936	3,240
Total	334,199	17,440

The allocation of Euro 25,098 made to the bad debt provision, which generated prepaid IRES taxes for an amount of Euro 6,024, refers to receivables recorded under the Other receivables item for which a civil dispute is pending.

The IRES deferred tax assets have been determined using the rate of 24%.

The IRAP rate used to quantify deferred tax assets is 3.90%.

Receivables from others

This item consists of receivables deriving from non-strictly commercial transactions; in particular it deals with:

Description	Value at the start of the year	Changes during the year	Value at the end of the year
Receivables for discount coupons	17,997	-3,336	14,661
INAIL receivables	0	0	0
Employee receivables	46,120	3,000	49,120
Supplier advances	26,874	3,403	30,278
Other receivables	159,153	-28,583	130,569
Total	250,144	-25,516	224,628

As previously mentioned, advances to suppliers in 2017 was partially reclassified to C I 5) Advances.

Financial assets

Financial assets included in current assets amounted to Euro 13,647 (Euro 203 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Current Derivative financial instruments	203	13,444	13,647
Total current financial assets	203	13,444	13,647

Derivative financial instruments amounting to Euro 13,647, relate to the "Mark to Market" assessment of derivatives entered into in 2016 and 2018, as described in detail later in these financial statements.

Agrifarma S.p.A.

Notes to the financial statements As of and for the year ended 31 December 2018

Cash and cash equivalents

Cash and cash equivalents included in current assets amounted to Euro 31,456,212 (Euro 17,616,539 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Bank and postal deposits	17,123,492	13,918,256	31,041,748
Cash in hand	493,047	-78,583	414,464
Total cash and cash equivalents	17,616,539	13,839,673	31,456,212

Cash in hand

This item indicates the cash and cash equivalents held by the Company to be deposited in the bank account, mainly relating to the amount of collections from shops not deposited in the bank due to the end of year holidays.

ACCRUED INCOME AND PREPAID EXPENSES

Accrued income and prepaid expenses amounted to Euro 887,395 (Euro 758,243 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Prepaid expenses	758,243	129,152	887,395
Total accrued income and prepaid expenses	758,243	129,152	887,395

Breakdown of prepaid expenses:

They mainly consist of portions of costs pertaining to 2019 and subsequent financial years, reversed and deferred to the future financial year, relating to insurance premiums, utilities, maintenance fees, condominium expenses and rent fees.

SHAREHOLDER'S EQUITY

Shareholder's equity as at the end of the year is equal to Euro 252,862,437 (Euro 244,895,381 in the previous year).

The following tables show the changes during the year in the individual components of shareholders' equity and the details of the item "Other reserves":

	Value at the start of the year	Allocation of dividends	Other destinations	Increases
Share capital	1,056,643	0	0	64,720
Share premium reserve	2,700,114	0	0	14,935,280
Legal reserve	211,329	0	0	0
Other reserves				
Extraordinary reserve	22,986,625	0	0	0
Merger surplus reserve	226,776,765	0	0	0
Other	0	0	0	-1
Total other reserves	249,763,390	0	0	-1
Retained earnings / (accumulated losses)	0	0	-8,836,095	0
Profit/(loss) for the year	-8,836,095	0	8,836,095	0
Total Shareholder's Equity	244,895,381	0	0	14,999,999

Agrifarma S.p.A.

Notes to the financial statements As of and for the year ended 31 December 2018

	Decreases	Reclassifications	Profit/(loss) for the year	Value at the end of the year
Share capital	0	0		1,121,363
Share premium reserve	0	0		17,635,394
Legal reserve	0	0		211,329
Other reserves				
Extraordinary reserve	0	0		22,986,625
Merger surplus reserve	0	0		226,776,765
Other	0	0		-1
Total other reserves	0	0		249,763,389
Retained earnings / (accumulated losses)	0	0		-8,836,095
Profit/(loss) for the year	0	0	-7,032,943	-7,032,943
Total Shareholder's Equity	0	0	-7,032,943	252,862,437

Description	Amount
Euro rounding reserve	-1
Total	-1

The changes in the shareholders equity items are as follows:

	Value at the start of the year	Allocation of dividends	Other destinations	Increases
Share capital	1,056,643	0	0	0
Share premium reserve	2,700,114	0	0	0
Legal reserve	211,329	0	0	0
Other reserves				
Extraordinary reserve	16,943,712	0	0	6,042,913
Merger surplus reserve	226,776,765	0	0	0
Total other reserves	243,720,477	0	0	6,042,913
Profit/(loss) for the year	6,042,913	0	-6,042,913	0
Total Shareholder's Equity	253,731,476	0	-6,042,913	6,042,913

	Decreases	Reclassifications	Profit/(loss) for the year	Value at the end of the year
Share capital	0	0		1,056,643
Share premium reserve	0	0		2,700,114
Legal reserve	0	0		211,329
Other reserves				
Extraordinary reserve	0	0		22,986,625
Merger surplus reserve	0	0		226,776,765
Total other reserves	0	0		249,763,390
Profit/(loss) for the year	0	0	-8,836,095	-8,836,095
Total Shareholder's Equity	0	0	-8,836,095	244,895,381

Availability and use of shareholders' equity items

The information required by art. 2427, par. 1, no. 7-bis of the Italian Civil Code regarding the specification of equity items, gross of losses carried forward and losses for the year, in regards to their origin, possibility of use and distribution, as well as their utilisation in prior years, is derived from the following tables:

Agrifarma S.p.A.

Notes to the financial statements As of and for the year ended 31 December 2018

	Amount	Origin/nature	Possibility of use	Amount available	Summary of uses in the three previous years — for loss hedging	Summary of uses in the three previous years — for other reasons
Share capital	1,121,363	share capital — profit		1,121,363	0	0
Share premium reserve	17,635,394	Share capital	A,B,C	17,635,394	0	0
Legal reserve	211,329	profit	B	211,329	0	0
Other reserves						
Extraordinary reserve	22,986,625	profit	A,B,C	22,986,625	0	6,379,768
Merger surplus reserve	226,776,765	Share capital	A,B,C	226,776,765	0	0
Other	-1			0	0	0
Total other reserves	249,763,389			249,763,390	0	6,379,768
Total	268,731,475			268,731,476	0	6,379,768
Non-distributable amount				24,810,578		
Residual distributable amount				243,920,898		

Key: A: for share capital increase; B: to cover losses; C: for distribution to shareholders
D: for other statutory restrictions E: other

To complete the information provided on shareholders' equity, the following additional information is specified below.

Share capital

The Share capital of the Company amounts to Euro 1,121,263 and comprises 1,121,363 ordinary shares with a nominal value of Euro 1.00 each. The share capital at 31 December 2018 is fully subscribed by Noah 2 S.p.A. It should be noted that share capital was increased by Euro 64,720 with the minutes of the extraordinary shareholders' meeting of 29 May 2018.

Share premium reserve

The share premium reserve is equal to Euro 17,635,394 and includes (i) Euro 2,400,000 deriving from the share capital increase approved by the Company on December 23, 2005 (ii) Euro 300,114, deriving from the share capital increase subscribed on December 2, 2010 and (iii) Euro 14,935,280 related to the share capital increase resolved on May 29, 2018.

Legal reserve

The legal reserve amounts to Euro 211,329 and, due to the capital increase carried out during the year, has not yet reached the limit envisaged by art. 2430 of the Italian Civil Code.

Extraordinary reserve

The extraordinary reserve is equal to Euro 22,986,625 and is unchanged compared to the previous year.

Merger surplus reserve

The merger surplus reserve, equal to Euro 226,776,765, was generated on 1 December 2016 from of the increase in shareholders' equity that Agrifarma had following the legal effectiveness of the reverse merger with which it incorporated Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l.

Retained earnings / (accumulated losses)

It includes the result for the year 2017, which was negative for Euro 8,836,095 and was carried forward.

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Notes to the financial statements As of and for the year ended 31 December 2018

Profit/(loss) for the year

It includes the result for the year 2018, which is negative for Euro 7,032,943.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognized in liabilities for a total of Euro 15,950,627 (Euro 16,871,708 in the previous year).

The composition and the changes to the individual items are as follows:

	Provisions for pensions and similar obligations	Tax provisions including deferred taxes	Derivative financial instrument liabilities	Other accruals	Total provisions for risks and charges
Value at the start of the year	0	16,863,707	0	8,001	16,871,708
Changes during the year					
Allocations during the year	0	0	0	1,894	1,894
Use for the year	0	914,974	0	8,001	922,975
Total changes	0	-914,974	0	-6,107	-921,081
Value at the end of the year	0	15,948,733	0	1,894	15,950,627

In order to recognize the deferred taxation on the part of the merger deficit (not tax deductible) allocated to the ARCAPLANET trademark, the provision for deferred taxes, equal to Euro 15,948,733, was originally recorded on 1 December 2016 (effective date of the merger by incorporation of Noah 3 S.p.A., Saluki S.p.A. and Angelica S.r.l.), for the amount of Euro 17,865,750 and subsequently released at 31 December 2016 for the amount of Euro 87,472, and in the 2017 and 2018 financial years for Euro 915,114 each year. This latest release corresponds to the part of deferred taxes relating to the amortization of the ARCAPLANET trademark which took place in 2018.

The deferred tax provision as at 31 December 2018 also includes Euro 683 deferred taxes on unrealized exchange gains.

It should be noted that the provision for deferred taxes recognized in the financial statements at 31 December 2018 was determined using the IRES rate at 24% and the IRAP rate at 3.9%.

Other provisions for risks and charges includes a provision for future expenses equal to Euro 1,894 was set aside which should be released during the following year.

EMPLOYEES' SEVERANCE INDEMNITY

Employees' severance indemnity is recognized among liabilities for a total of Euro 755,321 (Euro 803,247 in the previous year).

The composition and the changes to the individual items are as follows:

	Employees' severance indemnity
Value at the start of the year	803,247
Changes during the year	
Allocations during the year	1,732,192
Use for the year	66,327
Other changes	-1,713,791
Total changes	-47,926
Value at the end of the year	755,321

The table above shows the provision and use of the employees' severance indemnity and the other changes show the allocation of employees' severance indemnity outside the Company.

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Notes to the financial statements As of and for the year ended 31 December 2018

PAYABLES

Payables are recognized in liabilities for a total of Euro 195,768,398 (Euro 159,146,368 in the previous year).

The individual items consist of the following:

	Value at the start of the year	Changes during the year	Value at the end of the year
Bank payables	110,336,625	34,887,196	145,223,821
Payables due to other lenders	41,983	-41,983	0
Advances	59,412	143,040	202,452
Payables to suppliers	40,514,581	978,155	41,492,736
Payables to subsidiaries	0	6,100	6,100
Tax payables	648,072	618,383	1,266,455
Payables due to social security and welfare institutions	1,811,274	323,315	2,134,589
Other payables	5,734,421	-292,176	5,442,245
Total	159,146,368	36,622,030	195,768,398

Payables — Breakdown by maturity

The breakdown of the payables by maturity is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

	Value at the start of the year	Changes during the year	Value at the end of the year	Current	Non-current	Due beyond 5 years
Bank payables	110,336,625	34,887,196	145,223,821	68,918	145,154,903	0
Payables due to other lenders	41,983	-41,983	0	0	0	0
Advances	59,412	143,040	202,452	202,452	0	0
Payables to suppliers	40,514,581	978,155	41,492,736	41,492,736	0	0
Payables to subsidiaries	0	6,100	6,100	6,100	0	0
Tax payables	648,072	618,383	1,266,455	1,266,455	0	0
Payables due to social security and welfare institutions	1,811,274	323,315	2,134,589	2,134,589	0	0
Other payables	5,734,421	-292,176	5,442,245	5,442,245	0	0
Total payables	159,146,368	36,622,030	195,768,398	50,613,495	145,154,903	0

Payables — Breakdown by geographical area

The breakdown of the payables by geographical area is shown below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

Geographical area	Total	Italy	EU	Non-EU
Bank payables	145,223,821	145,223,821	0	0
Advances	202,452	202,452	0	0
Payables to suppliers	41,492,736	40,798,065	590,625	104,046
Payables to subsidiaries	6,100	6,100	0	0
Tax payables	1,266,455	1,266,455	0	0
Payables due to social security and welfare institutions	2,134,589	2,134,589	0	0
Other payables	5,442,245	5,442,245	0	0
Payables	195,768,398	195,073,727	590,625	104,046

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Payables secured by collateral on Company assets

Information concerning the debts secured by collateral on corporate assets is provided below, pursuant to art. 2427, par. 1, no. 6 of the Italian Civil Code:

	Payables secured by pledges	Total payables secured by collateral	Payables not secured by collateral	Total
Bank payables	145,154,903	145,154,903	68,918	145,223,821
Advances	0	0	202,452	202,452
Payables to suppliers	0	0	41,492,736	41,492,736
Payables to subsidiaries	0	0	6,100	6,100
Tax payables	0	0	1,266,455	1,266,455
Payables due to social security and welfare institutions	0	0	2,134,589	2,134,589
Other payables	0	0	5,442,245	5,442,245
Total payables	145,154,903	145,154,903	50,613,495	195,768,398

Information on maturity, repayment methods and interest rates are specified below for payables secured by collateral.

The bank loan disbursed by a pool of credit institutions led by UniCredit S.p.A. amounts to Euro 145,154,903 as at 31 December 2018 (net of the effect of the amortized cost which is equal to Euro 3,772,940). Please note that the loan has the following repayment schedule and interest rates:

- Euro 105 million repayable in a “bullet” repayment maturing on 31 May 2023 and an interest rate equal to the spread (4%, from 07 August 2018 3.75%) + the 6-month Euribor (0% if negative)
- Euro 4.428 million and Euro 4.5 million, repayable in 3 instalments, the last of which maturing on 30 November 2022 and an interest rate equal to the spread (3.5%, from 07 August 2018 3.25%) + the 6-month Euribor (0% if negative)
- Euro 35 million, repayable in a “bullet” repayment maturing on 31 May 2023 and an interest rate equal to the spread (4%, 3.75% from 07 August 2018) + the 6-month Euribor (0% if negative).

In light of the above, the following table summarizes the main conditions of the loans granted:

Description	Nominal value	Maturity	Interest rate at 31 December 2018
B1 Loan	102,000,000	31/05/2023	3.75%
B2 Loan	3,000,000	31/05/2023	3.75%
Capex 1 loan	4,427,844	3 instalments — last 30 November 2022	3.25%
Capex 2 loan	4,500,000	3 instalments — last 30 November 2022	3.25%
B1 loan extension	35,000,000	31/05/2023	3.75%
Total	148,927,844		

The Sole Shareholder Noah 2 S.p.A. has pledged the shares representing 100% of Agrifarma S.p.A. to the pool of credit institutions headed by UniCredit S.p.A. Finally, it should be noted that Agrifarma also pledged the shares representing 100% of the share capital of Mondial Pet Distribution S.p.A. against this bank loan.

Bank payables

Bank payables mainly relate to the loan explained above which has final maturity on 31 May 2023, for an amount of Euro 145,154,903. This loan, was provided to Noah 3 S.p.A. in order to carry out the acquisition of Saluki SA, Angelica S.r.l. and Agrifarma S.p.A., and was recognized in the Agrifarma S.p.A. financial statements at 31 December 2018 as a result of the reverse merger that took place in 2016.

Advances

Payables for advances amounted to Euro 202,452 and mainly relate to advances paid by customers.

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Payables to suppliers

Payables to suppliers, which amount to a total of Euro 41,492,736, relate to payables for invoices received, net of credit notes to be received and payables for invoices to be received.

These payables are all commercial in nature in relation to goods and services purchased during the year and are all due within the following year.

As previously mentioned, the value of the advances to suppliers in 2017 was partially reclassified under item C I 5) Advances.

Payables due to subsidiaries

The payables to subsidiaries amounted to Euro 6,100, and are due to the subsidiary Mondial Pet Distribution S.p.A.

Tax payables

Tax payables mainly represent the payable to the tax authorities for IRPEF and additional regional and municipal withholdings made to employees and collaborators (Euro 780,869) and paid in 2019, the payable to the tax authorities for IRES, equal to Euro 92,274, and the payable to the tax authorities for IRAP for Euro 308,714.

Payables due to social security and welfare institutions

Payables due to social security and welfare institutions, equal to Euro 2,134,589, mainly consists of social security security charges contributions to be paid essentially to INPS and payables for supplementary pension provisions.

Other payables

The balance of other payables consists of:

- payables to personnel for Euro 4,959,471 for accrued and unpaid wages, accrued and unused holidays, and year-end bonuses;
- other payables for Euro 320,133, mainly related to payables to directors (Euro 287,356);
- payables for acquisitions relating to the purchase of the business branch of Country Shop S.r.l. (Euro 162,641).

ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income are recorded in liabilities for a total of Euro 97,624 (Euro 74,948 in the previous year).

The composition and the changes to the individual items are as follows:

	Value at the start of the year	Changes during the year	Value at the end of the year
Accrued expenses	72,022	25,522	97,544
Deferred income	2,926	-2,846	80
Total accrued expenses and deferred income	74,948	22,676	97,624

Breakdown of accrued expenses:

Accrued expenses, equal to Euro 97,544, consist of costs pertaining to the year such as utilities and condominium expenses.

VALUE OF PRODUCTION

Revenue from sales and service — Breakdown by business category

In relation to art. 2427, par. 1, sub-section 10, of the Italian Civil Code, the following statements show the breakdown of revenues by business category:

Agrifarma S.p.A.

Notes to the financial statements As of and for the year ended 31 December 2018

Business category	2018
Revenues from retail sales	215,510,670
Other revenues	11,974,754
Total	227,485,424

The following table show the change from the previous year:

Business category	2017	Variation	2018
Revenues from retail sales	188,884,007	26,626,663	215,510,670
Other revenues	149,535	11,825,219	11,974,754
Total	189,033,542	38,451,882	227,485,424

The item Other revenues, which amounted to Euro 11,974,754, mainly consists of revenues from Mondial Pet Distribution S.p.A. for merchandise sold by the Company.

The increase in Revenue from sales and service is mainly due to:

- the opening of new stores which, albeit only for a few months, contributed to the increase in revenues;
- the purchase of the equity investment in Mondial Pet Distribution S.p.A., to which the goods purchased by Agrifarma are resold.

Revenue from sales and service — Breakdown by geographical area

In relation to art. 2427, par. 1, sub-section 10, of the Italian Civil Code, the following statements show the breakdown of the revenues by geographical area:

Geographical area	2018
Italy	227,098,585
EU	434
Non-EU	386,405
Total	227,485,424

The following table show the change from the previous year:

Geographical area	2017	Variation	2018
Italy	189,033,542	38,065,043	227,098,585
EU	0	434	434
Non-EU	0	386,405	386,405
Total	189,033,542	38,451,882	227,485,424

Increases in fixed assets for internal work

Increases in fixed assets for internal work are recognized in the value of production in the Income Statement for a total of Euro 2,926,506 (Euro 3,451,464 in the previous year).

The individual items consist of the following:

Description	2017	Variation	2018
Increases in fixed assets for internal work	3,451,464	-524,958	2,926,506
Total	3,451,464	-524,958	2,926,506

Other income

Other income is recognized in value of production in the Income Statement for a total of Euro 14,043,183 (Euro 12,595,095 in the previous year).

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Notes to the financial statements As of and for the year ended 31 December 2018

The individual items consist of the following:

	Value for the previous year	Variation	Value for the current year
Other			
Real estate earnings	120,694	5,721	126,415
Expense reimbursements	0	703,435	703,435
Income from promotional activities	11,819,202	806,431	12,625,633
Insurance compensation	89,720	-24,467	65,253
Capital gains of a non-financial nature	8,834	-4,660	4,174
Contingencies and contingent assets	126,628	44,489	171,117
Other income	430,017	-82,861	347,156
Total other	12,595,095	1,448,088	14,043,183
Total other income	12,595,095	1,448,088	14,043,183

The increase in the item other income is mainly due to the increase in the income from promotional activities that the Company achieved during the year, as well as for the recharges of the services that the Company provides to its subsidiaries.

PRODUCTION COSTS

Costs for raw materials, consumables, goods

The Costs for raw materials, consumables, goods are recorded in production cost in the Income Statement for a total of Euro 132,755,112 (Euro 121,810,623 in the previous year).

The purchase of goods, net of rebates and bonuses, amounts to Euro 131,676,836.

Service costs

Service costs are recorded in production costs of the Income Statement for a total of Euro 28,839,629 (Euro 23,904,010 in the previous year).

The individual items consist of the following:

	2017	Variation	2018
Transport	3,801,071	1,260,551	5,061,622
Warehousing	3,690,372	971,769	4,662,141
Subcontracting	91,644	287,204	378,848
Electricity	2,692,064	177,323	2,869,387
Gas	55,360	18,894	74,254
Water	28,993	16,316	45,309
Maintenance and repairs	530,823	76,971	607,794
Technical services and consulting	1,729,315	-57,069	1,672,246
Directors' fees	2,953,313	-1,272,984	1,680,329
Statutory auditor and auditor fees	116,961	23,120	140,081
Advertising	3,897,670	2,594,928	6,492,598
Legal fees and consulting	67,351	3,125	70,476
Tax, administrative and sales consulting	511,582	-28,434	483,148
Telephone expenses	252,038	26,323	278,361
Services of a non-financial nature provided by financial institutions and banks	663,745	217,739	881,484
Insurance	258,581	29,490	288,071
Travel and mission expenses	408,313	-40,805	367,508
Other	2,154,814	631,158	2,785,972
Total	23,904,010	4,935,619	28,839,629

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The most significant increase in service costs is due to the costs of logistics and transport, advertising and the costs directly relating to the points of sale (electricity, cleaning, etc.).

Leases and rentals

Leases and rentals costs are recorded in production costs in the Income Statement for a total of Euro 17,585,588 (Euro 14,934,805 in the previous year).

The individual items consist of the following:

	<u>2017</u>	<u>Variation</u>	<u>2018</u>
Rent and leases	14,604,360	2,595,195	17,199,555
Asset lease instalments	6,242	-5,523	719
Other	324,203	61,111	385,314
Total	14,934,805	2,650,783	17,585,588

The costs relating to rent increased in 2018 due to the effect of the opening of new stores.

Personnel expenses

Personnel expenses to Euro 34,965,299 with an increase of 4,233,661 compared to the previous year 2017.

	<u>2017</u>	<u>Variation</u>	<u>2018</u>
Personnel expenses	30,731,638	4,233,661	34,965,299
Total	30,731,638	4,233,661	34,965,299

This increase is mainly because, in 2018, with the opening of the new points of sale, new employees were hired with consequent important recruitment and training work.

Amortization, depreciation and impairments

Amortization, depreciation and impairments for the year amount to Euro 25,031,798, the composition of which has changed as follows:

	<u>2017</u>	<u>Variation</u>	<u>2018</u>
Amortization of intangible assets	21,401,662	719,182	22,120,844
Depreciation of tangible assets	2,326,305	391,876	2,718,181
Other asset and payables impairments	58,746	134,027	192,773
Total	23,786,713	1,245,085	25,031,798

This increase is mainly due to the amortization of the pre-opening expenses of the Stores capitalized in previous years and of the new Stores opened in 2018.

Change in inventories of raw materials, consumables and goods

The change in inventories of raw materials, consumables and goods inventories are recorded production costs in the Income Statement for a total of Euro 2,223,225 (Euro -10,322,484 in the previous year).

Other provisions

Other provisions are recorded in production costs in the Income Statement for a total of Euro 1,894 (Euro 8,001 in the previous year) and relate to future expenses.

Other operating expenses

Other operating expenses are recognized in production costs in the Income Statement for a total of Euro 2,015,619 (Euro 1,709,407 in the previous year).

The individual items consist of the following:

Agrifarma S.p.A.

Notes to the financial statements As of and for the year ended 31 December 2018

	2017	Variation	2018
Stamp tax	14,901	-1,384	13,517
ICI/IMU (Local Property Tax/Municipal Property Tax)	2,931	0	2,931
Registration fee	87,766	1,299	89,065
Chamber of Commerce fees	23,632	1,427	25,059
Losses on receivables	3,347	-3,347	0
Magazine and newspaper subscriptions	500	23	523
Social and welfare expenses	85,636	-74,970	10,666
Contingencies and contingent liabilities	117,821	37,395	155,216
Capital losses of a non-financial nature	18,652	10,589	29,241
Other operating expenses	1,354,221	335,180	1,689,401
Total	1,709,407	306,212	2,015,619

The most significant items included under other operating expenses are the waste tax (Euro 775,951), the advertising tax (Euro 534,974) with increased during the year for Euro 86,586 and Euro 103,800 respectively.

FINANCIAL INCOME AND CHARGES

Interest and financial charges — Breakdown by type of payable

In relation to art. 2427, par. 1, no. 12, of the Italian Civil Code, the following statements show the breakdown of the item “interest and financial charges”:

	Interest and financial charges
Bank payables	6,576,609
Other	1,236
Total	6,577,845

The increase in interest and financial charges is related to the increase in bank loans.

Foreign exchange gains and losses

Information on the breakdown of foreign exchange gains and losses deriving from the year-end measurement with respect to those actually realized is provided below:

	Unrealized gains/losses	Realized gains/losses	Total
Exchange gains	2,845	7,206	10,051
Exchange losses	13,357	53,633	66,990

REVENUE OF EXCEPTIONAL EXTENT OR IMPACT

In relation to art. 2427, par. 1, point 13 of the Italian Civil Code, it should be noted that no revenue items of exceptional size or incidence were recorded.

COSTS OF EXCEPTIONAL EXTENT OR IMPACT

In relation to art. 2427, par. 1, point 13 of the Italian Civil Code, it should be noted that no cost items of exceptional size or incidence were recorded.

INCOME TAX EXPENSE

The individual items consist of the following:

	Current taxes	Prior year taxes	Deferred taxes	Deferred tax assets
IRES (corporate income tax)	1,916,294	-570,996	-787,054	139,228
IRAP (regional income tax)	1,185,589	0	-127,919	3,905
Total	3,101,883	-570,996	-914,973	143,133

Agrifarma S.p.A.

Notes to the financial statements As of and for the year ended 31 December 2018

Deferred taxes mainly contain the reversals relating to the initial recognition of the “Provision for deferred taxes” which directly affected shareholders’ equity in 2016. As already stated, the deferred tax provision was set aside during the year, in compliance with OIC 4, at the time of allocation of part of the merger deficit on the ARCAPLANET trademark. The portion of the deferred tax provision relating to the amortization of the ARCAPLANET trademark pertaining to the year was released in the current year. This release is equal to Euro 915,114.

Taxes relating to previous years relate to the lower IRES for 2017 which, when quantifying the benefit relating to the patent box, revealed a contingent asset.

The following tables were prepared based on the recommendations contained in OIC 25, and illustrate the information required by art. 2427, par. 1, no. 14, letters a) and b) of the Italian Civil Code.

In particular, they contain information on the summary values of the changes during the year in “Comprehensive prepaid and deferred taxation”, on the composition of the deductible temporary differences that originated “Deferred tax assets” and on the composition of the taxable temporary differences that originated “Liabilities for deferred taxes”.

	IRES (corporate income tax)	IRAP (regional income tax)
A) Temporary differences		
Total deductible temporary differences	580,118	100,119
Total taxable temporary differences	-3,279,393	-3,279,978
Net temporary differences	-3,859,511	-3,380,097
B) Tax effects		
Deferred tax provision (prepaid) at the beginning of the year	14,311,519	2,343,682
Deferred taxes (prepaid) for the year	-926,282	-131,825
Deferred tax provision (prepaid) at the end of the year	13,385,237	2,211,857

Description	Amount at the end of the previous year	Changes during the year	Amount at the end of the year	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Inventory obsolescence provision	382,481	200,000	582,481	24.00	139,796	0	0
Unpaid remuneration due to directors	0	250,000	250,000	24.00	60,000	0	0
Unpaid taxes	27,161	-9,467	17,694	24.00	4,247	0	0
Impairment and provisions for non-deductible credit risks . .	0	25,098	25,098	24.00	6,024	0	0
Interest expenses for late payments	30	108	138	24.00	33	0	0
Other	45,000	9,660	54,660	24.00	13,118	0	0
Brand amortization	263,833	100,273	364,106	24.00	87,385	3.90	14,200
Goodwill amortization	83,222	-154	83,068	24.00	19,936	3.90	3,240
Provision for future expenses . .	8,001	-6,107	1,894	24.00	455	0	0
Unrealized foreign exchange losses	2,650	10,707	13,357	24.00	3,206	0	0
	Amount at the end of the previous year	Changes during the year	Amount at the end of the year	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Brand-allocated deficit	60,441,449	-3,279,978	57,161,471	24.00	13,718,753	3.90	2,229,297
Unrealized foreign exchange gains	2,260	585	2,845	24.00	683	0	0

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Notes to the financial statements As of and for the year ended 31 December 2018

OTHER INFORMATION

Workforce

The information relating to the personnel is provided below, in accordance with art. 2427, par. 1, no. 15 of the Italian Civil Code:

	<u>Average number</u>
Executives	5
Managers	7
Employees	115
Workers	849
Other employees	2
Total employees	978

Amounts paid to corporate bodies

The information concerning the directors, for the sole part of their remuneration, net of the INPS contribution, and the statutory auditors, pursuant to art. 2427, par. 1, no. 16 of the Italian Civil Code is reported below:

	<u>Directors</u>	<u>Statutory auditors</u>
Remuneration	1,653,983	37,031

Compensation to the statutory auditor or auditing firm

Below is the information regarding the statutory auditor's or the auditing company's fees pursuant to art. 2427, par. 1, no. 16 bis of the Italian Civil Code:

	<u>Value</u>
Statutory audit of annual accounts	85,000
Other auditing services	11,000
Tax consultancy services	0
Other services other than auditing	0
Total compensation to the statutory auditor or auditing firm	96,000

Categories of shares issued by the Company

The information required by art. 2427, par. 1, no. 17 of the Italian Civil Code regarding the shares making up the company's share capital, including the number and par value of the shares subscribed during the year, can be extrapolated from the following tables:

	<u>Opening no of shares</u>	<u>Opening nominal value</u>	<u>Shares subscribed during the period, number</u>	<u>Shares subscribed during the period, nominal value</u>	<u>Final no of shares</u>	<u>Final nominal value</u>
Description						
Ordinary shares	1,056,643	1,056,643	64,720	64,720	1,121,363	1,121,363
Total	1,056,643	1,056,643	64,720	64,720	1,121,363	1,121,363

Securities issued by the Company

Pursuant to art. 2427, par. 1, no. 18, of the Italian Civil Code, it should be noted that no other securities have been issued.

Financial instruments

Pursuant to art. 2427, par. 1, no. 19, of the Italian Civil Code, it should be noted that the company did not issue financial instruments.

Agrifarma S.p.A.

Notes to the financial statements As of and for the year ended 31 December 2018

Commitments, guarantees and contingent liabilities not shown in the balance sheet

In accordance with the provisions of art. 2427, par. 1, no. 9, of the Italian Civil Code, it should be noted that the Company has no commitments, guarantees and potential liabilities not recorded on the balance sheet.

Information on assets and loans allocated to a specific business transaction

There are no assets and loans allocated to a specific business transaction.

Related party transactions

During the 2018 financial year, the Company did not carry out any significant related party transactions at non-market conditions.

Off-balance sheet agreements

The Company has not entered into any transactions relating to off-balance sheet agreements in the year ended 31 December 2018.

Important events occurring after the closure of the financial period

The chain now has 239 points of sale, and the revenue during the first two months showed a growth of 13.9% with respect to the same period in 2018.

In fact, given the increasing focus on the chain's continued growth, the Company is committed to improving its organisational and sales business processes, and to seeking out new potential areas for further development.

Derivative financial instruments

Information is provided below for each category of derivative financial instruments pursuant to art. 2427 bis, par. 1, no. 1, of the Italian Civil Code.

The Company has the following derivative contracts in place:

- a derivative contract at an interest rate of 1%, stipulated with B.N.P. Paribas on part of the UniCredit loan for a value of Euro 55,000,000 starting from 25 July 2016;
- a derivative contract at an interest rate of 1% stipulated with UniCredit S.p.A. on part of the UniCredit loan for a value of Euro 20,000,000 starting from 24 May 2018.

Information on companies or organizations that exercise management and coordination activities — art. 2497 bis of the Italian Civil Code

It should be noted that, pursuant to articles from 2497 to 2497-*septies* of the Italian Civil Code, Agrifarma S.p.A. with Sole Shareholder, despite being wholly owned by the company Noah 2 S.p.A., is not subject to the management and coordination of the latter and, therefore, is not subject to disclosure obligations provided for by art. 2497-*bis* of the Italian Civil Code.

In particular, with reference to the presumption contained in art. 2497-*sexies* of the Italian Civil Code, it should be noted that the Administrative Body of Agrifarma S.p.A. autonomously approves the commercial, economic, financial policies, as well as the strategic action plans of the company Agrifarma S.p.A. with sole shareholder and without giving prior information to the sole shareholder.

Information pursuant to art. 1, paragraph 125, of law no. 124 of 4 August 2017

Art. 1, paragraph 125, of Law no. 124 of 4 August 2017 introduced the obligation for companies that receive financial contributions from government offices to disclose the amounts received in the explanatory notes to their financial statements, as well as in any consolidated financial statements. Among other things, this provision has raised several interpretative doubts regarding which types of disbursements should be disclosed. In this regard, the Company has acknowledged the position taken by *Assonime* with its circular letter no. 5 of 22 February 2019, according to which, by adopting a systematic interpretation of the aforementioned art. 1,

Agrifarma S.p.A.

Notes to the financial statements As of and for the year ended 31 December 2018

paragraph 125, the disclosure obligation would only concern payments of an “individual” nature. While considering the *Assonime* position to be broadly acceptable, pending a more general interpretation of the provision in question, and given the potential magnitude of the consequences of the failure to fulfil the aforementioned disclosure obligation, the Company has decided to also include in these financial statements all contributions received from government offices that can be used by all the companies, and that fall under the general structure of the reference system laid out by the State, with the exception of those associated with tax and/or contribution benefits.

During the course of the financial year, the Company received grants, contributions, paid assignments, and other economic benefits covered by art. 1, paragraph 125 of Law no. 124 of 2017, amounting to a total of Euro 126,735. The following table shows the data regarding the disbursing parties, the amounts received, and a brief description of the reasons for receiving the benefit:

Third party	Grants received	Reason
Fondimpresa – Interprofessional Fund	92,522	New hires plan 2017-2018 — Contributions to the training of factory workers, office workers and middle-managers — Not disbursed in 2018
Fondimpresa – Interprofessional Fund	13,874	Area Managers Plan 2018 — Contributions for the training of factory workers, office workers, and middle management — Not disbursed in 2018
Government offices.	20,339	Provision of goods
Total	126,735	

With regard to the provision of goods to Government offices, it should be noted that this did not take place through public contracts, but rather through sporadic purchases made for various reasons. Among others, these purchases were made by: the Police Headquarters of Genoa, the Guardia di Finanza (various departments), the Border Police Office, the Environmental Hygiene and Energy Directorate, various Municipalities (Prato, Grosseto, Dogliani, Bologna and Antrona Schieranco), and the Azienda ULSS of Scaligera.

Allocation of the operating result

Pursuant to art. 2427, par. 1 no. 22-*septies* of the Italian Civil Code, the allocation of the operating result for the year is proposed as follows:

Dear Shareholder,

We kindly request you approve the financial statements for the year ended on 31 December 2018 and we propose to carry forward the loss for the year of Euro 7,032,943.

The Administrative body

Declaration of conformity

Copy corresponding to documents held by the Company.

2020 Maxi Zoo Financial Statements as at and for the year ended December 31, 2020



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Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

*To the sole shareholder of
Maxi Zoo Italia S.p.A.*

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Maxi Zoo Italia S.p.A. (the “company”), which comprise the balance sheet as at 31 December 2020, the profit and loss account and cash flow statement for the year then ended and notes thereto.

In our opinion, the financial statements give a true and fair view of the financial position of Maxi Zoo Italia S.p.A. as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the “*Auditors' responsibilities for the audit of the financial statements*” section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management and coordination

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own financial statements. Our opinion on the financial statements of Maxi Zoo Italia S.p.A. does not extend to such data.

Responsibilities of the company's directors and board of statutory auditors (“Collegio Sindacale”) for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation and, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

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The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Milan, 13 April 2021

KPMG S.p.A.

Giovanni Rebay
Director of Audit

MAXI ZOO ITALIA S.p.A.

Balance sheet

	31/12/2020	31/12/2019
Assets		
B) Fixed assets		
I - Intangible fixed assets	—	—
1) start-up and capital costs	6,673	20,226
3) industrial patents and intellectual property rights	—	20
5) goodwill	120,606	156,129
7) other	5,370,480	5,537,408
<i>Total intangible fixed assets</i>	<u>5,497,759</u>	<u>5,713,783</u>
II - Tangible fixed assets	—	—
2) plant and machinery	268,517	287,127
3) industrial and commercial equipment	7,260,883	7,942,947
4) other assets	279,767	247,378
<i>Total tangible fixed assets</i>	<u>7,809,167</u>	<u>8,477,452</u>
III - Financial fixed assets	—	—
1) equity investments	—	—
d-bis) other companies	125	125
<i>Total equity investments</i>	<u>125</u>	<u>125</u>
2) financial receivables	—	—
d-bis) from others	128,664	78,084
due within one year	128,664	78,084
<i>Total financial receivables</i>	<u>128,664</u>	<u>78,084</u>
<i>Total financial fixed assets</i>	<u>128,789</u>	<u>78,209</u>
<i>Total fixed assets (B)</i>	<u><u>13,435,715</u></u>	<u><u>14,269,444</u></u>
C) Current assets		
I - Inventory	—	—
4) finished goods	16,053,090	14,053,504
<i>Total inventory</i>	<u>16,053,090</u>	<u>14,053,504</u>
II - Receivables	—	—
1) trade receivables	430,475	118,564
due within one year	430,475	118,564
5) from subsidiaries of parent	2,139,701	2,430,491
due within one year	2,139,701	2,430,491
5-bis) tax receivables	72,972	11
due within one year	72,972	11
5-ter) deferred tax assets	—	515,674
5-quater) from others	870,994	700,648
due within one year	870,994	700,648
<i>Total receivables</i>	<u>3,514,142</u>	<u>3,765,388</u>
III - Current financial assets	—	—
cash pooling arrangements	18,448,588	12,403,393
<i>Total current financial assets</i>	<u>18,448,588</u>	<u>12,403,393</u>
IV - Cash and cash equivalents	—	—
1) bank and postal accounts	3,437	2,053
3) cash-in-hand and cash equivalents	1,488,000	1,458,615
<i>Total cash and cash equivalents</i>	<u>1,491,437</u>	<u>1,460,668</u>
<i>Total current assets (C)</i>	<u><u>39,507,257</u></u>	<u><u>31,682,953</u></u>
D) Prepayments and accrued income	460,821	382,130
<i>Total assets</i>	<u><u>53,403,793</u></u>	<u><u>46,334,527</u></u>

	<u>31/12/2020</u>	<u>31/12/2019</u>
Liabilities		
A) Shareholder's equity	26,519,690	23,029,699
I - Share capital	120,000	120,000
IV - Legal reserve	24,000	24,000
VI - Other reserves, shown separately	—	—
Capital contributions	17,558,167	17,558,167
Misc. other reserves	5,327,527	4,716,053
<i>Total other reserves</i>	<i>22,885,694</i>	<i>22,274,220</i>
IX - Net profit for the year	3,489,996	611,479
Total shareholder's equity	<u>26,519,690</u>	<u>23,029,699</u>
B) Provisions for risks and charges		
4) other provisions	3,682,801	3,431,154
<i>Total provisions for risks and charges</i>	<i>3,682,801</i>	<i>3,431,154</i>
C) Employees' leaving entitlement	3,711,092	3,119,561
D) Payables		
4) bank loans and borrowings	—	43
due within one year	—	43
6) advances	124,177	59,242
due within one year	124,177	59,242
7) trade payables	11,953,519	9,356,249
due within one year	11,953,519	9,356,249
11-bis) payables to subsidiaries of parent	2,741,889	3,326,483
due within one year	2,741,889	3,326,483
12) tax payables	872,509	395,791
due within one year	872,509	395,791
13) payables to pension and social security institutions	427,343	451,800
due within one year	427,343	451,800
14) other payables	3,370,773	3,164,505
due within one year	3,370,773	3,164,505
<i>Total payables</i>	<i>19,490,210</i>	<i>16,754,113</i>
<i>Total liabilities</i>	<i>53,403,793</i>	<i>46,334,527</i>

MAXI ZOO ITALIA S.p.A.

Profit and loss account

	2020	2019
A) Value of production		
1) revenues from sales and services	124,562,717	108,896,430
5) other revenues and income	—	—
other	3,300,237	2,628,265
<i>Total other revenues and income</i>	<i>3,300,237</i>	<i>2,628,265</i>
<i>Total value of production</i>	<i><u>127,862,954</u></i>	<i><u>111,524,695</u></i>
B) Costs of production		
6) raw materials, consumables, supplies and goods	70,533,710	57,053,670
7) services	12,892,863	11,382,858
8) use of third party assets	12,724,496	12,477,456
9) personnel expenses	—	—
a) wages and salaries	17,055,374	16,475,657
b) social security contributions	4,649,983	4,640,725
c) employees' leaving entitlement	1,218,735	1,231,911
e) other costs	72,933	92,680
<i>Total personnel expenses</i>	<i>22,997,025</i>	<i>22,440,973</i>
10) Amortisation, depreciation and write-downs	—	—
a) amortisation of intangible fixed assets	1,721,386	1,734,464
b) depreciation of tangible fixed assets	2,104,569	2,241,884
d) write-downs of current receivables and cash & cash equivalents	877	570
<i>Total depreciation, amortisation and write-downs</i>	<i>3,826,832</i>	<i>3,976,918</i>
11) change in raw materials, consumables, supplies and goods	(1,614,454)	(1,148,813)
14) other operating costs	1,910,223	2,064,951
<i>Total costs of production</i>	<i><u>123,270,695</u></i>	<i><u>108,248,013</u></i>
Operating profit (A-B)	4,592,259	3,276,682
C) Financial income and charges		
16) other financial income	—	—
d) other income	—	—
from others	109,740	58,271
<i>Total other income</i>	<i>109,740</i>	<i>58,271</i>
<i>Total other financial income</i>	<i>109,740</i>	<i>58,271</i>
17) interest and other financial charges	—	—
other	73,624	306,352
<i>Total interest and other financial charges</i>	<i>73,624</i>	<i>306,352</i>
17-bis) exchange rate gains and losses	—	(84)
<i>Net financial income (charges) (15+16-17+-17-bis)</i>	<i><u>36,116</u></i>	<i><u>(248,165)</u></i>
Pre-tax profit (A-B+-C+-D)	4,628,375	3,028,517
20) Income taxes, current and deferred		
current taxes	622,705	281,580
taxes relative to prior years	—	2,651,132
deferred taxes	515,674	(515,674)
<i>Total income taxes, current and deferred</i>	<i><u>1,138,379</u></i>	<i><u>2,417,038</u></i>
21) Profit (loss) for the year	3,489,996	611,479

MAXI ZOO ITALIA S.p.A.
Cash flow statement, indirect method

	2020	2019
A) Cash flows from operating activities (indirect method)		
Net profit for the year	3,489,996	611,479
Income taxes	1,138,379	2,417,038
Interest expense (income)	(36,116)	248,165
<i>1) Profit for the year before income taxes, interest, dividends and gains/losses on sales of assets</i>	<i>4,592,259</i>	<i>3,276,682</i>
Non-monetary adjustments that do not affect net working capital		
Accruals to provisions	1,122,528	1,732,769
Amortisation and depreciation	3,825,955	3,976,348
Other non-monetary increases (decreases)	(5)	2
<i>Total non-monetary adjustments that do not affect net working capital</i>	<i>4,948,478</i>	<i>5,709,119</i>
<i>2) Cash flows before changes in net working capital</i>	<i>9,540,737</i>	<i>8,985,801</i>
Changes in net working capital		
Increase in inventories	(1,999,586)	(1,267,842)
Decrease (increase) in trade receivables	(311,911)	770,178
Increase (decrease) in trade payables	2,597,270	(959,556)
Increase in prepayments and accrued income	(78,691)	(79,989)
Increase (decrease) in accrued expenses and deferred income	(5,075)	
Other decreases (other increases) in net working capital	(266,118)	771,679
<i>Total changes in net working capital</i>	<i>(59,036)</i>	<i>(770,605)</i>
<i>3) Cash flows after changes in net working capital</i>	<i>9,481,701</i>	<i>8,215,196</i>
Other adjustments		
Interest collected (paid)	36,116	(248,165)
Income taxes	(170,234)	(208,959)
Utilisation of provisions	(279,350)	(1,539,374)
<i>Total other adjustments</i>	<i>(413,468)</i>	<i>(1,996,498)</i>
Cash flows generated by operating activities (A)	<u>9,068,233</u>	<u>6,218,698</u>
B) Cash flows from investing activities		
Tangible fixed assets		
(Investments)	(1,888,545)	(1,681,245)
Intangible fixed assets		
(Investments)	(1,053,101)	(1,410,037)
Financial fixed assets		
Investments	(50,580)	(26,293)
Current financial assets		
Investments	(6,045,195)	(3,142,799)
Cash flows used in investing activities (B)	<u>(9,037,421)</u>	<u>(6,260,374)</u>
C) Cash flows from financing activities		
Third party funds		
Increase (decrease) in current bank loans and borrowings	(43)	43
Cash flows generated by (used in) financing activities (C)	<u>(43)</u>	<u>43</u>
Increase (decrease) in cash and cash equivalents (A ± B ± C)	<u>30,769</u>	<u>(41,633)</u>
Opening cash and cash equivalents		
Bank and postal accounts	2,053	3,838
Cash-in-hand and cash equivalents	1,458,615	1,498,463
Total opening cash and cash equivalents	1,460,668	1,502,301
Closing cash and cash equivalents		
Bank and postal accounts	3,437	2,053
Cash-in-hand and cash equivalents	1,488,000	1,458,615
Total closing cash and cash equivalents	<u>1,491,437</u>	<u>1,460,668</u>

MAXI ZOO ITALIA S.p.A.

Notes to the financial statements, introduction

The financial statements of Maxi Zoo Italia S.p.A. have been prepared in accordance with the provisions of article 2423 and following articles of the Italian Civil Code, interpreted in the context of and integrated by the reporting standards promulgated by the Italian Accounting Standard Setter (“OIC”). They consist of a balance sheet, a profit and loss account, a cash flow statement and these notes.

The cash flow statement shows the reasons for increases and decreases in cash and cash equivalents during the year and has been prepared under the indirect method, using the layout provided for by OIC 10.

The amounts presented in the balance sheet, profit and loss account and cash flow statement are in Euros, without decimal points, while those disclosed in the notes are expressed in thousands of Euros, except as otherwise specified (article 2423.6 of the Italian Civil Code).

Captions with a nil balance in both the current and previous years have been omitted.

Additional information is provided when that required by the specific legal provisions is insufficient to give a true and fair view.

The post-balance sheet events, the proposed allocation of the net profit for the year and the total off-balance sheet commitments, guarantees and contingent liabilities are presented in specific sections of these notes.

Pursuant to article 2497 and following articles of the Italian Civil Code, the company is managed and coordinated by Fressnapf Beteiligungs GmbH and, therefore, these notes present the key figures derived from the most recent financial statements of this company.

Maxi Zoo Italia S.p.A. is controlled by Fressnapf Beteiligungs GmbH, incorporated in Germany under Germany law with its registered office in Westpreussenstrasse 32/38, Krefeld (Germany), which prepares consolidated financial statements of the largest group of companies to which Maxi Zoo Italia S.p.A. belongs. These consolidated financial statements are available for consultation at the company’s offices.

Going concern

Pursuant to article 2423-bis.1.1 of the Italian Civil Code and OIC 11.21-24, the directors ascertained that the assumptions to continue as a going concern were met.

Basis of preparation

The financial statements captions have been measured in accordance with the general principles of prudence and accruals on a going-concern basis. Captions have been recognised and presented in accordance with the substance over form principle, if in compliance with the Italian Civil Code and the OIC.

The company has also complied with the principles of measurement consistency, materiality and comparability of information.

As a result:

The company measures the individual assets and liabilities separately, in order to avoid offsetting profits on certain items against losses on other items. Specifically, the company recognises profits only if realised before the reporting date, whereas it considers risks and losses on an accruals basis, even when they become known after the reporting date.

The company recognises income and expense pertaining to the year regardless of when it is collected or paid. They are, therefore, recognised in the profit and loss account on an accruals basis in order to be included in the net profit or loss for the year.

The directors assessed the company’s ability to continue as a going concern in the foreseeable future, i.e., for at least twelve months from the reporting date. They did not identify any uncertainties in this respect.

Identification of rights, obligations and conditions is based on the contractual terms of transactions and the reporting standards to check the correctness of the recognition or derecognition of assets, liabilities, revenues and costs.

The accounting policies are unchanged from the previous year to ensure the comparability of the financial statements from one year to the next.

No exceptional events took place during the year, which would have led the company to depart from the accounting policies, as permitted by article 2423.5 of the Italian Civil Code, in order to give a true and fair view of its financial position and results of operations. Moreover, the company did not make any revaluations under specific laws.

The materiality of the financial statements captions was assessed considering the financial statements as a whole and both qualitative and quantitative factors.

Under the principle of materiality set out in article 2423.4 of the Italian Civil Code, these notes do not include disclosures on the financial statements captions whose amount or related disclosure are immaterial for the purposes of giving a true and fair view of the company's financial position, results of operations and cash flows, including those specifically required by article 2427 of the Italian Civil Code or other provisions.

Each balance sheet, profit and loss account and cash flow statement caption presents the corresponding figures of the previous year.

Basis of presentation

The balance sheet, profit and loss account, cash flow statement and the accounting information provided in these notes are consistent with the accounting records, from which they have been taken.

Captions with Arab numerals have not been grouped in the balance sheet and profit and loss account although this is allowed by article 2423-ter of the Italian Civil Code.

In accordance with article 2424 of the Italian Civil Code, there are no asset or liability items that could be included in more than one caption.

Accounting policies

The accounting policies comply with the requirements of the Italian Civil Code and the guidance in the reporting standards issued by the Italian Accounting Standard Setter. They are unchanged from the previous year and are explained below in the notes to the financial statements captions to which they refer.

As required by article 2427.1.1 of the Italian Civil Code, the main accounting policies applied in accordance with article 2426 of the Italian Civil Code are described below, especially for those captions the Italian law allows options for or for which no specific criteria are established.

Intangible fixed assets

Intangible fixed assets are recognised at acquisition or development cost, with the prior consent of the board of statutory auditors, where required. They are stated net of accumulated amortisation and any write-downs. The acquisition cost includes the related transaction costs. The development cost includes all directly attributable costs and the reasonably attributable portion of other costs incurred from development up to when the asset is available for use.

Deferred charges, which include start-up and capital costs, are recognised with the approval of the board of statutory auditors when their income generating potential can be demonstrated, the related future economic benefits flowing to the company can be objectively matched thereto and their recovery can be reasonably estimated.

Intangible fixed assets, comprising intellectual property rights, are recognised as assets only if they can be identified individually, the related future economic benefits will flow to the company, which can limit third-party access to such benefits, and their cost can be estimated with sufficient reliability.

Goodwill is recognised with the approval of the board of statutory auditors as an asset only if acquired against consideration, may be quantified, originates from charges and costs with a long-term useful life which ensure future economic benefits and can, therefore, be recovered.

Leasehold improvements are recognised under other intangible fixed assets when they cannot be separated from the related assets, otherwise they are recognised under the relevant tangible fixed assets captions.

Advances to suppliers for intangible fixed assets are recognised when the related payments are due. Assets under development are recognised when the initial costs to develop the asset are incurred and they include the related internal and external costs.

Intangible fixed assets are amortised systematically and the amortisation expensed each year reflects the allocation of the cost incurred over their entire useful life. Amortisation begins when the asset is available for use. The amortisation pattern depends on how the benefits are expected to flow to the company.

Intangible fixed assets are amortised on a straight-line basis, as follows:

- Start-up and capital costs are amortised over five years.
- Development costs are amortised over three years.
- Patents, intellectual property rights, concessions, licences and trademarks, are amortised over the shorter of the legal or contractual term and their expected useful life. The estimated useful life of trademarks cannot exceed 20 years.
- Goodwill is amortised systematically over its useful life, i.e., the period of time within which the related economic benefits will probably arise. When the company is unable to reliably estimate its useful life, goodwill is amortised over a period of ten years.
- Other — leasehold improvements are amortised over the shorter of their useful life and the residual lease term, considering any renewal period, if at the company's option.

Assets under development are not amortised. The amortisation process begins when these assets are reclassified to their relevant intangible fixed asset caption.

Intangible fixed assets are revalued, to the extent of their recoverable amount, only if special laws require or permit so.

In accordance with article 10 of Law no. 72 of 19 March 1983, as also referred to in subsequent monetary revaluation laws, it is noted that the company has never subjected its intangible fixed assets to monetary revaluations.

If, at the reporting date, there are indications of impairment losses on tangible and intangible fixed assets, the recoverable amount of such assets is estimated.

If the recoverable amount, being the higher of value in use and fair value less costs to sell, is lower than the corresponding carrying amount, the assets are written down.

The company did not write down capitalised costs as per article 2426.1.3 of the Italian Civil Code as it did not identify indicators of impairment of its intangible fixed assets in accordance with OIC 9.

Tangible fixed assets

Tangible fixed assets are recognised at purchase or production cost, adjusted by accumulated depreciation and write-downs. The purchase cost is the cost actually incurred to purchase the asset and includes the related transaction costs. The production cost includes all directly attributable charges and the reasonably attributable portion of other costs incurred from production up to when the asset is available for use.

Ordinary maintenance costs related to recurring maintenance and repairs to keep assets in good working order to ensure their expected useful life, capacity and original productivity, are expensed when incurred.

Extraordinary maintenance costs incurred to expand, modernise, replace or improve an asset are capitalised within the limits of its recoverable amount if they result in a significant and measurable increase in its production capacity, safety or useful life.

Depreciation is calculated systematically and on a straight-line basis, using rates held to reflect the asset's estimated useful life.

Depreciation begins when the asset is available for use.

Temporarily unused assets are also depreciated.

The amount to be depreciated is the difference between the cost of the asset and, when it can be calculated, the residual amount at the end of its useful life which is estimated when the depreciation plan is prepared and

periodically revised in order to check that the initial estimate is still valid. When the check shows that an asset's estimated residual value is equal to or higher than its carrying amount, the asset is no longer depreciated.

The company applies the following depreciation criteria:

Plant and machinery	7 years on a straight-line basis
Industrial and commercial equipment	8 years on a straight-line basis
Lifting equipment and internal transport	5 years on a straight-line basis
Electronic and electromechanical equipment	5 years on a straight-line basis
Ordinary office furniture and equipment	8 years on a straight-line basis
Sundry and small equipment	3 years on a straight-line basis

Obsolete tangible fixed assets and, in general, those that are no longer used or can no longer be used in production permanently are not depreciated and are measured at the lower of their carrying amount and recoverable amount.

Tangible fixed assets are revalued, to the extent of their recoverable amount, only if special laws require or permit so.

In accordance with article 10 of Law no. 72 of 19 March 1983, as also referred to in subsequent monetary revaluation laws, it is noted that the company has never subjected its tangible fixed assets to monetary revaluations.

The company did not write down its tangible fixed assets as per article 2426.1.3 of the Italian Civil Code as it did not identify any indicators of impairment in accordance with OIC 9.

The depreciation criteria are unchanged from the previous year.

Write-downs for impairment losses on tangible and intangible fixed assets

If, at the reporting date, there are indications of impairment losses on tangible and intangible fixed assets, the recoverable amount of such assets is estimated.

If the recoverable amount, being the higher of value in use and fair value less costs to sell, is lower than the corresponding carrying amount, the assets are written down.

When the recoverable amount of an asset cannot be estimated, it is tested for impairment at cash-generating unit ("CGU") level, that is, the lowest identifiable level for assets, which includes the assets to be measured and generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

Value in use is calculated on the basis of the present value of the future cash flows that the company expects to derive from the asset over its useful life, based on the most recent plans approved by the board of directors for the 2019-2021 period. The future cash flows for the years subsequent to those covered by the plan period are calculated by projecting the plan figures.

Future cash flows are estimated for the asset in its current condition. Therefore, they do not include estimated future cash inflows or outflows that are expected to arise from a future restructuring to which the company is not yet committed or improving or enhancing the asset's performance.

The discount rate applied to calculate the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

This rate is estimated based on the company's weighted average cost of capital.

Fair value is determined based on the price agreed in a binding sales agreement in an orderly transaction, or as market price on an active market. If there is no binding sales agreement or an active market, fair value is determined on the basis of the best available information such to reflect the amount the company could obtain, at the reporting date, from the sale of the asset in an orderly transaction between knowledgeable and willing parties. In determining this amount, an entity considers the outcome of recent transactions for similar assets within the same industry.

Costs of disposal are subtracted from fair value in the calculation of the recoverable amount.

If an impairment loss is identified, it is firstly recognised as a decrease in goodwill, if any, and then in the other assets proportionally to their carrying amount.

The write-down is not maintained in subsequent years if the reasons therefor cease to exist. The write-down is reversed up to the amount the asset would have had if the write-down had never taken place, that is, net of the amortisation/depreciation that would have been recognised in the absence of the write-down. Write-downs of goodwill and deferred charges cannot be reversed.

Financial fixed assets

Equity investments, debt instruments and own shares which the company intends and has the capacity to hold in the long term are recognised under financial fixed assets. Otherwise, they are recognised under current assets.

Receivables are recognised under fixed or current assets depending on their intended use in relation to the company's ordinary activities that generate them. Accordingly, financial receivables are recognised under financial fixed assets, whereas trade receivables are recognised under current assets, regardless of their due date. They are measured as detailed below.

Equity investments

They are initially recognised at acquisition or incorporation cost, including the related transaction costs. The latter comprise costs that are directly attributable to the transaction such as, for example, bank and financial brokerage fees, commissions, expenses and taxes.

The carrying amount of investments rises as a result of capital increases against consideration or the company's waivers of repayment of receivables from the investees. Any bonus issue does not increase the investments' carrying amount.

They are written down for impairment, when their carrying amount decreases to below their recoverable amount at the reporting date. The recoverable amount is calculated based on the economic benefits the company expects to receive from the investment. They are written down to the extent of the carrying amount. If the company has an obligation to cover an investee's losses, it sets up a provision under liabilities to cover its share of the investee's deficit.

Equity investments are written back up to their original cost if the reasons for the write-downs cease to exist.

Financial receivables

Financial receivables are recognised at their estimated realisable value as provided for by article 2426.1.8 of the Italian Civil Code. When necessary, they are adjusted to this value through the provision for bad debts.

Inventory

Inventory is initially recognised at purchase or production cost and subsequently measured at the lower of cost and estimated realisable value based on market trends.

Purchase cost is the actual cost paid upon purchase including related charges. The purchase cost of materials includes their price, transport costs, customs and other duties and other directly attributable costs. Returns, commercial discounts, rebates and bonuses are deducted from costs.

Purchase cost is calculated using the weighted average cost method.

The estimated realisable value based on market trends is the estimate of ordinary sales prices of goods and finished products, net of estimated completion costs and direct sales costs. Obsolescence and turnover are also taken into account in calculating the estimated realisable value based on market trends.

Obsolete, perishable or slow-moving items are written down through the related provision based on their possible use or realisation determined using turnover ratios. If the reasons for their write-down are no longer entirely or partly valid due to an increase in their realisable value, the write-down is reversed up to the amount of their original cost.

Receivables

Receivables are rights to receive fixed or determinable amounts of cash or its equivalent from customers or other third parties at identified or identifiable due dates.

Receivables are recognised at amortised cost, considering the time value of money and their estimated realisable value. The amortised cost method is not applied when its effects are irrelevant, which is usually the case for current receivables or when transaction costs, commissions paid between the parties and any other difference between the original and recoverable amounts at the due date are insignificant.

Furthermore, pursuant to article 12.2 of Legislative decree no. 139/2015, the company opted not to recognise receivables arising before 1 January 2016 at amortised cost and did not discount them.

In this case, receivables are initially recognised at their nominal amount, net of bonuses, discounts and allowances contractually provided for or, in any case, granted. They are subsequently measured at their nominal amount plus interest calculated at the nominal interest rate, reduced by principal and interest collected and net of estimated write-downs and expected credit losses recognised to adjust their carrying amount to their estimated realisable value.

The company recognises these receivables at their estimated realisable value by writing down their carrying amount through the provision for bad debts, in order to provide for any risk of impairment. To this end, the company considers specific indicators based on past trends and any other useful information about a probable impairment. The write-downs are estimated on an individual basis for significant receivables and collectively for the others, by calculating the expected impairment losses at the reporting date.

Receivables are derecognised when the contractual rights to the cash flows from the receivable are extinguished or title thereto is transferred along with nearly all the related risks.

When the above-mentioned conditions are met and the receivable is derecognised, any difference between the amount collected and the receivable's carrying amount is recognised as an impairment loss in the profit and loss account, unless another classification, including financial, may be identified based on the transfer agreement.

Current financial assets

Cash pooling

The company participates in the cash pooling arrangement managed by Fressnapf Holding SE.

The cash transferred to/withdrawn from the cash pool account is a payable/receivable to/from the cash pooling manager.

Pursuant to article 2423-ter.3 of the Italian Civil Code and as the related conditions of OIC 14 were met (the requirement of falling due within one year), the company recognised the receivables arising from the cash pooling arrangement in caption C.3.7) under "Current financial assets". It added this caption specifically to supplement those provided for by article 2424 of the Italian Civil Code.

Cash and cash equivalents

These are the positive balances of bank and postal accounts and cheques, as well as the cash-in-hand and cash equivalents at year end. Bank and postal account deposits and cheques are recognised at their estimated realisable value while cash and revenue stamps are recognised at their nominal amount.

Prepayments and accrued income and accrued expenses and deferred income

Accrued income and expenses are respectively portions of income and expenses pertaining to the year but that will be collected/paid in subsequent years.

Prepayments and deferred income are respectively portions of expenses and income collected/paid during the year or in previous years but pertaining to one or more subsequent years.

Accordingly, these captions comprise only portions of expenses and income relating to two or more years, whose amount varies on a time or economic accruals basis.

At each year end, the company analyses the conditions underlying their initial recognition and makes any necessary adjustments. Specifically, the balance of accrued income varies not only over time, but also based on its expected realisable value, whereas that of prepayments is based on the existence of future economic benefits matching the deferred costs.

The conditions leading to the original recognition of prepayments and accrued income and accrued expenses and deferred income related to more than one year are checked and any necessary changes made.

Shareholder's equity

Transactions between the company and its owners (acting as owners) may result in receivables/payables from/to them. The company recognises a receivable when its owners take on an obligation and a payable when it takes on an obligation to them.

Capital injections with no repayment obligation are recognised under the relevant shareholder's equity caption, while shareholder loans with a repayment obligation are recognised under payables.

Provisions for risks and charges

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date. Specifically, provisions for risks relate to specific liabilities whose occurrence is probable and amount estimated, while provisions for charges relate to specific liabilities, whose occurrence is certain and amount or due date estimated, that arise from obligations already taken on at the reporting date but which will be paid in subsequent years.

Accruals to provisions for risks and charges are primarily recognised in the profit and loss account section to which the transaction relates, privileging the classification of costs by nature. The amount of the accruals to the provisions is based on the best estimate of costs, including the legal expenses, at each reporting date. If the measurement of the accruals gives a range of values, the accrual represents the best possible estimate between the upper and lower thresholds of the range.

The provisions are subsequently used directly and solely for those costs and liabilities for which they were originally set up. If they are not sufficient or are redundant, the shortfall or surplus is recognised in the profit and loss account in line with the original accrual.

Employees' leaving entitlement

The Italian employees' leaving entitlement (TFR) is the benefit to which employees are entitled in any case of termination of employment pursuant to article 2120 of the Italian Civil Code and considering the changes in legislation introduced by Law no. 296/2006. The overall accrued benefit considers any type of continuous remuneration and is net of any payments on account and partial advances paid by virtue of national or individual labour contracts or company agreements which are not required to be repaid and the benefits transferred to the supplementary pension plans or the treasury fund managed by INPS (the Italian social security institution).

The related liability is the amount that the company would have paid had all employees left at the reporting date.

The amount due to employees who had already left the company at the reporting date but that will be paid in the following year is reclassified to payables.

Payables

Payables are specific and certain liabilities that are obligations to pay fixed or determinable sums of cash or its equivalent to financial backers, suppliers or other parties. Payables are recognised in line with their nature (or original) in relation to the company's ordinary activities that generate them, regardless of their due date.

Payables arising from the purchase of goods are recognised when the production process for the goods has been completed and the substantial transfer of title has taken place, with the transfer of risks and benefits being the key parameter. Payables relating to services are recognised once the services have been delivered, i.e., when they have been carried out. Loans and borrowings and payables unrelated to the procurement of goods and services are recognised when the company has an obligation vis-a-vis the counterparty. Payables for advances from customers are recognised when the right to collect the advance arises.

Payables are recognised at amortised cost, considering the time value of money.

The amortised cost method is not applied when its effects are irrelevant, which is usually the case for current payables or when transaction costs, commissions paid between the parties and any other difference between the original and settlement amounts at the due date are insignificant.

Furthermore, pursuant to article 12.2 of Legislative decree no. 139/2015, the company opted not to recognise payables arising before 1 January 2016 at amortised cost and did not discount them.

In this case, payables are initially recognised at their nominal amount, net of bonuses, discounts and allowances contractually provided for or, in any case, granted. They are subsequently measured at their nominal amount plus interest calculated at the nominal interest rate, reduced by principal and interest paid.

In the event of early settlement, the difference between the residual outstanding amount and the outlay to settle the obligation is recognised as financial income or charges.

Cash discounts and allowances that were not included in the calculation of the carrying amount at initial recognition as they could not be determined when the payable was originally recognised, are recognised upon settlement as financial income.

Payables are derecognised, in whole or in part, when the relevant contractual and/or legal obligations are extinguished for settlement or other reasons, or are transferred.

Revenues and costs

Revenues are stated net of returns, allowances, discounts and premiums, as well as taxes directly related thereto, in compliance with the accruals concepts.

Revenues from the sale of goods are recognised upon the substantial rather than formal transfer of title, with the transfer of risks and benefits being the key parameter.

Revenues from the provision of services are recognised once the services have been provided, i.e., when they have been carried out. Revenue from ongoing services is recognised on an accruals basis.

Costs and charges are stated net of returns, allowances, discounts and premiums, as well as taxes directly related to the sale of goods or provision of services, in compliance with the accruals, prudence and revenue-matching principles, in the related captions as required by OIC 12.

Costs and charges are recognised when the transfer of the goods has been completed and the exchange has already taken place i.e., upon the substantial rather than formal transfer of title, with the transfer of risks and benefits being the key parameter.

Costs and charges relating to foreign currency transactions are translated using the spot exchange rate ruling on the date of the relevant transaction.

The increase in costs and charges is directly related to the rise in revenues described earlier.

Income taxes

Current income taxes for the year are calculated on the basis of a realistic forecast of the taxable profit under the relevant tax legislation and applying the enacted tax rates at the reporting date. The related tax payable is stated at its nominal amount in the balance sheet, net of payments on account, withholding taxes and tax receivables which may be offset and have not been claimed for reimbursement. A tax asset is recognised for payments on account, withholdings and receivables exceeding the taxes payable. Tax receivables and payables are measured at amortised cost, except when they are due within one year.

Deferred tax assets and liabilities are recognised when the temporary differences arise and are calculated at the tax rates that will be applicable in the year in which the temporary differences reverse, if they have already been established at the reporting date, otherwise at the enacted tax rates at the reporting date.

The deferred tax assets on deductible temporary differences and on the benefit connected with the carry forward of tax losses are recognised and maintained only when their future recoverability is reasonably certain, through the availability of future taxable profits against which the deferred tax assets may be used or the availability of sufficient taxable temporary differences to recover them in the years in which they reverse.

Use of estimates

The preparation of financial statements requires management to make estimates that affect the carrying amount of assets and liabilities and the related disclosures. Actual results may differ. Estimates are revised regularly and the effect of any changes, if not due to errors, are recognised in the profit and loss account when the estimates are changed, if they affect just one year, and also in the following years, if they affect both the current and subsequent years.

Post-balance sheet events

These events modify conditions existing at the reporting date. They require adjustments to the carrying amounts of recognised assets and liabilities in accordance with the relevant accounting policy. They are recognised on an accruals basis to present their reporting-date effect on the company's financial position, results of operations and cash flows.

The post-balance sheet events that modify situations existing at the reporting date but do not require adjustments to the carrying amounts under the relevant accounting policy as they relate to the subsequent year are not recognised but are disclosed in the notes if necessary to give a more complete view of the company's position.

The date within which an event shall be considered a post-balance sheet event is the date on which the directors prepare the draft financial statements, unless events that take place during the period from such date to the date on which the financial statements are expected to be approved by the shareholders have a significant impact on the financial statements.

Other information

Foreign currency captions

At the reporting date, the company does not have foreign currency receivables or payables.

Repurchase agreements

Pursuant to article 2427.6-ter of the Italian Civil Code, the company notes that it did not enter into repurchase agreements during the year.

MAXI ZOO ITALIA S.p.A.

Notes to the financial statements, assets

The amounts recognised in the assets side of the balance sheet have been determined in accordance with article 2426 of the Italian Civil Code and the OIC.

Fixed assets

Intangible fixed assets

Intangible fixed assets

Changes in intangible fixed assets

The table shows changes in intangible fixed assets:

	Start-up and capital costs	Industrial patents and intellectual property rights	Goodwill	Other intangible fixed assets	Total intangible fixed assets
Opening balance					
Cost	3,144,105	138,120	368,500	13,026,657	16,677,382
Amortisation (acc. amortisation) . .	3,123,879	138,100	212,371	7,489,249	10,963,599
Carrying amount	20,226	20	156,129	5,537,408	5,713,783
Changes of the year					
Acquisitions	—	—	—	1,505,362	1,505,362
Disposals and sales (carrying amount)	—	—	—	410	410
Amortisation	13,552	20	35,523	1,672,290	1,721,385
Other changes	—	—	—	410	410
<i>Total changes</i>	<u>(13,552)</u>	<u>(20)</u>	<u>(35,523)</u>	<u>(166,928)</u>	<u>(216,023)</u>
Closing balance					
Cost	3,144,105	138,120	368,500	14,531,609	18,182,334
Amortisation (acc. amortisation) . .	3,137,432	138,120	247,894	9,161,129	12,684,575
Carrying amount	6,673	—	120,606	5,370,480	5,497,759

The main increases refer to leasehold improvements and principally improvements made to the buildings housing the nine new stores in order to make them compliant with the Fressnapf Group's standards. The improvements are amortised over the term of the related lease/business unit lease.

Tangible fixed assets

Changes in tangible fixed assets

The table shows changes in tangible fixed assets:

	Plant and machinery	Industrial and commercial equipment	Other assets	Total tangible fixed assets
Opening balance				
Cost	892,879	17,029,628	1,691,821	19,614,328
Depreciation (acc. depreciation)	605,752	9,086,681	1,444,443	11,136,876
Carrying amount	287,127	7,942,947	247,378	8,477,452
Changes of the year				
Acquisitions	65,744	1,286,413	220,252	1,572,409
Disposals and sales (carrying amount)	4,895	509,013	36,552	550,460
Depreciation	84,353	1,832,829	187,387	2,104,569
Other changes	4,895	373,365	36,076	414,336
<i>Total changes</i>	<u>(18,609)</u>	<u>(682,064)</u>	<u>32,389</u>	<u>(668,284)</u>
Closing balance				
Cost	958,623	17,807,029	1,875,520	20,641,172
Depreciation (acc. depreciation)	690,106	10,546,146	1,595,753	12,832,005
Carrying amount	268,517	7,260,883	279,767	7,809,167

The large increase in industrial and commercial equipment and other assets (which mostly comprise shelving) is due to the opening of the nine new stores as well as the ongoing upgrading of the equipment at all the stores.

Finance leases

At year end, the company does not have any finance leases.

Financial fixed assets

Changes in equity investments, other securities and derivatives

The following table shows changes in financial fixed assets:

	<u>Equity investments—other</u>	<u>Total equity investments</u>
Opening balance		
Cost	125	125
Carrying amount	125	125
Closing balance		
Cost	125	125
Carrying amount	125	125

The equity investments consist of the company's interest in CONAI, the national packaging consortium.

There were no changes in the caption during the year.

Changes in and due dates of financial receivables

The following table shows changes in financial receivables:

	<u>Opening balance</u>	<u>Changes of the year</u>	<u>Closing balance</u>	<u>Due within one year</u>
From others	78,084	50,580	128,664	128,664
Total	<u>78,084</u>	<u>50,580</u>	<u>128,664</u>	<u>128,664</u>

Financial receivables include guarantee deposits recognised at their nominal amount and given by the company to third parties for the lease of the store in Via Foro Boario, Brescia and the business unit for the store in Pomezia, as well as for energy and other utilities contracts.

Breakdown of financial receivables by geographical segment

This information is not provided as nearly all the company's financial receivables are due from Italian customers.

Carrying amount of financial fixed assets

The financial fixed assets' carrying amount is not higher than their fair value.

Current assets

Current assets are recognised in accordance with the provisions of article 2426.8-11-bis of the Italian Civil Code and the criteria set out in the notes to the individual captions.

Inventory

Changes in inventory are shown below to provide a more representative view of this caption:

	<u>Opening balance</u>	<u>Changes of the year</u>	<u>Closing balance</u>
Finished goods	14,053,504	1,999,586	16,053,090
Total	<u>14,053,504</u>	<u>1,999,586</u>	<u>16,053,090</u>

Inventories increased by €1,999,586 to €16,053,090 at year end due to the company's higher turnover levels.

A key factor was the opening of nine stores in 2020.

At the reporting date, the provision for inventory write-down amounts to €47,534, up €20,057 on the previous year end, mostly due to the company's more scrupulous management of its inventory.

Receivables

Changes in and due dates of current receivables

The following table shows the changes in current receivables during the year as well as their due dates, when significant:

	<u>Opening balance</u>	<u>Changes of the year</u>	<u>Closing balance</u>	<u>Due within one year</u>
Trade receivables	118,564	311,911	430,475	430,475
From subsidiaries of parent	2,430,491	(290,790)	2,139,701	2,139,701
Tax receivables	11	72,961	72,972	72,972
Deferred tax assets	515,674	(515,674)	—	—
From others	700,648	170,346	870,994	870,994
Total	<u>3,765,388</u>	<u>(251,246)</u>	<u>3,514,142</u>	<u>3,514,142</u>

The increase in trade receivables is due to the issue in December of invoices for year-end rebates granted to the company by suppliers which were paid at the start of 2021.

Receivables from subsidiaries of parents decreased in line with the reduction in intercompany receivables as a result of application of the transfer pricing policy.

The increase in tax receivables relates to IRPEF (personal income tax).

During the year, the company used deferred tax assets of €515,674.

The increase in receivables from others is mostly a result of the payments made by credit card in relation to the number of stores and to the annual calendar.

Breakdown of receivables by geographical area

	<u>Trade receivables</u>	<u>From subsidiaries of parents</u>	<u>Tax receivables</u>	<u>From others</u>	<u>Total</u>
Italy	430,475	—	72,972	870,994	1,374,441
Germany	—	2,139,701	—	—	2,139,701

Current financial assets

Changes in current financial assets

Cash pooling arrangements

	<u>Opening balance</u>	<u>Changes of the year</u>	<u>Closing balance</u>
Cash pooling arrangements	12,403,393	6,045,195	18,448,588
Total	<u>12,403,393</u>	<u>6,045,195</u>	<u>18,448,588</u>

The company participates in the cash pooling arrangement managed by Fressnapf Holding SE.

The cash transferred to/withdrawn from the cash pool account is a payable/receivable to/from the cash pooling manager. The receivables arising from the cash pooling arrangement are recognised under “Current financial assets” if they are due within one year, otherwise they are recognised as financial fixed assets.

The increase in this caption is due to the generalised improvement in cash flows and the collection of intercompany receivables.

Cash and cash equivalents

	<u>Opening balance</u>	<u>Changes of the year</u>	<u>Closing balance</u>
Bank and postal accounts	2,053	1,384	3,437
Cash-in-hand and cash equivalents	1,458,615	29,385	1,488,000
Total	<u>1,460,668</u>	<u>30,769</u>	<u>1,491,437</u>

The increase in bank and postal accounts is closely tied to the company’s participation in the cash pooling arrangement managed by Fressnapf Holding SE since May 2016.

Cash-in-hand and cash equivalents include cash payments made by customers at year end and still at the stores or collected by the cash collection service but not yet credited to the company’s bank current accounts. The increase is linked to the number of stores and to the annual calendar.

Prepayments and accrued income

This caption is broken down in the next table. It refers to invoices and payments of costs related to subsequent years such as insurance premiums and long-term leases.

	Opening balance	Changes of the year	Closing balance
Prepayments	382,130	78,691	460,821
Total	382,130	78,691	460,821

The next table shows the caption as it is presented in the financial statements:

	Item	Balance at 31/12/2020
<i>PREPAYMENTS AND ACCRUED INCOME</i>		
	Prepayments	460,821
	Total	460,821

Prepayments are made to car hire companies, telephone service providers and directional arrow hire companies. The balance also includes prepaid insurance premiums, lease payments and investments that have still to be activated. The company does not have prepayments related to more than five years.

Capitalised financial charges

The company has expensed all the interest and other financial charges during the year. Pursuant to article 2427.1.8 of the Italian Civil Code, it notes that it has not capitalised financial charges.

MAXI ZOO ITALIA S.p.A.

Notes to the financial statements, liabilities and shareholder's equity

Shareholder's equity

Changes in shareholder's equity

The tables show changes in the individual shareholder's equity items and a breakdown of the other reserves recognised in the financial statements.

	Opening balance	Allocation of the profit for the previous year— Other allocations	Other changes— Decreases	Net profit for the year	Closing balance
Share capital	120,000	—	—	—	120,000
Legal reserve	24,000	—	—	—	24,000
Capital injections	17,558,167	—	—	—	17,558,167
Sundry other reserves	4,716,053	611,479	5	—	5,327,527
Total other reserves	22,274,220	611,479	5	—	22,885,694
Net profit for the year	611,479	—	611,479	3,489,996	3,489,996
Total	23,029,699	611,479	611,484	3,489,996	26,519,690

Availability and utilisation of shareholder's equity

The following tables provide a breakdown of the shareholder's equity items, showing their origin, possible utilisation and distribution, as well as their utilisation in the previous three years:

	Amount	Origin/nature	Possible utilisation	Available portion	Summary of utilisation in the previous three years— to cover losses
Share capital	120,000	Share capital		—	—
Legal reserve	24,000	Share capital	A;B	—	—
Capital injections	17,558,167	Share capital	A;B;C	17,558,167	1,814,044
Sundry other reserves	5,327,527	Share capital	A;B;C	5,327,527	—
Total other reserves	22,885,694	Share capital	A;B;C	22,885,694	—
Total	23,029,694			22,885,694	1,814,044
Unavailable portion				127,279	
Remaining distributable portion				22,758,415	

Key: A: for capital increases; B: to cover losses; C: for dividends; D: for other by-laws requirements; E: other

Origin, possible utilisation and distribution of other reserves

	Amount	Origin/nature	Possible use
Other income-related reserves	5,327,530	Share capital	A;B;C
rounding	(3)	Share capital	E
Total	5,327,527		

Key: A: for capital increases; B: to cover losses; C: for dividends; D: for other by-laws requirements; E: other

In addition, as required by article 2427.1.4 of the Italian Civil Code, changes in the reserves in the previous three years are shown below (this information was already presented in an aggregated format in the table on the previous page):

	Share capital	Legal reserve	Capital injections	Sundry other reserves	Net profit for the year	Total
At 1/01/2018	120,000	—	17,558,167	—	2,628,718	20,306,885
<i>Allocation of net profit for the year:</i>						
- dividends	—	—	—	—	—	—
- other purposes	—	24,000	—	2,604,718	2,628,718-	—
<i>Other changes:</i>						
- loss coverage	—	—	—	—	—	—
- owner transactions	—	—	—	—	—	—
- dividend distributions	—	—	—	—	—	—
- other	—	—	—	—	—	—
Profit for 2018	—	—	—	—	2,111,333	2,111,333
At 31/12/2018	120,000	24,000	17,558,167	2,604,718	2,111,333	22,418,218
At 1/01/2019	120,000	24,000	17,558,167	2,604,718	2,111,333	22,418,218
<i>Allocation of net profit for the year:</i>						
- dividends	—	—	—	—	—	—
- other purposes	—	—	—	2,111,333	2,111,333-	—
<i>Other changes:</i>						
- loss coverage	—	—	—	—	—	—
- owner transactions	—	—	—	—	—	—
- dividend distributions	—	—	—	—	—	—
- other	—	—	—	2	—	2
Profit for 2019	—	—	—	—	611,479	611,479
At 31/12/2019	120,000	24,000	17,558,167	4,716,053	611,479	23,029,699
At 1/01/2020	120,000	24,000	17,558,167	4,716,053	611,479	23,029,699
<i>Allocation of net profit for the year:</i>						
- dividends	—	—	—	—	—	—
- other purposes	—	—	—	611,479	611,479-	—
<i>Other changes:</i>						
- loss coverage	—	—	—	—	—	—
- owner transactions	—	—	—	—	—	—
- dividend distributions	—	—	—	—	—	—
- other	—	—	—	5-	—	5-
Profit for 2020	—	—	—	—	3,489,996	3,489,996
At 31/12/2020	120,000	24,000	17,558,167	5,327,527	3,489,996	26,519,690

Changes during the year relate to the allocation of the profit of €611,479 for 2019 to the extraordinary reserve as approved by the company's shareholder on 29 April 2020.

Provisions for risks and charges

	Opening balance	Changes of the year—Accruals	Changes of the year—Utilisations	Changes of the year—Total	Closing balance
Other provisions	3,431,154	427,865	176,218	251,647	3,682,801
Total	3,431,154	427,865	176,218	251,647	3,682,801

Other provisions

The company both used the provision for labour disputes and made accruals to it during the year.

In 2020, it increased the accrual made for interest related to the assessment notices about transfer pricing in 2014, 2015 and 2016 received during the year. It commenced a mutual agreement procedure, which has been correctly implemented, for the three years. As the outcome of the procedure is uncertain, the company has prudently maintained the accrual made at 31 December 2019 for the sum of the amounts specified in the assessment notices and increased the accrual for the related interest at the reporting date.

The company also adjusted its provision for building restorations.

The reduction in the provision for “non-performing” stores reflects the company’s overall satisfactory sales performance and reduction of operating costs, which led to a significant decrease in the number of under-performing stores.

The company also set up a new provision during the year related to its participation in the Payback multi-partner loyalty programme that started in March. It calculates the provision as a percentage of the number of points received as part of the loyalty programme and not yet used.

The table provides a breakdown of the provisions for risks and charges as required by article 2427.1 of the Italian Civil Code:

	Item	31/12/2020	31/12/2019
<i>Other provisions</i>			
	Provision for disputes	3,126,265	3,045,207
	Provision for building restorations	115,642	118,142
	Provision for non-performing stores	94,087	267,805
	Provision for the loyalty programme	346,807	0
	Total	<u>3,682,801</u>	<u>3,431,154</u>

Employees’ leaving entitlement

	Opening balance	Changes of the year—Accruals	Changes of the year—Utilisations	Changes of the year—Total	Closing balance
EMPLOYEES’ LEAVING ENTITLEMENT	3,119,561	1,218,735	627,204	591,531	3,711,092
Total	<u>3,119,561</u>	<u>1,218,735</u>	<u>627,204</u>	<u>591,531</u>	<u>3,711,092</u>

The increase is due to the new hires, partly to staff the nine new stores. The balance shows the company’s payable to its employees on its books at the reporting date.

Payables

Changes in and due dates of payables

The following table shows the changes in payables during the year as well as their due dates:

	Opening balance	Changes of the year	Closing balance	Due within one year
Bank loans and borrowings	43	(43)	—	—
Payments on account	59,242	64,935	124,177	124,177
Trade payables	9,356,249	2,597,270	11,953,519	11,953,519
Payables to subsidiaries of parents	3,326,483	(584,594)	2,741,889	2,741,889
Tax payables	395,791	476,718	872,509	872,509
Social security charges payable	451,800	(24,457)	427,343	427,343
Other payables	3,164,505	206,268	3,370,773	3,370,773
Total	<u>16,754,113</u>	<u>2,736,097</u>	<u>19,490,210</u>	<u>19,490,210</u>

Trade payables include amounts due to the suppliers of goods or services that have already been invoiced or which the company has recognised on an accruals basis. The increase is due to the greater number of stores opened in the last quarter of the year compared to 2019 as well as the postponement of many important maintenance services to the end of the year due to Covid-19.

The higher tax payables are due to VAT.

Other payables

This caption is analysed in the next table:

	Item	Balance at 31/12/2020
<i>Other payables</i>		
	Third parties for “Dai una zampa” charitable project	113,414
	Directors for long-term incentives	75,240
	Employees for performance bonuses.	746,251
	Employees for additional months’ pay (13th and 14th month remuneration)	694,004
	Employees for untaken holidays and reduced working hours	407,199
	Employees for overtime	18,433
	Employees for expense sheets	16,543
	Employees for December remuneration	1,294,765
	Other for withholdings on one fifth of remuneration used for salary-backed loans	4,924
	Total	<u>3,370,773</u>

Breakdown of payables by geographical segment

A breakdown by geographical segment is not provided as this is immaterial. Most of the company’s intercompany payables relate to German group companies.

Payables secured by collateral on company assets

As required by article 2427.1.6 of the Italian Civil Code, the company notes that its payables are not secured by collateral.

Shareholder loans

None at the reporting date.

MAXI ZOO ITALIA S.p.A.

Notes to the financial statements, profit and loss account

The profit and loss account shows the company's net profit for the year.

It presents the company's operations, showing the positive and negative contributors to its net profit for the year. They are recognised in accordance with article 2425-bis of the Italian Civil Code and split into three sections: core, non-core and financial.

The company's core business includes the revenue generated by its ongoing operations in its main business sector, which characterise its business activity and business object.

Financial items include the financial income and charges generated by transactions performed by the company.

The non-core business includes all those transactions that generate revenue as part of the company's normal business activities but are not part of its core business or financial transactions.

Value of production

Breakdown of revenues from sales and services by kind of activity

The table provides a breakdown of the company's revenues from sales and services by kind of activity:

	2020	2019	Change
A) VALUE OF PRODUCTION	127,862,954	111,524,695	16,338,259
1) Revenues from sales and services	124,562,717	108,896,430	14,374,265
Change in work in progress, semi-finished products and			
2) finished goods		0	0
3) Change in contract work in progress		0	0
4) Internal work capitalised.		0	0
5) Other revenues and income	3,300,237	2,628,265	671,972
Grants related to income		0	0
Other revenues and income	3,300,237	2,628,265	671,972

In 2020, the company earned revenues of approximately €127.8 million, up 12.8% on the previous year balance of €111.5 million.

Net retail sales amount to €124,562,717. They are net of returns, discounts and directly related tax recognised in accordance with the accruals and prudence concepts.

The company's revenues increased by 12.6% on the previous year.

This achievement is the joint result of the higher turnover recognised by the stores active at year end and the opening of nine new stores.

Within other revenues and income we have included out of period adjustments recorded during the current year.

Breakdown of turnover from sales and services by geographical segment

This breakdown is not provided as the company only makes sales in Italy.

Costs of production

		2020	2019	Change
B)	COSTS OF PRODUCTION.	123,270,695	108,248,013	15,022,682
6)	Raw materials, consumables, supplies and goods	70,533,710	57,053,670	13,480,040
7)	Services	12,892,863	11,382,858	1,510,005
8)	Use of third party assets.	12,724,496	12,477,456	247,040
9)	Personnel expenses.	22,997,025	22,440,973	556,052
a)	Wages and salaries	17,055,374	16,475,657	579,717
b)	Social security contributions	4,649,983	4,640,725	9,258
c)	Employees' leaving entitlement	1,218,735	1,231,911	-13,176
d)	Pension and similar costs		0	0
e)	Other costs	72,933	92,680	-19,747
10)	Amortisation, depreciation and write-downs.	3,826,832	3,976,918	-150,086
a)	Amortisation of intangible fixed assets.	1,721,386	1,734,464	-13,078
b)	Depreciation of tangible fixed assets	2,104,569	2,241,884	-137,315
c)	Other write-downs of fixed assets		0	0
d)	Write-downs of current receivables and cash and cash equivalents.	877	570	307
11)	Change in raw materials, consumables, supplies and goods	1,614,454	-1,148,813	2,763,267
12)	Provisions for risks.	0	0	0
13)	Other provisions	0	0	0
14)	Other operating costs	1,910,223	2,064,951	-154,728
	OPERATING PROFIT	4,592,259	3,276,682	1,315,577

B.6 Raw materials, consumables, supplies and goods

		2020	2019	Change
6)	Raw materials, consumables, supplies and goods	70,533,710	57,053,670	13,480,040

The increase in this caption is a direct result of the higher turnover levels described earlier.

The company managed to substantially contain the cost of purchasing all goods not held for resale thanks to its careful management and work organisation in order to both cut costs and improve its performance.

B.7 Services

		2020	2019	Change
7)	Services	12,892,863	10,571,318	2,321,545

The largest contributors to this caption are advertising and promotions, utilities, plant and equipment maintenance, professional and technical services, credit and debit card commissions, transport and counting of valuables, security and employee training courses.

The caption includes the fees and expense reimbursements of directors, statutory auditors and the independent auditors.

The increase in the cost of services is due to the opening of new stores, the greater number of employees and the introduction of services to improve the stores' management and safety. These latter services included the experts engaged to perform the inventory counts, the cash collection service for each stores and the establishment of regular maintenance plans to ensure that occupational safety requirements are met.

Employee training, correctly deemed to be one of the company's highest value added services, is one of the most significant cost items.

B.8 Use of third party assets

		2020	2019	Change
8)	Use of third party assets.	12,724,496	12,477,456	247,040

This caption is mostly comprised of lease payments for buildings housing Maxi Zoo stores and for operating equipment (hardware, anti-theft devices and vehicles). Its increase is chiefly due to the opening of the new stores during the year.

B.9 Personnel expenses

		2020	2019	Change
9)	Personnel expenses	22,997,025	22,440,973	556,052
a)	Wages and salaries	17,055,374	16,475,657	579,717
b)	Social security contributions	4,649,983	4,640,725	9,258
c)	Employees' leaving entitlement	1,218,735	1,231,911	-13,176
d)	Pension and similar costs	0	0	0
e)	Other costs	72,933	92,680	-19,747

This caption amounts to €22,997,025 and includes all employee-related costs such as merit increases, promotions, cost-of-living adjustments, untaken holidays and the accruals required by law and national collective labour contracts. The largest increases relate to the cost of personnel at the directly-managed stores.

The rise in this caption in 2020 is partly due to the opening of nine stores.

B.10 Amortisation, depreciation and write-downs

Amortisation and depreciation are calculated considering the relevant asset's useful life. More information is available in the notes to intangible and tangible fixed assets.

B.12 Provisions for risks

The note to the provisions for risks and charges provides information about the accruals thereto.

B.14 Other operating costs

		2020	2019	Change
14)	Other operating costs	1,910,223	2,064,951	-154,728

This caption amounts to €1,910,223.

The most significant items are the contribution to CONAI, local taxes and duties (waste collection, municipal tax on advertising, registration tax, stamp duty, etc.). The reduction in the caption is directly attributable to the company's careful management of its costs, such as, for example, its decision to broadcast ambient music in its stores by subscribing to Soundreef.

Other operating costs also include donations of €79,382, the largest of which were made to WWF and the non-profit organisation "Servizio Cani Guida dei Lions e ausili per la mobilità dei non vedenti" (Lions guide dog service and mobility assistance for the blind). All the company's stores focused its charitable activities on the latter organisation for the seventh consecutive year.

In addition, the caption includes costs related to the increase in liabilities in previous years that was seen in 2020. The estimated prior year expense amounts to €104,889.

Financial income and charges

Financial income and charges are recognised on an accruals basis.

Income from equity investments

The company has not recognised income from equity investments as per article 2425.15 of the Italian Civil Code.

Breakdown of interest and other financial charges by type of payable

Introduction

The following table shows interest and other financial charges in accordance with article 2425.17 of the Italian Civil Code, specifying those related to bonds, bank loans and borrowings and other payables.

Breakdown of interest and other financial charges by type of payable

	Bank loans and borrowings	Other payables	Total
interest and other financial charges	0	73,624	73,624

Exchange rate gains and losses

None.

Income taxes, current and deferred

Current taxes

The company has recognised IRES (corporate income tax) of €239,151 and IRAP (regional tax on production activities) of €383,554 as described in more detail below.

Deferred tax liabilities

These taxes are recognised in conjunction with deductible temporary differences, which the company assumes will reverse in future years. It has not recognised any temporary differences in 2020.

Deferred tax assets

The company has used deferred tax assets of €515,674 recognised at 31 December 2019. It has carryforward tax losses of €2,148,639 that can be used in accordance with the provisions of article 84 of the Consolidated Income Tax Act.

Each caption and any other information useful to understand the company's tax position, whose disclosure is mandatory or useful for tax purposes, are provided below.

	IRAP
Difference between positive and negative components	27,590,162
Add-backs	2,074,633
Decreases	876,014
Gross production revenues	28,788,781
- IRAP deductions	-18,970,940
Net production revenues	9,817,841
Rate (%)	3.9–2.68
Current IRAP	383,554

The company has estimated its tax expense and deferred the definitive calculation until preparation of its tax return.

MAXI ZOO ITALIA S.p.A.

Notes to the financial statements, cash flow statement

The company has prepared a cash flow statement which presents the changes in its shareholder's equity and its financial position during the year. The statement shows the source and application of the company's funding during the year.

The company applied the indirect method under OIC 10 whereby cash flows are presented by adjusting the net profit for the year by the non-monetary components.

MAXI ZOO ITALIA S.p.A.

Notes to the financial statements, other information

This section provides the other information required by the Italian Civil Code.

Workforce

The table shows the company's average number of employees by category calculated on a daily average basis.

	<u>Managers</u>	<u>White collars</u>	<u>Total</u>
Average number	4	714	718

Fees, advances and loans paid/given to directors and statutory auditors and commitments assumed on their behalf

The directors' fees are zero.

The statutory auditors' fees amount to €24,436.

Audit fees

The independent auditors' fees amount to €43,850.

Share categories

The following table shows the number and nominal amount of the company's shares and any changes during the year.

	<u>Opening balance (no.)</u>	<u>Closing balance (no.)</u>
Ordinary shares	120,000	120,000

Securities issued by the company

The company has not issued securities or similar instruments as per article 2427.18 of the Italian Civil Code.

Other financial instruments issued by the company

The company has not issued other financial instruments as per article 2346.6 of the Italian Civil Code.

Off-balance sheet commitments, guarantees and contingent liabilities

The information required by article 2427.9 of the Italian Civil Code is presented below:

	<u>2020</u>	<u>2019</u>
Sureties given to other companies	4,814,276	4,426,802
Other guarantees (specify type and counterparty)	2,743,981	614,129
Other contingencies (specify type and counterparty)		
Total	7,558,257	5,040,931

The company has provided sureties to its lessors as guarantee for its commitments.

The other guarantees of €2,743,981 relate to sureties given to the tax authorities as guarantee for the payment of amounts due in relation to the assessment notices for which the company has commenced the mutually agreed procedure.

Assets and loans earmarked for a specific business

Assets earmarked for a specific business

At the reporting date, the company has not earmarked any assets for a specific business as per article 2427.20 of the Italian Civil Code.

Loans earmarked for a specific business

At the reporting date, the company has not earmarked any loans for a specific business as per article 2427.21 of the Italian Civil Code.

Related party transactions

Related party transactions solely comprise those with other companies of the Fressnapf Group. They take place at normal market conditions for the related goods and services.

Fressnapf Tiernahrungs GmbH is the master franchisor and supplier of intercompany products which the company resells. It also provides IT services and leases the related equipment to Maxi Zoo.

Fressnapf Holding SE wholly owns Fressnapf Beteiligungs GmbH and provides Maxi Zoo with cash pooling services.

Fressnapf Beteiligungs GmbH wholly owns Maxi Zoo. It charges the company for personnel seconded to it.

Efis AG is the group company in charge of paying the suppliers for the goods for resale and the suppliers with which the group has international contracts for the purchase of equipment and its maintenance.

Off-balance sheet agreements

None.

Post-balance sheet events

With respect to article 2427.22-querter of the Italian Civil Code, the company notes that no significant events took place after the reporting date that would have had a significant effect on its financial position, results of operations or cash flows.

Covid-19 broke out in the first half of 2020 and this pandemic situation has not yet been resolved. The company has complied with the Italian national and local guidelines and instructions and promptly took action to manage the emergency. It introduced a number of measures throughout its organisation (especially, remote work) to prevent risks and ensure the health and safety of its employees, customers and suppliers and to be able to continue to operate.

As the company sells essential items, it was allowed by the laws of the individual regions where it has its stores to keep them open.

With respect to the pandemic's effects on its business, during the year, the company:

- saw a large reduction in certain costs, especially those related to travel and entertainment (-48.7% on 2019), vehicles (-18.3% on 2019), flyers and advertising campaigns during the lockdown (-€400 thousand compared to the budget). However, it incurred costs of approximately €167 thousand to purchase personal protective equipment (PPE).

Its lease costs with many lessors decreased temporarily (approximately -€247 thousand).

- more than compensated the negative impact of the smaller revenues earned during the early months of the lockdown by the rise in sales in subsequent months.

Thanks to its current finances and the fact that it belongs to an international group, the company should be able to overcome any financial difficulties.

Companies that prepare financial statements of the largest and smallest group of companies to which Maxi Zoo Italia belongs

In accordance with article 2427.22-quinquies/22-sexies of the Italian Civil Code, the name and registered office of the company that prepares consolidated financial statements of the largest group to which Maxi Zoo Italia belongs are provided below.

This section also shows where a copy of the consolidated financial statements is available.

	Largest group
Company name	Fressnapf Holding SE
City (if in Italy) or foreign country	Germany

Disclosure on derivatives as per article 2427-bis of the Italian Civil Code

The company does not have any derivatives.

Key figures from the financial statements of the company that manages and coordinates Maxi Zoo Italia

The company is part of the Fressnapf Group and is managed and coordinated by Fressnapf Beteiligungs GmbH.

The following tables show the key figures of the most recently approved financial statements of Fressnapf Beteiligungs GmbH.

Key balance sheet figures

	<u>Previous year</u>	<u>Date</u>
Date of most recently approved financial statements		31/12/2019
B) Fixed assets	273,606,691	
C) Current assets	4,678,226	
D) Prepayments and accrued income	5,699	
Total assets	<u>278,290,616</u>	
Share capital	1,400,000	
Reserves	195,110,502	
Total net equity	<u>196,510,502</u>	
B) Provisions for risks and charges	289,115	
D) Payables	81,490,999	
Total liabilities	<u>278,290,616</u>	

Key profit and loss account figures

	<u>Previous year</u>	<u>Date</u>
Date of most recently approved financial statements		31/12/2019
A) Production revenues	1,957,857	
B) Production cost	1,447,125	
C) Net financial income	3,803,495	
Income taxes	46,497	

MAXI ZOO ITALIA S.p.A.

Notes to the financial statements, conclusion

Dear shareholder, we confirm that the financial statements, comprising a balance sheet, profit and loss account, cash flow statement and these notes, provide a true and fair view of the company's financial position, results of operations and cash flows and are consistent with the accounting records.

We invite you to approve the draft financial statements at 31 December 2020 and the proposed allocation of the net profit for the year as follows:

- €3,489,996 to the extraordinary reserve

Pero, 31/03/2021

Managing director
Michael Trapp

Statement of compliance of the financial statements

The undersigned, Ignazio Stefano Barone, authorised to file the financial statements in accordance with article 31.2-quinquies of Law no. 340/2000, states that the XBRL document comprising the balance sheet, profit and loss account and notes thereto is consistent with the original documents deposited with the company.

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Shiba BidCo S.p.A.

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