

**Paganini BidCo S.p.A.****€765,000,000 Senior Secured Floating Rate Notes due 2028**

Paganini BidCo S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy (the “**Issuer**”), is offering (the “**Offering**”) €765.0 million aggregate principal amount of its Senior Secured Floating Rate Notes due 2028 (the “**Notes**”) as part of the financing for the acquisition (the “**Acquisition**”) of (i) the entire issued share capital of Wversity S.r.l., an entity incorporated under the laws of Italy (“**Wversity**” or the “**Target**”) and the Target, together with its subsidiaries, the “**Target Group**”) and (ii) the entire issued share capital in Multiversity S.r.l., an entity incorporated under the laws of the Republic of Italy (“**Multiversity**” and Multiversity, together with its subsidiaries, the “**Multiversity Group**”) and presently an indirect subsidiary/joint venture investment of the Target and direct subsidiary of Multiversity S.p.A., such that following the Acquisition the Issuer will own, directly or indirectly, the entire issued share capital of the Target, Multiversity S.p.A. and Multiversity.

The Issuer will pay interest on the Notes at a rate equal to the sum of (i) three-month EURIBOR (with 0% floor), plus (ii) 4.25% per annum, reset quarterly. The Issuer will pay interest on the Notes quarterly in arrears on January 30, April 30, July 30 and October 30 of each year, commencing on January 30, 2022. The Notes will mature on October 30, 2028. At any time prior to October 30, 2022, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the relevant “make-whole” premium. At any time on or after October 30, 2022, the Issuer may redeem all or a portion of the Notes, at the redemption prices set forth in this Offering Memorandum. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. However, a change of control will not be deemed to have occurred if a specified consolidated total 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 at a redemption price equal to 100% of the principal amount thereof. See “*Description of the Notes*.”

The Initial Purchasers (as defined herein) will, concurrently with the closing of the Offering on the Issue Date (as defined herein), deposit the gross proceeds of the Offering into an escrow account (the “**Escrow Account**”). If the Acquisition is not consummated on or prior to the Escrow Longstop Date (as defined herein), the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of each series of Notes will be equal to 100% of the aggregate initial issue price of such series of Notes plus accrued and unpaid interest, and additional amounts, if any, from the Issue Date to the special mandatory redemption date. See “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*”.

The Notes will be senior obligations of the Issuer and will rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes. The Notes will not initially be guaranteed. Subject to the Agreed Security Principles (as defined herein), the Notes will be secured by first-ranking security interests (the “**Collateral**”): (i) on or about the Issue Date on the Acquisition Closing Date, by: (x) a limited recourse pledge over Paganini Investments S.à r.l.’s (“**Paganini**”) shares in the Issuer and (y) a limited recourse security interest agreement over Paganini’s structural intercompany receivables owing to it by the Issuer (if any) and (ii) within 20 Business Days following the Post-Closing Reorganisation (as defined herein), a limited recourse pledge over Paganini’s shares in Multiversity (to be converted, subject to any relevant approval and/or authorization, into an S.p.A. (*Società per azioni*) prior to the Post-Closing Reorganisation). In addition, the Notes will be secured by a first-ranking security interest in the initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) (the “**Escrowed Property**”). See “*Escrow of Proceeds; Special Mandatory Redemption*”. Under the terms of the Intercreditor Agreement (as defined herein) to be entered into in connection with this Offering, in the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after certain parties, including the lenders under the Revolving Credit Facility (as defined herein) and counterparties to certain hedging agreements have been repaid in full. In addition, any future Guarantees and the security interests in the Collateral may be released under certain circumstances and any future Guarantees and the Collateral will be subject to legal and contractual limitations. See “*Risk Factors—The interests of the principal shareholder may conflict with your interests as a holder of the Notes*,” “*Description of Certain Financing Arrangements—Intercreditor Agreement*,” “*Description of the Notes—Security*” and “*Limitations on Validity and Enforceability of any notes 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 relevant series of Notes in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) where the Notes are held by a person resident in a country that is not listed in the White List (as defined below) and otherwise in the circumstances as described in “*Description of the Notes—Withholding Taxes*.”

There is currently no public market for the Notes. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof. There is no assurance that the Notes will be, or will remain, listed and admitted to trading on the Euro MTF Market. The Euro MTF Ma is not a regulated market pursuant to the provisions of 2014/65/EU on markets in financial instruments (as amended, “**MiFIDII**”).

This Offering Memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019.

Investing in the Notes involves a high degree of risk. See “Risk Factors” beginning on page 43 of this Offering Memorandum.

Price for the Notes: 99.75% 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, securities in any jurisdiction where such offer or solicitation is unlawful. The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”) or the securities laws of any state of the United States or other jurisdiction, and therefore may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes are being offered and sold in the United States only to qualified institutional buyers (“QIBs”) in reliance on Rule 144A under the U.S. Securities Act (“Rule 144A”), and in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act (“Regulation S”) other than to retail investors in the European Economic Area. For these purposes, a “retail investor” is defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (1) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended or superseded, the “Prospectus Regulation”). Prospective purchasers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The Notes are not transferable except in accordance with the restrictions described under “Transfer Restrictions.”

Joint Global Coordinators and Joint Bookrunners

BofA Securities

Deutsche Bank

UniCredit

Joint Bookrunners

BNP PARIBAS

Crédit Agricole CIB

IMI — Intesa Sanpaolo

The date of this Offering Memorandum is October 27, 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 Paganini BidCo S.p.A. and references to “we,” “us,” “our”, and the “Group” are to Multiversity S.r.l. and its consolidated subsidiaries from time to time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STABILIZATION

IN CONNECTION WITH THIS OFFERING, BOFA SECURITIES EUROPE SA (THE “STABILIZING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES DURING THE STABILIZATION PERIOD AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR AFFILIATES ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZING ACTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

NOTICE TO U.S. INVESTORS

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

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

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

NOTICE TO CANADIAN INVESTORS

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

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

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (**NI 33-105**), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

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

Prohibition of offers to EEA retail investors

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

Professional investors and ECPs only target market

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

Italy

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

- (i) to qualified investors (*investitori qualificati*), as defined by Article 2, paragraph (e) of the Prospectus Regulation; or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time, and the applicable Italian laws.

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

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Legislative Decree No. 58 of February 24, 1998, as amended (the “**Financial Services Act**”), CONSOB Regulation No. 20307 of February 15, 2018, as amended and Legislative Decree No. 385 of September 1, 1993, as amended (the “**Banking Act**”); and
- (b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

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

Grand Duchy of Luxembourg

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

The Notes may not be offered or sold to the public within the territory of the Grand Duchy of Luxembourg unless: (a) the offer is made to “qualified investors” as described in points (1) to (4) of Section I of Annex II to MiFID II, and persons or entities who are, on request, treated as professional clients in accordance with Section II of that Annex, or recognized as eligible counterparties in accordance with Article 30 of MiFID II unless they have entered into an agreement to be treated as non-professional clients in accordance with the fourth paragraph of Section I of that Annex; or; (b) the offer of the Notes benefits from an exemption from, or constitutes a transaction not subject to, the requirement to publish a prospectus pursuant to the Luxembourg law dated July 16, 2019 on prospectuses for securities, which has implemented into Luxembourg law the Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market.

Switzerland

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

United Kingdom

This Offering Memorandum has been prepared on the basis that any offer of the securities in the UK will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”) from a requirement to publish a prospectus for offers of such securities. This Offering Memorandum has been prepared on the basis that any offer of Notes in any the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of Notes. This Offering Memorandum is not a prospectus for the purpose of the UK Prospectus Regulation. The securities described in this Offering Memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a “**retail investor**” means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the securities or otherwise making them available to retail investors

in the UK has been or will be prepared and, therefore, offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation. This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) are outside the UK, (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the “**Financial Promotion Order**”), (iii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to “qualified investors” as defined in the UK Prospectus Regulation. This Offering Memorandum has not been approved by the Financial Conduct Authority or any other competent authority. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its content.

CERTAIN DEFINITIONS

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

- “*Agreed Security Principles*” means the agreed security principles as set forth in an annex to the Indenture and summarized in “*Description of Notes—Security—General*”;
- “ANVUR” refers to the Italian national agency for the evaluation of university and research systems.
- “*Bridge to Cash Facility*” means the floating rate secured bridge facility at the principal amount of €250.0 million established pursuant to a secured bridge facility agreement dated on or about October 25, 2021, among, *inter alios*, the Issuer, the lenders (as named therein), UniCredit S.p.A., as agent and security agent;
- “Collateral” has the meaning given to such term under “Summary—Summary Corporate and Financing Structure”;
- “*Clearstream*” refers to Clearstream Banking S.A. or any successor thereof;
- “CVC” refers to CVC Advisers International S.à r.l., CVC Capital Partners SICAV-FIS S.A., and its subsidiaries and CVC Capital Partners Advisory Group Holding Foundation and its subsidiaries and any funds, partnerships, entities or vehicles managed or advised by each of them;
- “*Escrow Account*” refers to an escrow account, which will be held in the name of the Issuer, but controlled by the Escrow Agent, into which the Initial Purchasers will deposit the gross proceeds of the offering of the Notes on the Issue Date pursuant to the Escrow Agreement. 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 The Bank of New York Mellon, London Branch;
- “*Escrow Agreement*” refers to the escrow agreement dated on or about the Issue Date among the Issuer, the Trustee and the Escrow Agent relating to the deposit of the gross proceeds of the Offering of the Notes in the Escrow Account. See “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*”;
- “*Escrow Longstop Date*” means January 31, 2022;
- “Euroclear” refers to Euroclear Bank SA/NV or any successor thereof;
- “EU” refers to the European Union;
- “euro,” “EUR” and “€” refers to the lawful currency of the European Monetary Union;
- “*Exchange Act*” refers to the U.S. Securities Exchange Act of 1934, as amended;
- “*Guarantors*” refers to any future Guarantor described under “*Description of the Notes—Guarantees*”;
- “GAAP” means 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**”);
- “IFRS” means the international financial reporting standards issued by the International Accounting Standard Board (IASB) and endorsed by the European Union, as well as interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC);
- “LuxCo” refers to Paganini Holdings S.à r.l.;
- “*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, Deutsche Bank Aktiengesellschaft, UniCredit Bank AG, BNP Paribas S.A., Crédit Agricole Corporate and Investment Bank, and Intesa Sanpaolo S.p.A.;
- “*Issue Date*” refers to October 27, 2021, the date of original issuance of the Notes;
- “*Issuer*” refers to Paganini BidCo S.p.A., a joint stock company (*società per azioni*) established under the laws of Italy;
- “*Intercreditor Agreement*” refers to the intercreditor agreement to be entered into on or about the Issue Date, by and among, *inter alios*, the Issuer, the Trustee, Deutsche Bank AG, London Branch, as security agent under the Revolving Credit Facility and certain lenders and arrangers under the Revolving Credit Facility;

- “*Italian Civil Code*” means the Italian civil code (*codice civile*), enacted by Royal Decree No. 262 of March 16, 1942, as subsequently amended or supplemented from time to time;
- “*MultiSpA*” refers to Multiversity S.p.A.;
- “*Multiversity*” refers to Multiversity S.r.l. (to be converted, subject to any relevant approval and/or authorization, into an S.p.A. (*Società per azioni*) prior to the Post-Closing Reorganisation);
- “*Multiversity Group*” refers to Multiversity and its subsidiaries;
- “*MIUR*” refers to the Italian Ministry of the Instruction, University and Research (“*Ministero dell’Istruzione, dell’Università e della Ricerca*”) prior to the coming into force of Italian Legislative Decree no. 1 of 2020, and thereafter to the Italian Ministry of University and Research (“*Ministero dell’Università e della Ricerca*”);
- “*Notes*” refers to the €765.0 million in aggregate principal amount of senior secured floating rate notes due 2028 offered hereby;
- “*Notes Guarantee*” refers to any future guarantees of the Notes by a Guarantor;
- “*Offering*” refers to the offering of the Notes hereby;
- “*Pegaso*” refers to Università Telematica Pegaso S.r.l.;
- “*Revolving Credit Facility*” refers to the €100.0 million revolving credit facility to be made available to the Issuer pursuant to the Revolving Credit Facility Agreement, which is described in more detail in “*Description of Certain Financing Arrangements—Revolving Credit Facility*”;
- “*Revolving Credit Facility Agreement*” refers to the €100.0 million revolving credit facility agreement to be entered into 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 Credit Facility*”;
- “*Security Agent*” refers to Deutsche Bank AG, London Branch, as security agent under the Indenture, the Intercreditor Agreement and the Revolving Credit Facility Agreement and as representative (*rappresentante*) of the holders of the Notes pursuant to and for the purposes set forth under article 2414-bis, paragraph 3, of the Italian Civil Code;
- “*Target*” refers to Wiversity S.r.l.;
- “*Target Group*” refers to the Target and its subsidiaries;
- “*Tranche A*” has the meaning ascribed to it under “*Summary—The Offering*”;
- “*Tranche B*” has the meaning ascribed to it under “*Summary—The Offering*”;
- “*Transactions*” has the meaning given to such term under “*Summary—The Transactions*”;
- “*Trustee*” refers to BNY Mellon Corporate Trustee Services Limited, in its capacity as trustee and legal representative (*mandatario con rappresentanza*) under the Indenture;
- “*United States*” or the “*U.S.*” refers to the United States of America; and
- “*U.S. Securities Act*” refers to the U.S. Securities Act of 1933, as amended.

ITALIAN “WHITE LIST STATES”

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

Albania	Ghana	Philippines
Alderney	Gibraltar	Poland
Algeria	Greece	Portugal
Andorra	Greenland	Qatar
Argentina	Guernsey	Romania
Anguilla	Herm	Russian Federation
Armenia	Holy See (Vatican City State)	Saint Kitts and Nevis
Aruba	Hong Kong	Saint Vincent and the Grenadines
Australia	Hungary	Samoa
Austria	Iceland	San Marino
Azerbaijan	India	Saudi Arabia
Bangladesh	Indonesia	Senegal
Barbados	Ireland	Serbia
Belarus	Isle of Man	Seychelles
Belgium	Israel	Singapore
Belize	Japan	Sint Maarten
Bermuda	Jersey	Slovak Republic
Bosnia and Herzegovina	Jordan	Slovenia
Brazil	Kazakhstan	South Africa
British Virgin Islands	Kuwait	South Korea
Bulgaria	Kyrgyzstan	Spain
Cameroon	Latvia	Sri Lanka
Canada	Lebanon	Sweden
Cayman Islands	Liechtenstein	Switzerland
Chile	Lithuania	Syria
China (People’s Rep.)	Luxembourg	Taiwan
Colombia	Macedonia	Tajikistan
Congo (Rep.)	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	Nigeria	Uzbekistan
Finland	Niue	Venezuela
France	Norway	Vietnam
Georgia	Oman	Zambia
Germany	Pakistan	

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

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

- failure to comply with the various licensing and accreditation requirements in the jurisdictions in which we operate;
- termination, suspension, revocation or non-renewal of any of our licenses and authorisations, that could result in the temporary or permanent cessation of the activities being conducted pursuant to such license and/or authorisation;
- increased competition in the online education market;
- failure to ensure an adequate level of cybersecurity of our IT platforms, which may result in loss or theft of data;
- risks associated with our ability to respond to technological changes or satisfy future technology demands of our students;
- failure to comply with laws and regulations relating to privacy, data protection and information security;
- risks associated with our ability to protect our intellectual property and being subject to claims by third parties for infringing on the intellectual property of third parties;
- being unable to attract and retain our faculty, administrators and skilled personnel;
- demand for our services being affected by employment demand, including by the Italian public administration;
- failure to enroll new students and re-enroll existing students;
- being dependent on continued growth and acceptance of online education;
- risks associated with losing our key management personnel;
- risks associated with negative impacts on the reputation of our institutions and sector;
- risks associated with our dependence upon the effectiveness of our marketing and advertising efforts and brand reputation;
- risk of being subject to legal and tax proceedings in the ordinary course of our business;
- our reliance on third parties to provide certain services mainly related to orientation of new students;
- risks associated with any change in the timing of tuition fee payments, which could create cash flow issues for us;

- risks relating to our capital structure that could adversely affect our business and financial position and preclude us from satisfying our obligations under the Notes, including our substantial leverage and debt service obligations, incurring substantially more debt in the future, restricting covenants following the consummation of the Transaction, and material changes in the Italian tax legislation with regard to deductibility of interest expense on our indebtedness;
- risks relating to the Notes, the Collateral and any Future Notes Guarantees, including the structural subordination of the Notes to all indebtedness of the Issuer's subsidiaries (none of which will guarantee the Notes), certain provisions under Italian insolvency laws which could be unfavourable to holders of the Notes, potentially long recovery times for the enforcement of the share pledges forming part of the Collateral, and the entitlement of creditors under the Revolving Credit Facility, certain hedging liabilities and certain debt incurred in the future to be repaid with the proceeds of the Collateral in priority to the Notes.

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

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The Issuer is a holding company, which was indirectly incorporated by CVC on September 9, 2021 for the purpose of the Acquisition, has not been involved in any operating activity since its incorporation and does not hold any material assets or liabilities other than its equity interests in Multiversity S.r.l. and its outstanding indebtedness incurred in connection with the Transaction, including its indebtedness under the Notes and the Revolving Credit Facility Agreement, if any. As a result, this Offering Memorandum does not present any financial information of the Issuer, except for certain limited “as adjusted” financial data presented on a consolidated basis as adjusted to reflect certain effects of the Acquisition.

The audited financial information of Multiversity S.r.l. (“**Multiversity**” or the “**Company**”) and its subsidiaries (the “**Multiversity Group**” or “**Multiversity**”) and Università Telematica Pegaso S.r.l. (“**Pegaso**”) is therefore presented in this Offering Memorandum. As (i) Multiversity is the ultimate target and will be the surviving entity and (ii) the Target does not have any operations of its own, the non-disclosure of the Target’s financial information would not be likely to mislead investors with regard to facts and circumstances that are essential for assessing the securities.

Multiversity S.r.l.

This Offering Memorandum includes:

- the English translations of the audited consolidated financial statements of Multiversity as of and for the period ended December 31, 2019 and for the year ended December 31, 2020 prepared in accordance with the Italian generally accepted accounting principles issued by the *Organismo Italiano di Contabilità* (“**Italian GAAP**”) and which have been audited by EY S.p.A. (the “**Multiversity Audited Annual Consolidated Financial Statements**”). The English translations of the audit reports issued by us are included elsewhere in this Offering Memorandum; and
- the unaudited interim consolidated financial statements of Multiversity as of June 30, 2021 and for the six months ended June 30, 2021 (which include comparative figures for the six months ended June 30, 2020), prepared in accordance with OIC 30 (the “**Multiversity Unaudited Interim Consolidated Financial Statements**,” and together with the Audited Annual Consolidated Financial Statements, the “**Multiversity Consolidated Financial Statements**”).

Multiversity was established on October 1, 2019 and acquired the predecessor business from Multiversity S.p.A., including its subsidiaries, on October 28, 2019. Paganini Investments S.à.r.l. acquired a 50% stake in Multiversity on November 4, 2019 (for a description of the transaction see *Summary—The Transactions*). As a result, the income statement for the 2019 Multiversity Audited Annual Consolidated Financial Statements covers only the period since inception to the end of the year of Multiversity stand alone as allowed by Italian GAAP, as the first consolidation date was December 31, 2019. In order to allow better comparability of financial performance during the relevant period, this Offering Memorandum also includes certain combined unaudited financial information of Multiversity and its subsidiaries (as described below for the Schedule to Combined Financial Information) consisting of the combined unaudited income statement and the combined unaudited cash flows statement for the year ended December 31, 2019 (the “**Combined Financial Information**”). The Combined Financial Information is supplemented by a schedule (the “**Schedule to Combined Financial Information**”) which represents the aggregated income statements and the aggregated statements of cash flows for the year ended December 31, 2019 derived from the stand-alone financial statements of the following entities, which were acquired in 2019:

- (a) Università Telematica Pegaso S.r.l., Universitas Mercatorum, Multiversity, Certipass S.r.l., Università Telematica Pegaso S.p.A., Pegaso Management S.r.l. and Unimerceurum S.r.l., which have been audited by EY S.p.A. on a stand-alone basis (the “**EY Audited Entities**”);
- (b) Uniglobal Invest Ltd and Pegaso International Ltd controlled by Multiversity audited on a standalone basis by other auditors (the “**Non-EY Audited Entities**”); and
- (c) other entities controlled by Multiversity which have not been audited (the “**Unaudited Entities**”);

The Schedule to Combined Financial Information included in the S-Pages of this Offering Memorandum also represents the eliminations of intercompany balances with respect to (i) the EY Audited Entities and (ii) the Non-EY Audited Entities and the Unaudited Entities. The Schedule to Combined Financial Information is prepared on the basis of a perimeter consistent with the consolidation area used for the audited consolidated financial statements of Multiversity as of and for the year ended December 31, 2020, except for Benecon S.c.a.r.l. Consortium which was included in the Combined Financial Information with the equity method (in 2020, Multiversity, through Pegaso, owned a 63% stake into Benecon S.c.a.r.l. Consortium (as compared to the 20.28% stake in 2019). In 2020, Multiversity owned a 51% stake in LAF School S.r.l. which was incorporated on July 22, 2020 and is not included in the Schedule to Combined Financial Information.

This Offering Memorandum also includes the audited financial statements of Pegaso as of and for the years ended December 31, 2018, 2019 and 2020, which have been audited by EY S.p.A. (the “**Pegaso Audited Annual Financial Statements**”). The audited financial statements of Università Telematica Pegaso S.r.l. as of and for the years ended December 31, 2019 and 2020 have been prepared in accordance with Italian GAAP. The audited financial statements of Pegaso as of and for the year ended December 31, 2018 have been prepared in accordance with the Italian accounting principles applicable to the University entities provided by the Inter-ministerial Decree No. 19 of January 14, 2014 which implemented the Italian Legislative Decree No. 18 of January 27, 2012.

The financial information of Pegaso as of and for the year ended December 31, 2018 included in this Offering Memorandum have been derived from the comparative figures included in the Pegaso Audited Annual Financial Statements for the year ended December 31, 2019, which show Pegaso 2018 figures classified according to the statements provided by the Italian civil code and Italian GAAP.

The English translations of the Multiversity Audited Annual Consolidated Financial Statements and the Pegaso Audited Annual Financial Statements as well as the English translation of the Independent Auditor’s reports thereon are included in the F-Pages of this Offering Memorandum, and should be read in conjunction with the relevant notes thereto.

In making an investment decision, investors must rely upon their own examination of the financial statements and financial information included elsewhere in this Offering Memorandum and should consult their professional advisors for an understanding of, among other things: (i) the differences between Italian GAAP, IFRS, and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the impact that recent or future additions to, or amendments of, Italian GAAP, IFRS or other principles may have had or may have on our results of operations and/or financial condition, as well as on the comparability among or comparability to prior periods.

Offering Memorandum Last Twelve Months Financial Information

The financial information of Multiversity Group 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, International Financial Reporting Standards (“**IFRS**”), or any other generally accepted accounting principles and has been prepared for illustrative purposes only. This information is not necessarily representative of our results for any future period or our financial condition for any past date.

Rounding

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

Use of Non-GAAP Financial Measures

Certain parts of this Offering Memorandum contain alternative performance measures as defined by the “ESMA Guidelines on Alternative Performance Measures” issued by ESMA on October 5, 2015 (“**APMs**”) which are non-GAAP measures and ratios and have thereof not been subject to audit or review. Such non-GAAP measures include: “**EBITDA**”, “**EBITDA Margin**”, “**Adjusted EBITDA**”, “**Adjusted EBITDA margin**”, “**EBIT**”, “**EBIT Margin**”, “**Adjusted EBIT**”, “**Adjusted EBIT margin**”, “**Net Working Capital**”, “**Net Invested Capital**”, “**Net Financial Indebtedness**”, “**Capex**”, “**Operating Free Cash Flow**”, “**Adjusted Operating Free Cash Flow**”, “**Cash Conversion**”, “**Adjusted Cash Conversion**”.

We have included the Non-GAAP Measures because we believe that such measures enable us to assess the performance of our business and provide investors with additional information to enhance understanding of our results. These Non-GAAP Measures are based on a number of complex assumptions and have not been subject to audit or review. While we believe our assumptions and the data underlying our estimates and key performance indicators are reasonable, there are inherent challenges in measuring such information. The conditions supporting our assumptions or estimates may change at any time, and as a result, the assumptions and estimates upon which the Non-GAAP Measures are based may not be correct. For these reasons, Non-GAAP Measures used should not

be considered as an alternative to profit (loss), revenue or any other performance measure derived in accordance with Italian GAAP, IFRS or any other accounting principles nor to net cash provided by operating activities as a measure of liquidity. Non-GAAP Measures have limitations as analytical tools over and above the limitations of any accounting principles performance measures and should not be considered in isolation or as substitutes for analysis of the Group's results as reported under Italian GAAP. Such Non-GAAP measures may include or exclude amounts that are included or excluded, as applicable, in the calculation of the most directly comparable measures in accordance with Italian GAAP. Their usefulness is therefore subject to limitations, which are described below. In particular, other companies in the industry may define the Non-GAAP measures used herein, differently, which may make it difficult to compare the performance of these entities to the Multiversity performance based on similarly named measures. These measures may be used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. In addition, the exclusion of certain items from Non-GAAP measures does not imply that these items are necessarily non-recurring. From time to time, we may exclude additional items if we believe doing so would result in a more transparent and comparable disclosure.

You should exercise caution in comparing this data to similar measures used by other companies. The information presented has not been prepared in accordance with Italian GAAP, IFRS or any other accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the U.S. Securities and Exchange Commission (the "SEC") and will not be subject to review by the SEC; compliance with its requirements would require us to make changes to the presentation of this information.

These measures are not measurements of performance under Italian GAAP, IFRS or any other accounting principles and you should not consider them as an alternative to profit/(loss) before taxes or profit/(loss) from continuing operations determined in accordance with Italian GAAP, IFRS or any other accounting principles, or, as the case may be, or to cash flows from/(used in) operating activities, cash used in investing activities or cash flow from/(used in) financing activities. These measures are not indicative of our historical operating results, nor are they meant to be predictive of future results. Therefore, investors should not place undue reliance on this data.

Non-GAAP Measures should be considered in conjunction with the Multiversity Consolidated Financial Statements prepared in accordance with Italian GAAP. Although certain of these measures have been extracted or derived from the Multiversity Consolidated Financial Statements, this data has not been audited or reviewed by the Multiversity Group's independent auditors.

These non-GAAP measures and ratios relate to Multiversity. For further information, including definitions and reconciliations of the non-GAAP measures prepared on a management basis to the most directly comparable financial measures prepared in accordance with Italian GAAP, see "*Summary—Summary Financial Information and Other Information—Summary Other Financial and Operating Data.*"

This Offering Memorandum also includes in the S-Pages (i) the unaudited schedule of Adjusted Net Assets of Multiversity S.p.A. as of June 30, 2021, and (ii) the unaudited schedule of Adjusted Net Assets of Wiversity S.r.l. (the "**Target**") as of June 30, 2021. These non-GAAP measures, related to MultiSpA and the Target, are reconciled with the related assets and liabilities derived from the unaudited accounting records of these companies as of June 30, 2021. These non-GAAP measures should be read in conjunction with such unaudited assets and liabilities.

EBITDA and EBITDA Margin

We define EBITDA as the sum of profit after tax, income taxes, value adjustments of financial assets, financial income and expenses, foreign exchange gains and losses and amortization and depreciation.

We present EBITDA because we believe it is a meaningful measure to evaluate the Multiversity Group's operating performance on a consistent basis over time. EBITDA makes the underlying performance of the Multiversity Group's business more visible by factoring out depreciation and amortisation, interest income and interest expenses and income tax expenses. This measure is also commonly used by investors, analysts and rating agencies to assess performance.

We define EBITDA Margin as the ratio between EBITDA and the value of production and is used by the Group as a supplemental measure of operating performance.

Adjusted EBITDA and Adjusted EBITDA Margin

We define Adjusted EBITDA as EBITDA adjusted for write-offs and non-recurring items.

We present Adjusted EBITDA because it excludes items that we do not believe are indicative of the Multiversity Group's ongoing operating performance and allows us to view operating trends, perform analytical comparisons and benchmark performance between periods. We believe that adjusting for these items that are not directly related to the operational performance of the Multiversity Group increases comparability and enables a better understanding of the underlying performance of the Multiversity Group.

We define Adjusted EBITDA margin as the ratio between Adjusted EBITDA and the value of production.

EBIT and EBIT Margin

We define EBIT as the sum of profit after tax, income taxes, value adjustments of financial assets, financial income and expenses, foreign exchange gains and losses.

We present EBIT because we believe it is a meaningful measure to evaluate the Multiversity Group's operating performance on a consistent basis over time. EBIT makes the underlying performance of the Multiversity Group's business more visible by factoring out interest income and interest expenses and income tax expenses. This measure is also commonly used by investors, analysts and rating agencies to assess performance.

We define EBIT Margin as the ratio between EBIT and the value of production, and is used by the Group as a supplemental measure of operating performance.

Adjusted EBIT and Adjusted EBIT Margin

We define Adjusted EBIT as EBIT adjusted for non-recurring items and goodwill amortization related to the initial purchase price allocation.

We define Adjusted EBIT margin as the ratio between Adjusted EBIT and the value of production.

Net Working Capital

We define Net Working Capital as the sum of inventory, trade receivables, trade payables, and other current and non current liabilities, including deferred revenue.

We present Net Working Capital because we believe it is a meaningful measure to evaluate our operating liquidity.

Net Invested Capital

We define Net Invested Capital as the sum of tangible and intangible assets, net working capital, other non current assets and liabilities, and investments.

We present Net Invested Capital because we believe it is a meaningful measure to evaluate our investments and liquidity.

Net Financial Indebtedness

We define Net Financial Indebtedness as the sum of liquidity and financial indebtedness (current and non-current) based on ESMA recommendations 32-382-1138 issued on March 4, 2021. We present Net Financial Indebtedness because we believe it is a meaningful measure to evaluate its ability to meet its financial obligations in accordance with ESMA guidelines.

Capex

We define Capex as the sum of cash outflow from investing in property, plant and equipment and in intangible assets.

Operating Free Cash Flow

We define Operating Free Cash Flow as EBITDA less Capex and change in Net Working Capital.

Adjusted Operating Free Cash Flow

We define Adjusted Operating Free Cash Flow as Adjusted EBITDA less Capex and change in Net Working Capital.

Cash Conversion

We define Cash Conversion as the ratio of (i) the Operating Free Cash Flow; and (ii) EBITDA.

Adjusted Cash Conversion

We define Adjusted Cash Conversion as the ratio of (i) the Adjusted Operating Free Cash Flow; and (ii) Adjusted EBITDA.

This Offering Memorandum also includes in the S-Pages “Adjusted Net Assets” as non-GAAP measures that relate to MultiSpA and the Target.

Multiversity S.p.A.’s—Adjusted Net Assets

We define Multiversity S.p.A.’s Adjusted Net Assets as the total Net Assets resulting from the unaudited financial statements, excluding intercompany and out of perimeter assets and liabilities as of June 30, 2021. Intercompany assets and liabilities include all the balances arising from the transactions with Wversity S.r.l and Multiversity Group, as well as the balances related to the investments held in Multiversity S.r.l. and Certipass S.r.l. Out of perimeter assets and liabilities include all the assets and liabilities which do not fall into the perimeter of the Transactions.

We present Multiversity S.p.A.’s Adjusted Net Assets in order to highlight the net assets’ book values which fall in the perimeter of the Transactions on top of those relating to Multiversity Group.

Wversity S.r.l.’s—Adjusted Net Assets

We define the Target’s Adjusted Net Assets as the total Net Assets resulting from the unaudited financial statements, excluding intercompany and out of perimeter assets and liabilities as of June 30, 2021. Intercompany assets and liabilities include all the balances arising from the transactions with Company’s subsidiary (Multiversity S.p.A.) as well as the balance related to the investment in the Company’s subsidiary (Multiversity S.p.A.). Out of perimeter assets and liabilities include all the assets and liabilities which do not fall into the perimeter of the Transactions.

We present the Target’s Adjusted Net Assets in order to highlight the net assets’ book values which fall in the perimeter of the Transactions on top of those relating to Multiversity S.p.A. and Multiversity Group.

Market and Industry Data

In this Offering Memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Certain market and industry data and certain forward-looking industry statements were extracted from market research, governmental and other publically available information, independent industry publications. These external sources include, among others, third party commercial advisor reports, HolonIQ and Unioncamere. 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. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements in this Offering Memorandum. See “*Information Regarding Forward-Looking Statements*”

In addition, certain information in this Offering Memorandum for which no source is given, is not based on published statistical data or information obtained from independent third parties. Such information and statements reflect our best estimates based upon information obtained from trade and business organizations and associations and other contacts within the industries in which we compete, as well as information published by our competitors. To the extent that no source is given for information contained in this Offering Memorandum, or such information is identified as being our belief, that information is based our experience, our evaluation of industry information, our determination of our addressable markets and our own investigation of market conditions. 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 Italian Tax Considerations*” and “*Certain U.S. Federal Income Tax Considerations*”.

Trademarks and Trade Names

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

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

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

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

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

The Bloomberg Composite Rate of the euro on October 21, 2021 was \$1.1632 per €1.00.

	U.S. dollars per €1.00			
	Period-end	Average ⁽¹⁾	High	Low
Year				
2016	1.0547	1.1069	1.1527	1.0384
2017	1.2022	1.1300	1.2026	1.0427
2018	1.1452	1.1811	1.2492	1.1245
2019	1.1229	1.1194	1.1533	1.0903
2020	1.2225	1.1418	1.2289	1.0667
Month				
May 2021	1.2201	1.2144	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	1.1768	1.1870	1.1688
September 2021	1.1571	1.1769	1.1890	1.1571
October 2021 (through October 21, 2021)	1.1632	1.1933	1.2300	1.1528

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

SUMMARY

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

Overview

General

Multiversity is the market leader in Italy in the e-learning market by number of enrolled students with a 40% market share of the Italian online undergraduate higher education market for the 2019/2020 academic year capturing approximately 3% of the total Italian undergraduate market.¹ It operates two private online universities, Pegaso and Mercatorum, a certification entity, Certipass and a number of academies as well as an international lifelong learning higher education institution based in Malta. It delivers its services through a proprietary online platform that carries out the e-learning contents produced in-house.

Università Telematica Pegaso S.p.A., held by Multiversity, is the promoter and supporter of Pegaso, Multiversity’s primary education institution. Approximately 105,000 students were enrolled in one of Pegaso’s online courses for the 2020-2021 academic year. Pegaso offers a range of both undergraduate and postgraduate courses, and in particular, seven undergraduate bachelor’s degrees, five specialist master’s degrees, one single cycle five-year degree and 139 postgraduate master’s courses as well as a number of higher education and specialization courses for professionals and high school graduates. Pegaso also offers six individual certifications and gives students the possibility to undertake single examinations for each course module upon payment of a fee without having to complete the full course.

Multiversity’s other key institution, Mercatorum, is held indirectly by Multiversity through its 66.66% stake in the share capital of Unimercatorum S.r.l. as the promoter and supporter of Mercatorum, with the remaining 33.33% stake in Unimercatorum S.r.l. is held indirectly by Unioncamere. Unioncamere, the Italian Union of Chambers of Commerce, Industry, Crafts and Agriculture, is the public body that unites and institutionally represents the Italian system of chambers of commerce. Approximately 23,000 students were enrolled in Mercatorum for the 2020-2021 academic year. Mercatorum’s core offering currently consists of 14 undergraduate bachelor’s degrees (two of which are newly accredited and are therefore being offered for the first time in the 2021/2022 academic year), four specialist master’s degrees, one Ph.D. and 11 postgraduate master’s courses. Like Pegaso, it also allows students to undertake single examinations for any course module offered within its curricula.

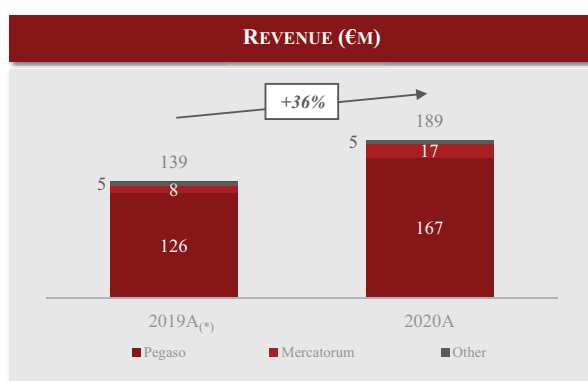
Other assets of Multiversity include Certipass, as provider of international certifications for digital competences and IT skills, and an ever-growing number of academies established through collaboration agreements between Pegaso and Mercatorum and their respective commercial partners, covering a wide range of specialist subjects such as marketing, communications and media and teaching. In addition, Principe di Napoli S.c.a.r.l. (“**Principe di Napoli**”) was established in February 2019 by Pegaso in partnership with Mercatorum (holding 90% and 10% stakes, respectively) as a center for higher education and specialization in the sectors of gastronomy and tourism. Apart from the Postgraduate School in Legal Professions (as further described below), Principe di Napoli is one of the few institution within Multiversity to hold on premise courses.

Multiversity also operates a publishing entity and companies dedicated to research, which are mostly ancillary and in support of the two universities. Almost the entirety of its operations are located in Italy, with some limited operations in Malta. It also has collaboration agreements with several partners in Italy for the development and delivery of specialized courses in a multitude of subjects, made available through its two universities.

¹ In terms of number of enrolled students (source: Third Party Commercial Advisor, commercial due diligence (2021), source MIUR data (extraction @6/2019), Third Party Commercial Advisor).

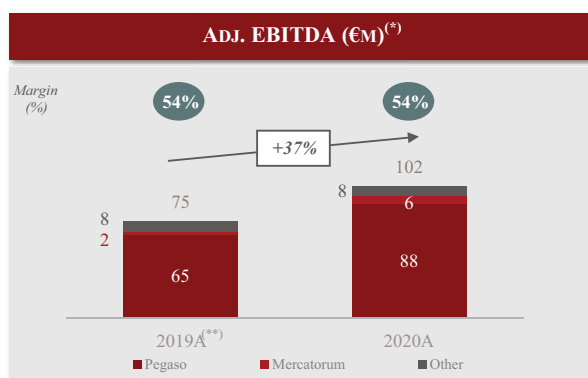
Multiversity's revenues for the financial year ended December 31, 2020 amounted to €188.7 million, as compared to €138.8 million² for the prior financial year (an increase of 36%), while Multiversity's revenues for the six months ended June 30, 2021 were €133.8 million, as compared to €98.1 million in the same period of the prior financial year (an increase of 36%). Undergraduate enrolled students increased by approximately 50% in the 2020/2021 academic year with respect to the previous academic year. In addition, Adjusted EBITDA generated for the year ended December 31, 2020 was €102.3 million as compared to €74.8 million for the year ended December 31, 2019 (an increase of 37%), while Adjusted EBITDA for the six months ended June 30, 2021 was equal to €84.7 million, as compared to €57.4 million in the same period of the prior financial year.

Approximately 98% of Multiversity's revenues for the year ended December 31, 2020 were generated by Pegaso (which accounted for 89% of Multiversity's revenues) and Mercatorum (which accounted for 9% of Multiversity's revenues). By comparison, approximately 98% of Multiversity's revenues for the six months ended June 30, 2021 were generated by Pegaso (which accounted for 81% of Multiversity's revenues) and Mercatorum (which accounted for 17% of Multiversity's revenues). The below diagram charts the growth in revenues of Pegaso, Mercatorum and Multiversity's other assets for the years ended December 31, 2019 and 2020:



(*) 2019 figures are combined unaudited.

In addition, the following diagram shows the progression of Multiversity's Adjusted EBITDA with reference to each of Pegaso, Mercatorum and Multiversity's other assets for the years ended December 31, 2019 and 2020:

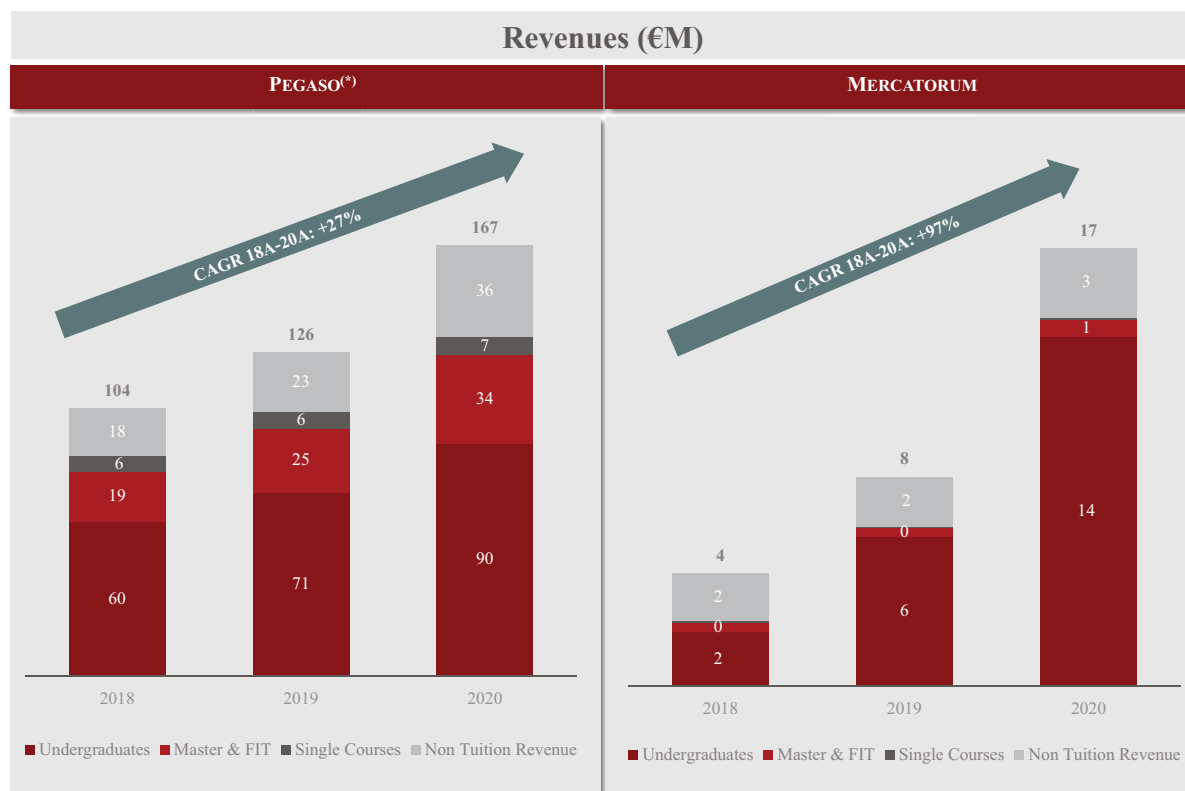


(*) EBITDA adjusted excluding non recurring items and bad debt accruals. Adj. EBITDA of Pegaso and Mercatorum include intercompany royalties paid to Multiversity; Other includes royalties income received by Multiversity.

(**) 2019 figures are combined unaudited.

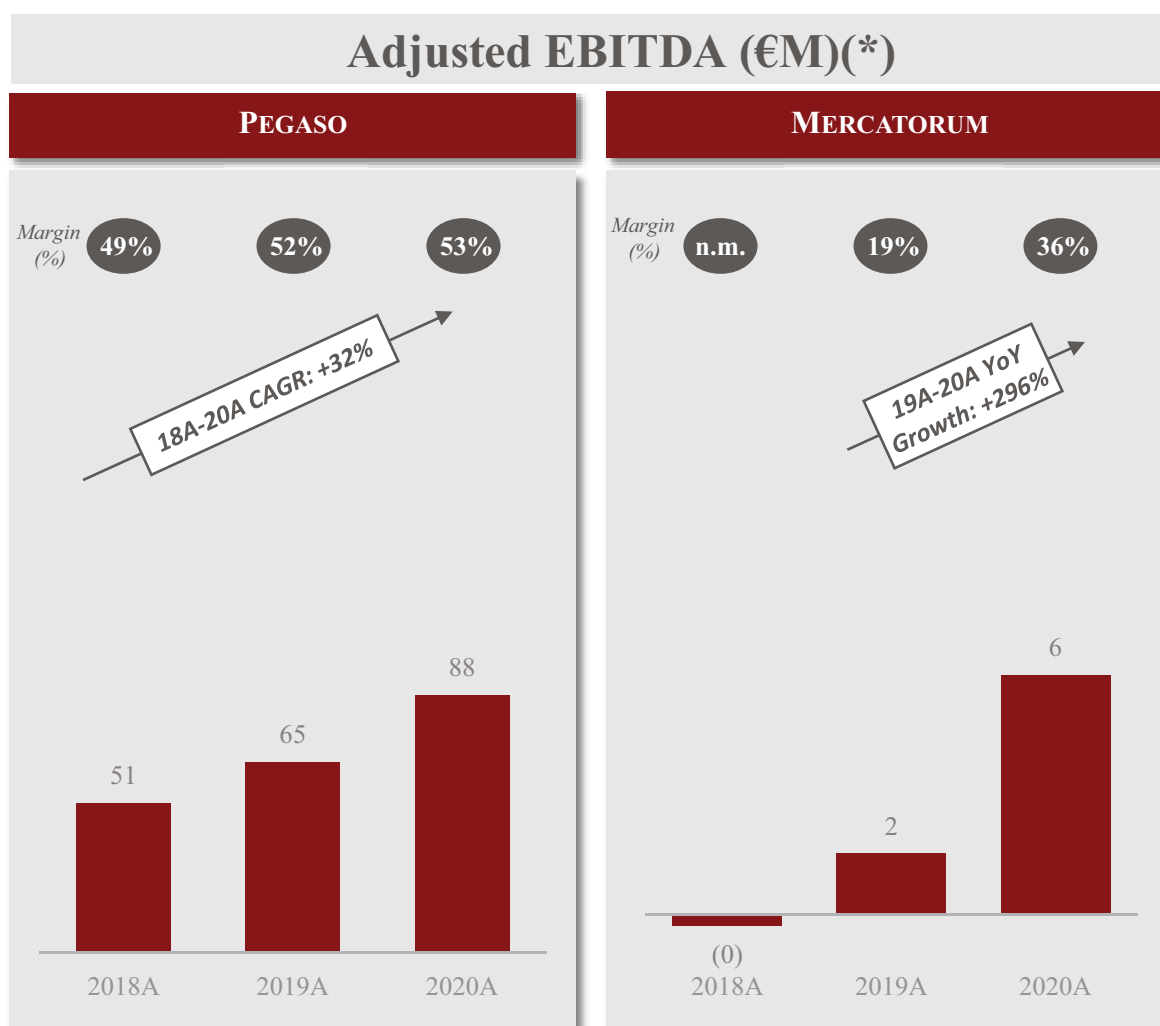
² Unaudited combined figure

In terms of growth generated through undergraduates, master's and FIT (teacher training courses), single exams or non-tuition revenue, the below diagrams chart the revenue growth of Pegaso for the years ended December 31, 2018, 2019 and 2020 and of Mercatorum for the years ended December 31, 2019 and 2020:



(*) Net of fund release (non recurring item) amounting to c. €18m in 2018 and c. €1m in 2020

The below diagram charts the Adjusted EBITDA progression in respect of Pegaso (for the years ended December 31, 2018, 2019 and 2020) and Mercatorum (for the years ended December 31, 2019 and 2020):



(*) EBITDA adjusted excluding non recurring items and bad debt accruals, and including intercompany royalties paid to Multiversity.

In order to support their online offering, Multiversity’s institutions have an extensive network of approximately 3,000³ e-learning center points as at September 30, 2021 across each of Pegaso (the “**ELCP Points**”), Mercatorum (the “**Ei-Points**”) and Certipass (the “**EIPASS Points**” and, together with ELCP Points and Ei-Points, the “**ELCPs**”). The ELCPs provide information to prospective and current students about the various institutions, and in particular, Pegaso and Mercatorum’s ELCP Points and the Ei-Points, among other things, serve as orientation centers for new students throughout the entire duration of the course they undertake. The ELCP Points and the Ei-Points performed orientation activities for approximately 60% of Multiversity’s institution’s new students, however the relevant institution retains the direct relationship with student as it manages the enrollment process and tuition fee payments directly with the student⁴. As regards Certipass’ EIPASS Points, these purchase EIPASS cards from Certipass and on-sell them to customers who wish to obtain an EIPASS certification. All ELCPs are managed by external third parties that have entered into specific accreditation agreements with Pegaso, Mercatorum or Certipass (in some cases, more than one institution has entered into an accreditation agreement with the same ELCP). See “*Material Contracts—Accreditation Agreements for ELCPs*” below.

³ Some entities perform services for, and have entered into accreditation agreements with, more than one of Pegaso, Mercatorum and Certipass.

⁴ With reference to the 2021/2022 academic year

Business Model

Multiversity's business model is based on a student-centric offering of a flexible learning experience and access to teaching content through our proprietary and technologically advanced e-learning platform. Both Pegaso and Mercatorum address a specific unmet demand in the market for a flexible path to an undergraduate degree, whilst catering to specific professions for postgraduate continuous learning.

Revenues are mainly driven by tuition fees paid by students to Pegaso and Mercatorum, which contributed to 77%⁵ of Multiversity's revenues. The levels of tuition fees in turn depend on the number of students, the nature or class of degree undertaken, the year of enrollment, the type of course and the student's selected enrollment channel, amongst other factors. Undergraduate degrees, which are multi-year courses (three year bachelor's degree plus a two year specialist master's degree, or a single-cycle five year degree), are a recurring multi-year revenue stream for the term of the program (consisting of both the tuition fees and any other ancillary fees), which has an average course length of 2.8 years. Approximately 40% of graduates from Pegaso and Mercatorum who have completed three year undergraduate degree courses wish to continue their education and apply to enroll in two year specialist master's degree and master's degree courses with the same institution. Undergraduate tuition fees accounted for 54% of Pegaso's revenues and 80% of Mercatorum's revenues in the financial year ended December 31, 2020, and 62% of Pegaso's revenues and 85% of Mercatorum's revenues for the six months ended June 30, 2021.

On the other hand, one-year postgraduate master's courses (i.e. second level master's which may be undertaken by students who have already completed a three year undergraduate bachelor's degree plus a two year specialist master's degree or a single-cycle five year degree) together with Multiversity's FIT offering (i.e. teacher training courses) provide a one-off tuition fee payment per student, accounting for 20% of Pegaso's revenues and 4% of Mercatorum's revenues for the financial year ended December 31, 2020 and 12% of Pegaso's revenues and 6% of Mercatorum's revenues for the six months ended June 30, 2021. Various other services offered to students provide additional revenue such as fees payable in order to take examinations in an alternative location, and certificates—such additional services accounted for approximately 20% of Pegaso's revenues and 8% of Mercatorum's revenues, in each case for the financial year ended December 31, 2020 and 26% of Pegaso's revenues and 11% of Mercatorum's revenues for the six months ended June 30, 2021. Single exams contributed to 4% of Pegaso's revenues for the year ended December 31, 2020 as compared with 3% for the six months ended June 30, 2021 (whereas single exams generally contribute less than 1% towards Mercatorum's revenues).

Multiversity's growth strategy is based on expanding volumes by increasing market penetration within the population, whilst selectively increasing its course offering, its brand awareness, digital marketing practices and *ad hoc* orientation services to prospective students as well as by entering into commercial agreements and partnerships falling into two main categories:

- agreements with corporations, law enforcement, governmental bodies and public administration authorities providing for the application of lower corporate rates to their employees (and, in certain instances, their family members) and, in some cases, for the creation and implementation of employee training programs, thereby incentivizing such employees to attend courses in order to accelerate their career paths or to comply with the ongoing professional development requirements set up by regulators or employers; and
- partnerships with private companies and public entities aimed at the development of specialized courses using the partners' know-how and branding, coupled with Multiversity's online e-learning platform, teaching know-how and, in certain instances, its academic staff. These agreements give rise, for example, to the specialist academies forming part of Pegaso and Mercatorum's higher education offering, as further described below.

Multiversity has established a nation-wide presence, with Pegaso's approximately 100 exam venues located in prestigious or historical buildings, Mercatorum's leveraging of the system of the Italian chambers of commerce and the institutions' network of approximately 3,000 ELCPs, along with a strong online social community and proprietary technology platforms for online classes, exams and tutoring.

The main objective underpinning Multiversity's business strategy is to consolidate its market position and become the leading entirely online education group in the Italian markets, employing both Business-to-Consumer and Business-to-Business marketing strategies in order to target an ever-wider audience of students. See further "*Key Strengths*" and "*Strategies*" below.

⁵ Excluding any fees payable by students for ancillary services, such as supplemental tuition fee or the alternative exam location fee, in each case described under "*Offering—Ancillary Fees and Services*" below

Competitive Strengths

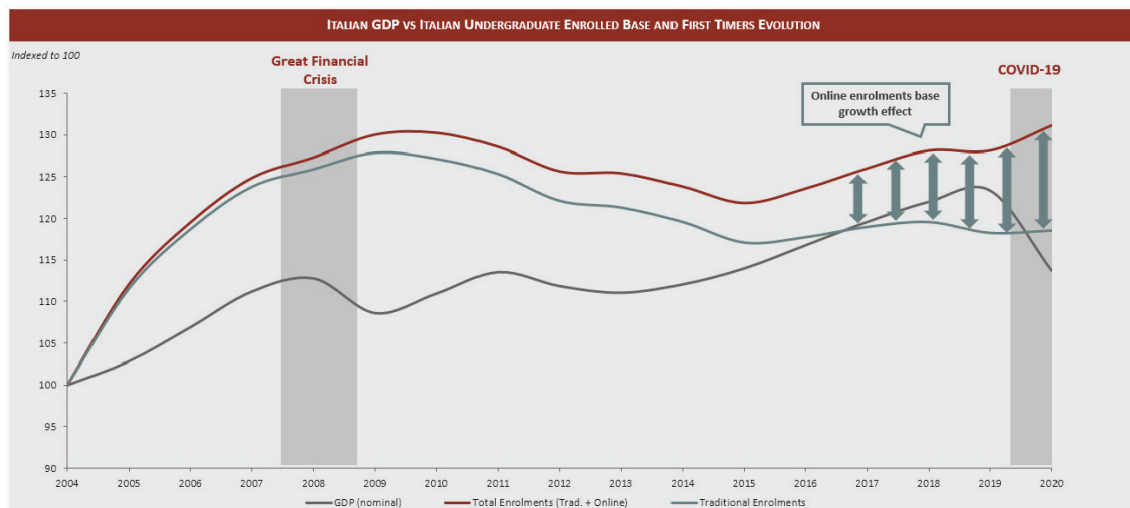
Education and training is a large, resilient, underpenetrated market with strong fundamentals, particularly in online segment

Global education and training is a large market, currently valued at over \$5.0 trillion⁶, and it is expected to grow steadily across the whole spectrum, given significant white space and the need for re-skilling of a significant portion of global population, mainly due to the digital evolution and the new competencies required (“Lifelong Learning”).

Online education still represents a relatively small portion overall of the larger global education market, with an estimated global online penetration of 3.6%⁷ in 2020. However, the online education segment has and is expected to continue to show strong growth, having outpaced traditional physical education growth in recent years whilst progressively gaining market share and unlocking unaddressed areas of demand. This growth is expected to continue, and in particular subcategories such as higher education, supplemental business-to-consumer (“B2C”) and corporate training are expected to accelerate on the back of COVID-19, which has hastened the adoption of online learning and resulted in an acceleration of online academic offerings.

The global education market as a whole has historically grown at a slow but steady pace and has proven resilient⁸ through economic cycles, including the financial crisis. Future growth in this market is expected to be supported by several strong structural trends, including: (i) continued student population growth globally and economic expansion; (ii) a growing professional class willing to supplement formal education; (iii) rising levels of participation in education; (iv) the need for employee re-skilling and (v) global investments to further advance education and digitalization.

Undergraduate enrollment in Italy has proven resilient over time, displaying a counter cyclical correlation with economic cycles and historically experiencing an increase in enrollments during economic downturns.⁹



Online universities have been the main contributor to the growth in undergraduate enrollment since they began operating in the Italian market in 2006. More recently, the number of Italian first-timers (new university students who have never been enrolled in university programs) and total students enrolled both maintained their growth¹⁰, in spite of the adverse impact to Italian GDP as a result of the COVID-19 pandemic.

In Italy, the overall undergraduate market—encompassing both traditional and online programs—grew steadily at a 1% CAGR¹¹ over the past four years, reaching a total of 1.8 million students in the 2019-2020 academic year, with enrolment expected to surpass the 2.0 million mark by the 2025-2026 academic year. The primary

⁶ HolonIQ (Jan 2021). Online penetration defined as education technology digital spend vs. non digital spend

⁷ HolonIQ (Jan 2021). Online penetration defined as education technology digital spend vs. non digital spend

⁸ Third Party Commercial Advisor, commercial due diligence (2021), source MIUR data, Third Party Commercial Advisor analysis

⁹ Third Party Commercial Advisor elaboration on MIUR and ISTAT Data.

¹⁰ Third Party Commercial Advisor, commercial due diligence (2021),

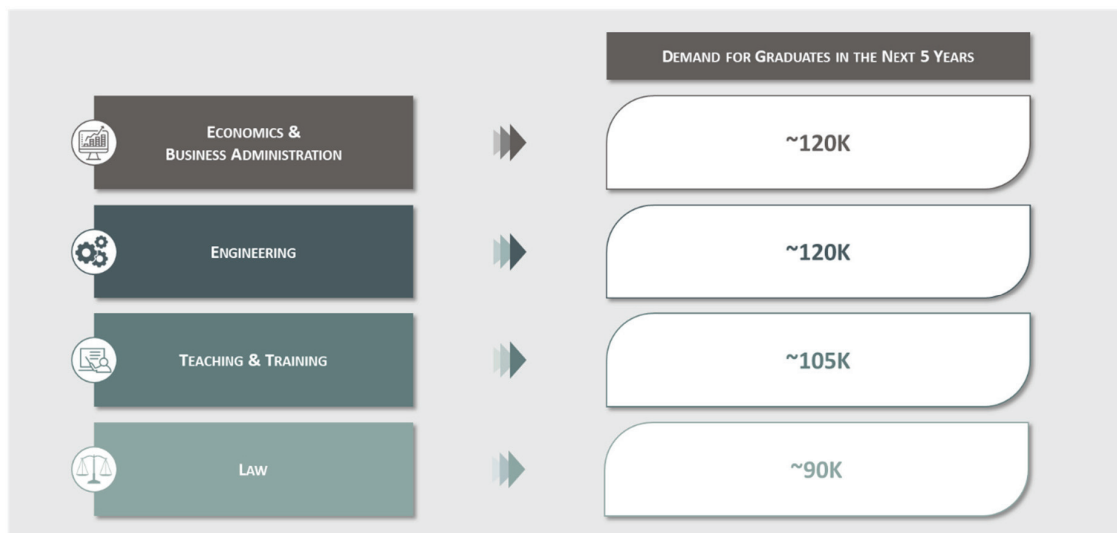
¹¹ Third Party Commercial Advisor, commercial due diligence (2021), Third Party Commercial Advisor analysis on MIUR data for historicals, forecasts based on Third Party Commercial Advisor estimates

beneficiary and driver of this growth in the undergraduate population was the online segment, which showcased a 20% annual growth rate between the 2015/2016 and 2019/2020 academic years, while the number of students enrolled in traditional universities has remained substantially flat over the same period. Similar trends are expected to continue, with the online segment anticipated to grow at an annual growth rate of 19% from the 2019/2020 through the 2025/2026 academic years, driving overall market growth even as enrolment at traditional universities is expected to remain flat.

A lower percentage of degree holders and a gap in digital skills versus other industrialized peers means that Italy has the potential to benefit disproportionately from these trends as it seeks to close the gap—both in terms of education and digitalization—versus its European peers. Italy stands at 27.7%¹² (vs. 44.9% for OECD) in terms of average population holding a degree and ranks fourth to last versus other developed countries in the DESI digitalization index¹³. The higher education and skills gaps vis-à-vis populations in peer nations represent a significant growth opportunity for online education in Italy, and in particular those programs specializing in digital skills training.

Due to its aging workforce, Italy is also expected to require a large number of graduates across multiple disciplines in the next five years, totalling nearly 900,000 in expected new hires according to *Unioncamere*¹⁴. Specifically with respect to the disciplines in which Multiversity focuses, the expected need over this period is for approximately 120,000 graduates in Economics & Business Administration, 120,000 in Engineering, 105,000 in Teaching and Training and 90,000 in Law.

Demand for graduates in the Italian job market



The postgraduate market has grown even faster than the undergraduate market, experiencing a CAGR of 17% from the 2015/2016 to the 2019/2020 academic years and reaching 96,000 students in the 2019/2020 academic year. Over the same period, growth in online postgraduate enrollment, which already exceeds that of traditional channels, was a CAGR of 30%. Postgraduate growth is expected to continue at a double-digit CAGR through the 2025/2026 academic year, driven primarily by the continued increase in the adoption of online education.

In addition to these secular long-term trends, growth in the online undergraduate and postgraduate education markets, which comprise the Multiversity Group's core addressable markets, has been buoyed by recent short-term catalysts, including the COVID-19 pandemic which accelerated adoption of online channels, as well as improving sentiment regarding online universities among prospective students. COVID-19 has boosted overall internet penetration to levels significantly exceeding pre-crisis (e-commerce, e-health, e-learning), also including the demand for online education. This has resulted in a pronounced short-term spike in expected growth which, over the 2020/2021 and 2021/2022 academic years, is expected to be more than double the annualized growth rate expected from 2022/2023 to 2025/2026 (projected 28% over 2020/2021-2021/2022 academic years as compared to 14% over 2022/2023-2025/2026 academic years, annual growth rates for the Italian online

¹² Percentage of population between 25 and 34 with university education in 2018

¹³ Weighed digitalization score (DESI report)

¹⁴ Unioncamere report 2021 "Previsioni dei Fabbisogni Occupazionali e Professionali in Italia a medio termine"

undergraduate enrolled base). Students' improving perception of online universities has been a key factor in recent growth, as illustrated by the 83% of students¹⁵ currently enrolled in online universities who think that the quality of teaching they receive is on par, if not better, than that of traditional universities. This favorable impression is also validated by employability statistics that put online universities slightly above mid-sized physical universities among top employers selecting applicants¹⁶ (over a period of 12 months, 8.6% of students from online universities went to one of the top 50 employers in Italy, vs. 8.5% for mid-sized universities).

A rising proportion of Italian high school students is expected to be interested in attending an online university, on the back of increasing perceived strength of their online education offerings. The proportion of first-timers (new university students coming from high school who have never enrolled in university) is expected to increase to 47% of new students in the 2025/2026¹⁷ academic year as compared to 39% today in 2019/2020 and 33% in 2015/2016. Students are attracted to a model that they feel better suits their needs thanks to inherent flexibility, more friendly study experience and better support, alongside lower costs (especially when considering costs ancillary to education such as accommodation and travel).

Structural tailwinds

The education market has demonstrated steady and resilient growth on the back of various structural tailwinds:

- **Historical population growth and economic expansion:** increasing population globally and economic growth will naturally expand the addressable market with an increasing number of people willing to get a formal education;
- **Emerging middle class willing to supplement formal education:** the middle class in particular sees education as an enabler of personal growth and wealth, thus making it likely to supplement formal, basic education with additional courses;
- **Rising levels of participation in education:** overall participation in education is rising, reflecting a need for skilled workforce globally due to trends in industrialization and modernization that have automated many of the processes that previously employed unskilled workers;
- **“Lifelong learning”:** even a skilled and educated labor force is likely to require additional skills training due to the speed of digital evolution and the implied new competencies required. Recently, due to the COVID-19 pandemic, these programs have largely been restricted to online channels;
- **Government investments to increase levels of education:** recognizing higher education as an indicator of citizens' wealth, governments globally are investing in increased access to education in an effort to meet the Sustainable Development Goals (“SDG”) 2030 Agenda: (i) ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all and (ii) promoting continuous, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Online education also benefits from the specific tailwinds inherent to a delivery model that provides access to people that could not otherwise participate full time or afford to attend a traditional, physical university. Online-specific tailwinds in education include:

- **Increasing online penetration reaching new potential students:** online education unlocks an addressable market by reaching previously underrepresented parts of the population, either due to economic or logistical reasons;
- **Government investments in digitalization:** focus on digitalization efforts with dedicated funds (i.e. €49.2 billion for Italy alone in the latest European Recovery Fund focused on digitalization of public administration and of the industrial sector¹⁸);
- **Younger generations' desire for higher education:** new generations value both quality education and flexible career paths, which online universities offer, thanks a better-suited consumption model, especially for part-time students;

¹⁵ Third Party Commercial Advisor, commercial due diligence (2021), source survey @ January 2021, percentage of students enrolled in online universities (n=800) “From a teaching and learning perspective, how do you consider online universities versus the following panel of traditional universities?”

¹⁶ Third Party Commercial Advisor, commercial due diligence (2021), source Linkedin Recruiter (January 2021), Third Party Commercial Advisor analysis.

¹⁷ Third Party Commercial Advisor, commercial due diligence (2021), Third Party Commercial Advisor analysis

¹⁸ Source Presidency of the Council of Ministers – Italian Government https://www.governo.it/sites/governo.it/files/PNRR_3.pdf

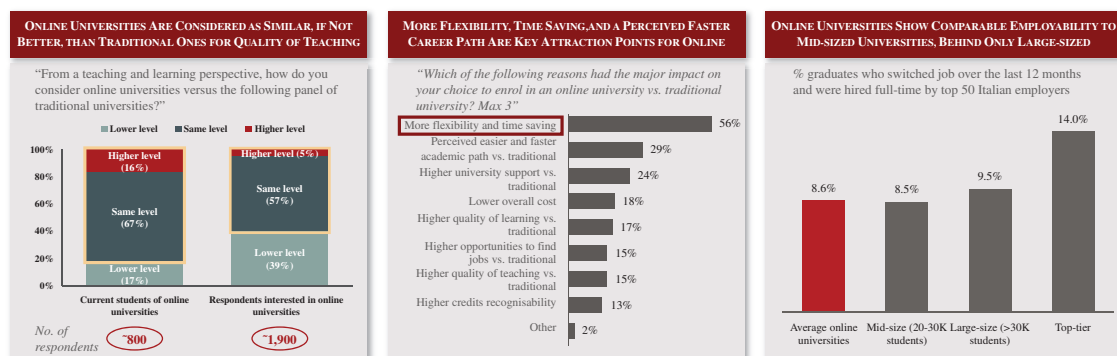
- **Lower overall costs:** not requiring costs for attending physical lessons (e.g. housing, transport, cost of living), online education is generally more affordable than traditional one and accordingly appeals to a growing share of the population that desires an education but could not otherwise afford to attend a traditional university;
- **Tapping unmet demand:** online education offers to people who historically have not been able to obtain a university degree, or are currently working, programs addressing their demand for a more flexible path to a degree;
- **Highly Scalable Supply:** constrained by the practical limits of in-person education, traditional universities will struggle to meet increasing demand for graduates globally, while online universities' business model is highly scalable and can increase capacity as needed, leveraging existing platform without additional required large investments in infrastructures.

Current sentiment for online universities

A market study conducted by a third-party commercial advisor (the “**Third Party Commercial Advisor**”)¹⁹ highlighted an overall very positive market sentiment towards online universities, which it found were considered highly comparable to traditional ones from a teaching perspective. Of the respondents currently enrolled in online universities, 83% consider teaching from online universities to be on par with, if not better, than traditional universities, and this view is shared by 62% of respondents interested in online universities.²⁰

A key differentiating point for enrollment in online universities is the perceived increased flexibility and time saving according to 56% of enrolled students, with a faster academic path, higher university support and lower overall cost being other key factors. The study also illustrates how the online education platform offered by online universities is perceived of higher quality due to its “native” nature vs. online/ hybrid education models offered by traditional channels.

Employability of online university graduates is on average in line with the levels registered in mid-size or large-size traditional universities: among graduates who switched jobs in the 12 months between January 2020 and January 2021, 8.6% were hired full time by the top 50 Italian employers²¹ from online universities, compared to 8.5% for graduates from mid-sized traditional universities and 9.5% for graduates from large-sized traditional universities in the same time frame.



Leading positioning in a highly regulated and concentrated segment of the education market, with high barriers to entry

Multiversity enjoys a strong leadership position in the Italian online university market due to its combination of strong operational expertise, a solid and difficult to replicate business model and a comprehensive and complementary academic offering catering to the different needs of a large pool of students delivered through a superior technological platform.

¹⁹ Third Party Commercial Advisor, commercial due diligence (2021), source Survey @January 2021, Third Party Commercial Advisor analysis

²⁰ Third Party Commercial Advisor, commercial due diligence (2021), source survey @ January 2021, percentage of students enrolled in online universities (n=800) “From a teaching and learning perspective, how do you consider online universities versus the following panel of traditional universities?”

²¹ Third Party Commercial Advisor, commercial due diligence (2021), source LinkedIn Recruiter (January 2021), Third Party Commercial Advisor analysis.

Pegaso, the largest and most widely known of Multiversity's online universities, has the broadest academic reach (with seven undergraduate degrees, five specialist master's degrees, one single-cycle five-year degree and over 250 higher education / specialization and postgraduate master's courses), offering courses across a variety of disciplines including law, engineering, economics and literature, among others. Mercatorum, while smaller than Pegaso, is best placed to capture emerging educational trends in fields such as design, food, big data and sustainable mobility on the back of its strong ties to the territory and business communities, leveraging the partnership with the Italian Chamber of Commerce (owner of a 33% stake in Mercatorum) and a highly tailored offering (14 undergraduate degrees, four specialist master's degrees and one PhD programme²²). Finally, other assets, such as Certipass (international certifications for digital competencies and IT skills), Principe di Napoli and the academies, complement the breadth of the Multiversity portfolio and support the increasing diversification of the business with no overlapping of educational contents between the two online universities.

The effectiveness of Multiversity's business model also resides in its distribution platform, which allows it to retain full and direct contact with students over the course of their enrollment through the control of distribution and quality of education content. Students can be oriented directly by the universities or by the E-learning Center Points ("ELCPs"). The ELCPs network of approximately 3,000²³ local affiliates guarantees Multiversity a capillary presence all over the country, offering (in the case of Pegaso and Mercatorum) information and orientation assistance and (in the case of Certipass) EIPASS Certifications and related services to new potential students with a variety of different academic profiles, interests and backgrounds. This local presence throughout Italy allows flexibility of strategy to adapt to future market changes as well as proximity to students. All ELCPs are managed by external third parties that have entered into accreditation agreements with Multiversity's institutions. See "*Business—Material Contracts—Accreditation Agreements for ELCPs.*"

A) Undergraduate market

Multiversity enjoys a strong leadership position in the online undergraduate market, with a market share of circa 40%²⁴ as of academic year 2019/2020, more than two times bigger than the number two player in the online undergraduate education universe. Leveraging on its ability to address a broad market with a unique quality offer, year over year Multiversity has consistently gained market share in the undergraduate education segment, becoming leader in the academic year 2017/2018 and, since then, consolidating its prominent position. Multiversity's share of this market has grown by 19.2% over the past four years, and has captured an estimated over 55% of total market growth from academic year 2015/2016 to academic year 2019/2020.

The online undergraduate market is concentrated around the top five players, which represented ~90% of the combined student population in academic year 2019/2020 and captured the majority of recent growth.

The landscape of key online universities active in the Italian undergraduate market includes:

- **Multiversity**, through its two universities Pegaso and Mercatorum, has a leading market share in the online Italian market, with a combined market share of approximately 40% in the academic year 2019/2020 (Pegaso: 34.7%, Mercatorum: 5.2%). Multiversity Group's market share has increased since academic year 2015/2016 by 14.4% for Pegaso and 4.8% for Mercatorum. Pegaso has by far the most extensive capillary network in the market and charges average annual tuition fees of €1,800²⁵;
- **Università Niccolò Cusano ("Cusano")** is the second-largest player, with a market share of 18.6% in academic year 2019/2020, representing a decline in market share of 10.1% since academic year 2015/2016. Cusano charges average annual tuition fees of approximately €3,000²⁵;
- **E-Campus Università ("e-Campus")** is the third-largest market player with a market share of 15.0% in academic year 2019/2020, representing a market share gain of 2.8% since academic year 2015/2016. E-Campus charges average annual tuition fees of approximately €3,200²⁵;
- **Università Telematica Internazionale Uninettuno ("Uninettuno")** is the fourth-largest market player with a market share of 11.2% in academic year 2019/2020, representing a decline in market share of 4.1% since academic year 2015/2016. Uninettuno charges average annual tuition fees of approximately €1,600.
- **Guglielmo Marconi ("Marconi")** is the fifth-largest market player with a market share of 7.5% in academic year 2019/2020, representing a decline in market share of 7.5% since academic year 2015/2016. Marconi charges average annual tuition fees of approximately €1,760²⁵.

²² In partnership with Pegaso

²³ Certain ELCPs are accredited by more than one Multiversity institution

²⁴ Third Party Commercial Advisor, commercial due diligence (2021), source MIUR data (extraction @6/2019), Third Party Commercial Advisor analysis

²⁵ Average discounted yearly tuition for undergraduate courses excluding regional taxes; un-weighted average discount shown

B) Postgraduate master's market

The postgraduate master's market accounts for approximately 5% of the total higher education market, as opposed to 95% for the undergraduate market (95.0% in academic year 2019/2020). The online postgraduate market is concentrated but is similarly concentrated around five top players collectively representing almost 90% of the combined student population in academic year 2019/2020 and who have gained 21.6% in market share from all other competitors in the past 4 years. Furthermore, the top two players, Multiversity and e-Campus, together account for around 76% of the market, with e-Campus gaining the leading position over the last three years.

The landscape of key online universities active in the postgraduate master's market includes:

- **e-Campus** is the market leader, with a market share of 45.1% in academic year 2019/2020, a significant increase over the past three years considering that in academic year 2016/2017 it only had a market share of 2.3%;
- **Multiversity** is the second-largest player with a combined market share of approximately 31% in academic year 2019/2020 (Pegaso 29.4%, Mercatorum 1.6%). While doubling its enrolment in absolute terms over the past four years, Pegaso, like all other key players aside from Mercatorum, experienced a decline in market share since academic year 2015/2016 due to the strong growth of e-Campus (Multiversity Group's combined market share declined by 13.2% over this period). Multiversity benefits from a unique partnership with the public sector thanks to the direct participation of the Italian Chamber of Commerce, which holds a circa 33% stake in Mercatorum;
- **Cusano** is the third-largest player with 9.8% market share in academic year 2019/2020, having conceded 6.2% in market share since academic year 2015/2016;
- **Uninettuno** is the fourth-largest player with a market share of 2.3% in the academic year 2019/2020, but has almost halved its market share since academic year 2015/2016.
- **Guglielmo Marconi** is the fifth-largest player with a market share of 1.2% in the academic year 2019/2020, but has lost 0.6% in market share since academic year 2015/2016.

The Italian university market, initially closed to online universities, was officially opened to online competition in 2003 with a ministry decree in an effort to improve the percentage of Italian population with a higher education degree (one of the lowest of Europe). Since the opening of the online Italian higher education market in 2003, 11 private online universities were established, with online universities enrolling their first students in 2006. There are no public online universities and the online university market is structurally closed to new entrants, as no further licenses are currently expected to be issued. In particular, the restriction for the establishment of online universities in Italy is usually extended every 3 years, with the publication of the Ministerial Decree governing Italian universities' academic planning. The latest Ministerial Decree published in March 2021 (Decree n. 289 of 25 March 2021) confirmed the restriction until the academic year 2023/2024.

As a result of the restriction on the establishment of new online universities, barriers to entry are particularly high for any potential new entrant, whether domestic or from abroad. Even if the restriction were to be lifted, prospective market entrants would face significant upfront investments, in terms of time and resources, to catch up with established online players, like Multiversity, that has already established a nation-wide presence, superior technological platform, well-recognized brand and significant scale.

Traditional universities have historically limited their focus and investments in online education platforms as a result of various factors:

- **Structural complexity of a hybrid education model:** arising from the coexistence of traditional and online learning for the courses being offered and organizational complexity and teaching methodology change not easy to replicate. There might also be resistance to change from academics, which tend to favour traditional university teaching compared to online methods;
- **Infrastructural gaps and investments required:** given the geographic concentration of university facilities (generally in a single city, sometimes even a single campus/building) they lack the nationwide exam venues/network reach of online universities. Furthermore, the need for IT investments to adapt the business models is significant, both in terms of economic resources, as well as time and technical capabilities. Decisions over these matters typically take longer times in traditional universities, in particular for public-owned universities, given strategic agendas which do not prioritize online education and budget constraints;
- **Perceived risks around potential brand dilution:** for some of the most prominent names in the traditional education space, given the different offer and target markets.

During the COVID-19 pandemic, traditional universities were forced by the circumstances to offer online classes, but this is seen as only a temporary solution, with some already returning to forms of traditional education in the academic year 2021/2022. Most importantly, traditional universities cannot offer a permanent online solution without Ministry approval.

Compelling customer proposition, with capillary presence across the country and iconic venues

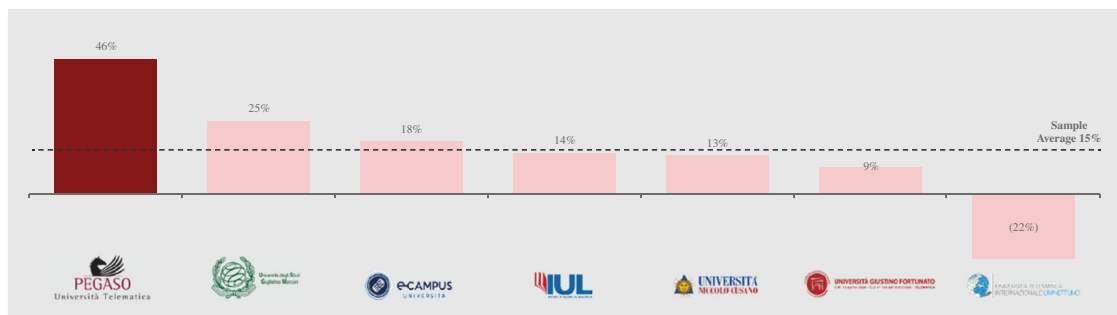
Online universities offer a value proposition capable of meeting the needs of a growing population seeking higher education but dissatisfied with a traditional university learning experience and service delivery. The key elements characterizing online universities' value proposition are: (i) a "student-centric" learning experience; (ii) convenience; (iii) equivalent legal value of degree (in most cases at a lower cost); (iv) extensive physical network and iconic venues in city centers; (v) effective commercial strategy and (vi) credibility and employability with employers.

Flexibility and convenience are the most important differentiating factors for students, chosen by 56% of respondents as the main reason for preferring online versus traditional universities based on a survey of 800 current students of online universities. Another key reason, growing in importance, is the lower overall cost, as distance learning removes a prominent barrier for many prospective students: the need to move to a different location to attend university (thereby saving travel and accommodation costs).

These attributes have allowed online universities, like Multiversity, to unlock a market otherwise inaccessible via traditional channels, catering to students that require flexibility (such as, for example, full-time workers) or that considered university inaccessible due to costs (such as travel and accommodation costs).

The superior quality of Multiversity's business model is evidenced by Pegaso's "Net Promoter Score," a grade delivered by actual students for the quality of its online deliver. Pegaso's NPS is the highest in the market, with 46%²⁶ of respondents happy to recommend Pegaso to a friend. This NPS favorably compares to 25% for the number two player, and an overall average of 15% for all other online universities.

Online Universities Net Promoter Score by Current Students Respondents²⁷



Student Centric Learning Experience

A key element distinguishing online universities from traditional universities is the high degree of flexibility. Not only can students follow courses online from anywhere; they can also choose to attend their exams in multiple venues across Italy, in up to 12 different exam sessions per year. Traditional universities, on the other hand, only offer exams in one primary location, in up to 4 exam sessions per year.

Online universities also offer a more student-friendly study experience. Lessons can be followed from anywhere via the online platform, with video-recorded classes lasting c. 25-30 minutes each, available 24/7 to students. Study packs are provided for each lesson, as well as numerous online mock exams. The offering is complemented by flexible additional services, such as dedicated tutors, online chat client and specific forums for both students and professors. Traditional universities, by contrast, generally only offer lessons on campus, with fixed schedules lasting 1-2 hours, and classes are usually not recorded. Specific textbooks are required, while the supporting materials and mock exams are often limited. Office hours are fixed and must be booked in advance, making communication between students and professors more difficult.

²⁶ Third Party Commercial Advisor, commercial due diligence (2021), source Survey @January 2021, Third Party Commercial Advisor analysis

²⁷ Source: Survey at January 2021, Third Party Commercial Advisor analysis. Respondents include current students of online universities or recently graduated; number of respondents dependent by university.

Beyond encompassing all of the key advantages common to online universities, Multiversity's offering in particular overperforms competitors thanks to its unique physical presence across Italy, including approximately 100 iconic exam locations, and a superior proprietary technological platform and contents.

More convenient alternative

Online education platforms offer students significantly decreased all-in costs of education versus traditional universities. Tuition fees are aligned to those of competing public traditional universities, however since courses can be attended remotely there is no need for students to acquire or rent accommodation to be close to the university (that is often one of the most sizeable and prohibitive implicit costs of university attendance) or pay for transit. Moreover, students can realize significant savings on course materials, given that all study materials are made available online and are included in the tuition fee. In traditional universities, by contrast, the primary source of information used in courses is physical textbooks, which students often need to purchase at significant cost.

Multiversity's pricing is highly competitive, both among other online universities and, to an even higher extent, when compared to traditional universities. Pegaso, for example, offers an average undergraduate preferential tuition fee per year of circa €1,800, compared to circa €3,000 per year for Cusano and e-Campus.

Officially recognized degree and equivalent legal value university degree

The degrees are accredited, have the same legal value and are verified in the same way as public and private universities degrees in Italy by the MIUR.

The Italian national agency for the evaluation of university and research systems (*Agenzia Nazionale di Valutazione del Sistema Universitario e della Ricerca* or "**ANVUR**") periodically inspects online and traditional universities to evaluate their services and provide them with an official accreditation. Pegaso and Mercatorum received top marks among online competitors in their latest accreditation visits in 2017.

Multiversity's wide and robust quality offering is continuously innovated through new courses (such as Big Data approved for Mercatorum) to adapt to changing trends and needs. Multiversity's reputation and brand awareness has benefited from the experience and breadth of its academic staff, which includes 76 full and associate professors (university professor holding a chair hired indefinitely), 155 extraordinary professors (experts on the specific research development sector), 479 contract professors (discipline expert with renewable annual assignment), 16 researchers (scholar of specific research fields) and 88 tutors developing cutting-edge proprietary content. Among its speakers and guests, Multiversity has hosted a breadth of personalities including former ministers, general secretary of the largest Italian labor union and award-winning film directors and screenwriters.

Capillary Physical Network and Iconic Venues

Proximity and ease of access to local infrastructure are key determinants for students when choosing between traditional forms of higher education and online and, within the latter, selecting one university over another.

Multiversity enjoys a unique presence in Italy thanks to Pegaso's approximately 100 iconic exam locations in the most important Italian cities and a difficult to replicate network of approximately 820 Pegaso and 800 Mercatorum ELCPs located throughout the country.

The numerous locations across Italy allow students to sit for exams close to their home cities. The use of iconic buildings as exam centers is also a contributor to establishing strong brand recognition with a unique positioning and brand awareness, not only among the students' population, but also among all the members of academic staff.

The large E-learning Center network of affiliates guarantees Multiversity a capillary presence across the country, offering orientation services and information to new potential students with a variety of different academic profiles, interests and backgrounds. This local presence throughout Italy allows flexibility of strategy to adapt to future market changes and proximity to students.

Effective commercial approach across traditional and online channels

Unlike their traditional counterparts, online universities generally display a more committed approach towards marketing and advertising, engaging with potential and existing students both online and via traditional channels such as billboards, television and radio. Multiversity has developed a particularly strong position across the spectrum, thanks to a well-developed multi-channel marketing strategy coupled with its capillary nationwide network.

Pegaso shows a higher social media following than most of online and traditional competitors, on the back of strong student engagement. This level of interaction was aided in part by targeted advertising with exclusive partners, such as a co-branding campaign with the movie Spider-man: Homecoming in 2017, and by airing TV spots during peak times, for example during widely-followed shows in Italy.

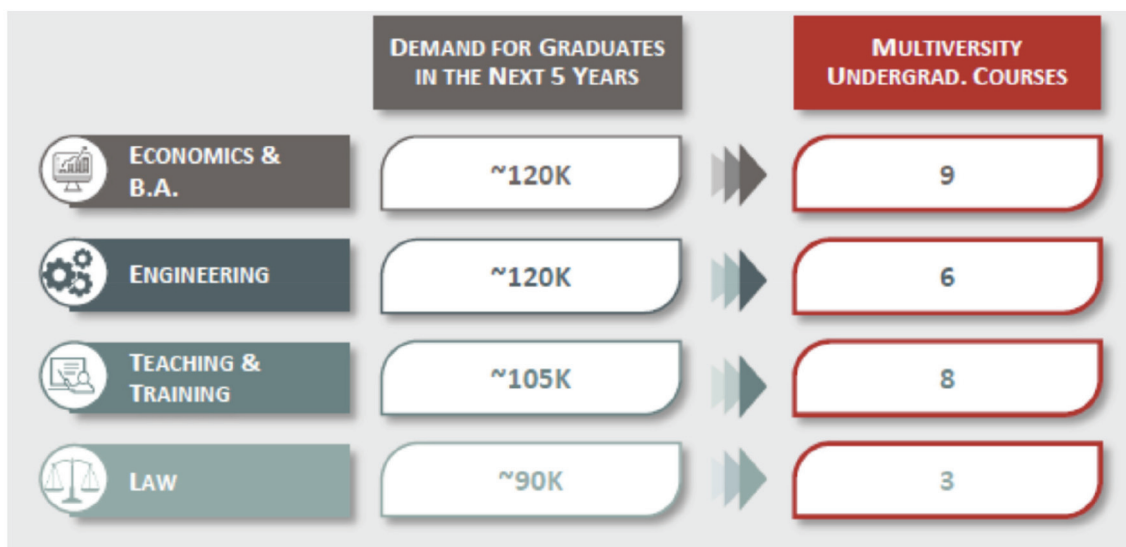
The effectiveness of Multiversity online marketing strategy is particularly relevant when considering the increasing penetration of first time students in the Italian online higher education channel, with such category—by nature, given the younger age - being more receptive and used to online forms of advertising vs. traditional ones.

Additionally, Pegaso and Mercatorum have established and consistently grown their unique network via framework agreements with more than 1,500 associations including public bodies, trade unions, the Chamber of Commerce, municipalities, cultural associations, private companies and sports associations. This network is over six times larger than any of the key competitors' and continues to grow, with approximately 350 new agreements concluded by Pegaso in the last year alone, 1.6 times the number of total agreements that the second player in the market had in 2020. These framework agreements are fundamental to Multiversity's business model, as they increase the possibility to secure a captive customer base.

Credible and Valid Access to Top Quality Employers

Multiversity's strong link with the Italian Chamber of Commerce (through its stake in Mercatorum) allow Multiversity's students to be best positioned to meet Italy's future employment needs. Multiversity's offering is tailored to respond to the future demands of the Italian job market. The latest estimates by *Unioncamere* relating to employment needs between 2020 and 2024 predict that almost 900,000 graduates will find a job between 2020 and 2024. Specifically, in the fields in which Multiversity offers degree and other programs, the expected need will be circa 120,000 graduates in Economics & Business Administration, circa 120,000 in Engineering, circa 105,000 in Teaching and Training and circa 90,000 in Law, collectively accounting for approximately 50% of the total projected demand.

Demand for graduates in the Italian job market and Multiversity offer²⁸



Multiversity single courses, including FIT (courses related to anthropo-psycho-pedagogical disciplines for students striving to become 2nd grade teachers), FORM, and Single Courses, are aligned with Public Administration hiring trends through “*Concorso Pubblico*” (i.e. public hiring tenders that require a specific

²⁸ Undergraduate courses include 3-year Bachelor degrees, 2-year Master's degree and 5-year degree (“ciclo unico or magistrale”) for law students. “Economics & Business Administration” includes Tourism Sciences (x2), Business Administration (x2), Sport Management, Economic Science, Management, Languages and Markets, International Relations for the Economic Development and Management Engineering (x2). “Engineering” includes Civil Engineering, Safety Engineering, Computer Engineering and Infrastructure Engineering for Sustainable Mobility. “Teaching” Includes Sport Science, Educational Science, Literature, Humanities and Educational Science, Philosophy and Ethics, Pedagogical Science and Modern Languages. “Law” includes Law and Legal Science.

exam). These hiring trends were severely affected by the COVID-19 pandemic, reducing public tenders by 60-70%²⁹ compared to previous years, but a rebound is expected as these tend to be recurring hiring tenders over the years. Through 2025, *Unioncamere* expects the need to hire 740,000 new employees into public administration, either to replace workers who are retiring (93%) or for new positions (7%).

When assessing post-degree job opportunities, Multiversity benefits from both online sector and company-specific trends.

An analysis by a Third Party Commercial Advisor among the top 50 Italian employers shows similar employability rates among online and traditional university graduates. Specifically, the percentage of online university graduates that switched jobs over the last 12 months and were hired full-time by one of the top 50 Italian employers was on average 8.6%³⁰ as of June 2021. This is 0.1% higher than graduates of mid-sized universities and only 0.9% lower than large universities. The comparable employment rate among online university graduates supports the credibility and validity of online education as an alternative higher education offer, which is expected to increase its overall appeal and spur demand across different segments of online universities' overall addressable market.

Compared to other online universities, Pegaso had the largest overall market share among online universities, equal to 33% of graduates hired in the past 12 months by the top 50 employers in Italy. According to a survey of 1,000 respondents³¹, Pegaso's graduates find jobs in: (i) Public Administration (20% of total alumni); (ii) top 50 Italian employers and large companies (16%); (iii) as independent professionals (17%) and (iv) small/medium enterprises (47%). In addition, Multiversity is the market leader in terms of its graduates being hired in the energy and utilities, financial services and industrial sectors³².

Proprietary technological platform and content with superior user experience

The technological platform developed by Multiversity over the years differentiates it versus competitors and constitutes a high barrier to entry for any prospective new player. User experience has been at the center of the development of this cutting-edge IT platform, hosting approximately 130,000 students over the 2020/2021 academic year, which was digital from its inception (versus traditional universities that are playing catch up with online platforms). Students are able to access all video lessons, class materials and mock exams; interact via video conference with professors and tutors; and even attend exams online, all through user-friendly Pegaso and Mercatorum websites or mobile apps (first launched in 2018). Superior user experience is also at heart when Multiversity creates its content for these platforms: while professors create the content, they are supported throughout by Multiversity IT staff who ensure that materials produced are optimized to be deployed across all its channels. Multiversity is currently serving one of the largest online student communities in Italy and has a broad social network presence to further engage with its students.

The company has developed its platform mostly in-house or by personalizing open-source software, achieving a strong back-end able to deliver seamlessly across all platforms and devices. Multiversity has also fully transitioned its business to cloud-based servers provided by Amazon Web Services' ("AWS") cloud datacenters, and currently hosts 150 terabyte/month of data storage and relies on a multi-server system, with a load balancer to manage user traffic overload. This cloud structure adds an additional disaster recovery horizontal layer (through AWS) to the existing redundant copy stored in the company's Multimedia Centre in Naples. Multiversity's platform, in addition to leveraging the latest technology available such as facial recognition to confirm student identity, offers advanced proprietary features such as a suggestion tool for its students (enabled by artificial intelligence and machine learning) that prompts highly relevant content to each individual based on their career path, grades and progress.

Quality of the IT platform is recognized by students compared to peers and traditional universities, demonstrating students are highly satisfied with the technological tools at their disposal.

²⁹ Third Party Commercial Advisor, commercial due diligence (2021), source MEF, Third Party Commercial Advisor analysis

³⁰ Third Party Commercial Advisor, commercial due diligence (2021), source LinkedIn Recruiter (January 2021), Third Party Commercial Advisor analysis.

³¹ Alumni Pegaso (i.e. with a Pegaso degree both Undergraduate and Master) on LinkedIn.

³² Market leader in industrial in ex-equio with Università Cusano.

Attractive financial profile, with visible revenue, a scalable business model and high cash-flow conversion

Multiversity, benefiting from the positive structural tailwinds described above, was able to outpace its reference market (thanks to the specific strengths of its business model), with Pegaso in particular growing its revenue at a CAGR of 27% from 2018 to 2020. In the academic years 2018/2019-2019/2020, the number of students grew by 22% for the overall online market.

This growth was embedded with a certain amount visibility, as undergraduates (whose courses have a longer duration) and freshmen (the vast majority of which stay with Multiversity up to completion of their degrees) had a significant incidence on overall figures. In particular, undergraduate courses at Multiversity have an average duration of 2.8 years and a strong conversion rate (40% of graduates from 3-year degree programs apply for 1- or 2-year master's degrees). In addition, with Multiversity Group churn rates below those of the broader online market (approximately 5% vs. 6%³³), the potential negative impact on the overall student base from early exits is limited, granting additional stability. The average backlog for Pegaso in academic years 2017/2018-2020/2021 was approximately 55%.

These dynamics are of particular relevance given that approximately 55% of the Group's 2020 revenues were generated from undergraduate programs, thus allowing valuable visibility on future top-line evolution.

Operating leverage is high, on the back of a significant business model scalability. In particular, the variable component of our cost base is only related to the contributions recognized to the E-learning Centre Points, which grow as the business grows. For instance, during the year ended December 31, 2020, contributions recognized to the E-learning Centre Points accounted for 13% of our total revenues (and 26% of our total cost base), whereas the advertising costs represented 14%, educational and didactic personnel costs were 4%, headquarters and non-didactic personnel costs were 6%, rental costs were 2% and we recorded 9% of our total revenues for other expenses. As such, and given the asset-light nature of our business—with investments concentrated around IT platform—as our business grows, profitability and cash-flow based metrics are expected to grow more than proportionally.

Significant opportunity to grow beyond the existing perimeter, without significant investments

Given Multiversity's existing leadership position in online higher education, we expect to continue benefitting from the sector's structural tailwinds. Not only is the market expected to be larger in absolute size (reaching 379,000 undergraduate students in academic year 2025/2026³⁴ out of a total addressable base of approximately 1,000,000 individuals, vs. 135,000 as of academic year 2019/2020); it will also benefit from a different mix in terms of levers of growth, both from a geographic and student profile perspective.

In particular, there is significant geographic white space to be addressed, especially in the Italian Northern regions. While originally Southern Italy has seen the largest number of undergraduate students, strong growth in the online undergraduate market will come from the Italian Northern regions, increasing from circa 27% of the total undergraduate online student base to circa 34% in academic year 2025/2026, adding circa 60,000 new students and doubling the current absolute number.

In addition, first-timers—which have been the highest growth category over 2015/2016—2019/2020 academic years, with a 32% CAGR—will continue to increase their relative incidence versus overall undergraduate student base, moving from 33% in academic year 2015/2016 to 47% expected by academic year 2025/2026.

Multiversity in-house skills and know-how allow the Group to benefit from several opportunities for additional growth beyond its existing perimeter without the need for significant investments. These opportunities include B2B and continuous learning, becoming a technology provider and international expansion.

B2B and continuous learning

There are significant opportunities to put the technological platform at the service of a number of prospective clients for a variety of potential needs. In particular, the pandemic forced many companies to implement distance learning initiatives for their employees.

Multiversity is already equipped to tap this opportunity through its proprietary technology platform and in-house content. Leveraging our technological capabilities and the know-how and capabilities of our academic staff,

³³ Third Party Commercial Advisor, commercial due diligence (2021), Third Party Commercial Advisor analysis

³⁴ Third Party Commercial Advisor, commercial due diligence (2021), Third Party Commercial Advisor analysis on MIUR data for historicals, forecasts based on Third Party Commercial Advisor estimates

Multiversity could offer customized platforms, content and innovative learning programs for companies or specific industries, coupled with our nationwide capillary presence through which we can also offer in-person lessons.

Technological platform—“White Label”

Multiversity’s proprietary platform and in-house technological capabilities could also be exploited as a product to be sold to third parties. In order to avoid potential conflicts of interests or providing competitors with our technology, this offering could be tailored to K-12 or traditional universities addressing distinct student populations.

International expansion

Although organic international expansion is rendered difficult by divergent regulatory environments and requirements which reduce our ability to replicate or scale our model, there are potential opportunities in selected international markets where Italian degrees are relevant and attractive. In particular, we are currently developing an offering in Turkey, and will selectively expand to other countries by leveraging the same content and platform to international students seeking an Italian degree recognized across the European Union.

Strong and Aligned Management team

Multiversity has a highly experienced and committed management team, with deep education know-how and rich external professional experience, under the strategic vision of Danilo Iervolino founder of Multiversity and pioneer in the industry.

The management team is composed of a corporate headquarter and independent academic departments, which allow the optimal mix between the strategic vision, planning and control, and academic requirements.

Danilo Iervolino—Founder and Chairman of Multiversity

Mr. Iervolino is the founder and Chairman of Multiversity. He holds several other institutional roles, including member of the Steering Committee of Aprom³⁵, adviser of Svimez, and has been part of the council of Confindustria Campania. Born in Naples (Italy) in 1978, Mr. Iervolino holds a degree in Business Management at Parthenope University of Naples.

Fabio Vaccarone—Incoming CEO of Multiversity

Mr. Vaccarone will become the CEO of Multiversity Group following the completion of the Acquisition and has been serving on the Board of Directors of Multiversity since January 2020. Prior to his current role, he served as Vice President of Google and Managing Director of Google Italy, and as a Member of Google EMEA Management Board. He previously held top executive positions as CEO/Managing Director within Rcs MediaGroup, at Il Sole 24 Ore, and at GEDI Group. Mr. Vaccarone holds a degree in Economics, a Bocconi MBA, and has started his career in Bain&Company.

Giovanni Marino—Multiversity Group CFO

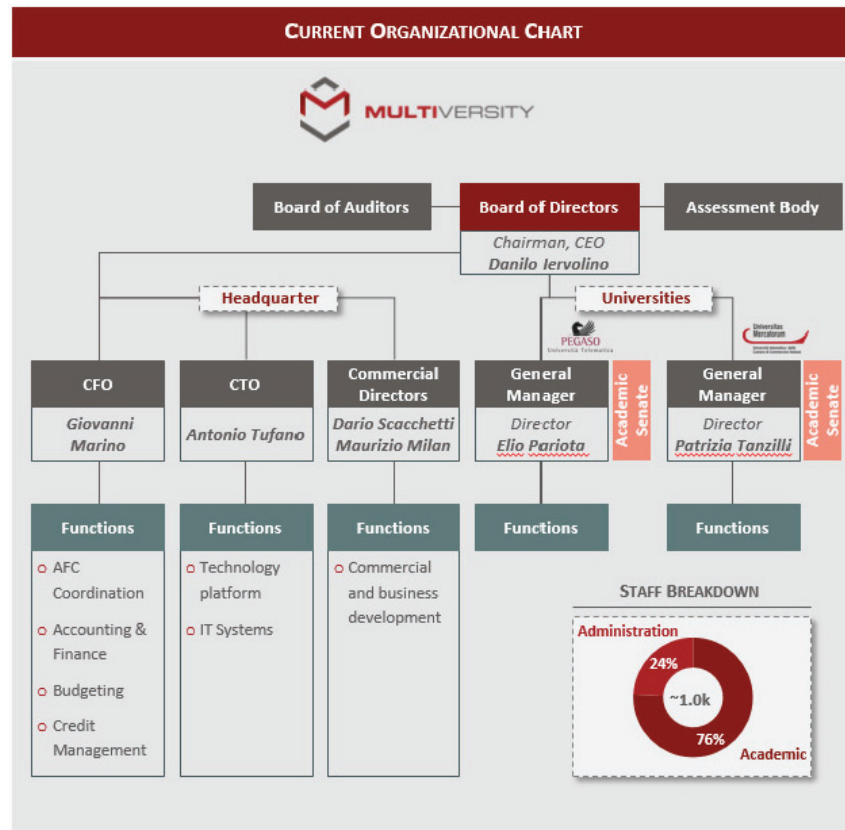
Mr. Marino joined Multiversity Group as CFO since April 2020. Prior to his current role, he served as the Group CFO and Investor Relations Manager of Triboo Group, Italian listed company offering digital services since 2017. Mr. Marino started his career in the retail business line of Deutsche Bank, and spent 13 years in EY as a Chartered Accountant and Auditor. Mr. Marino holds a degree in Economics at Carlo Cattaneo University.

Antonio Tufano—Multiversity Group CTO

Mr. Tufano started his career in Multiversity in 2010, where he has held various positions of increasing responsibility. Mr. Tufano holds a degree in Engineering at Federico II University of Naples.

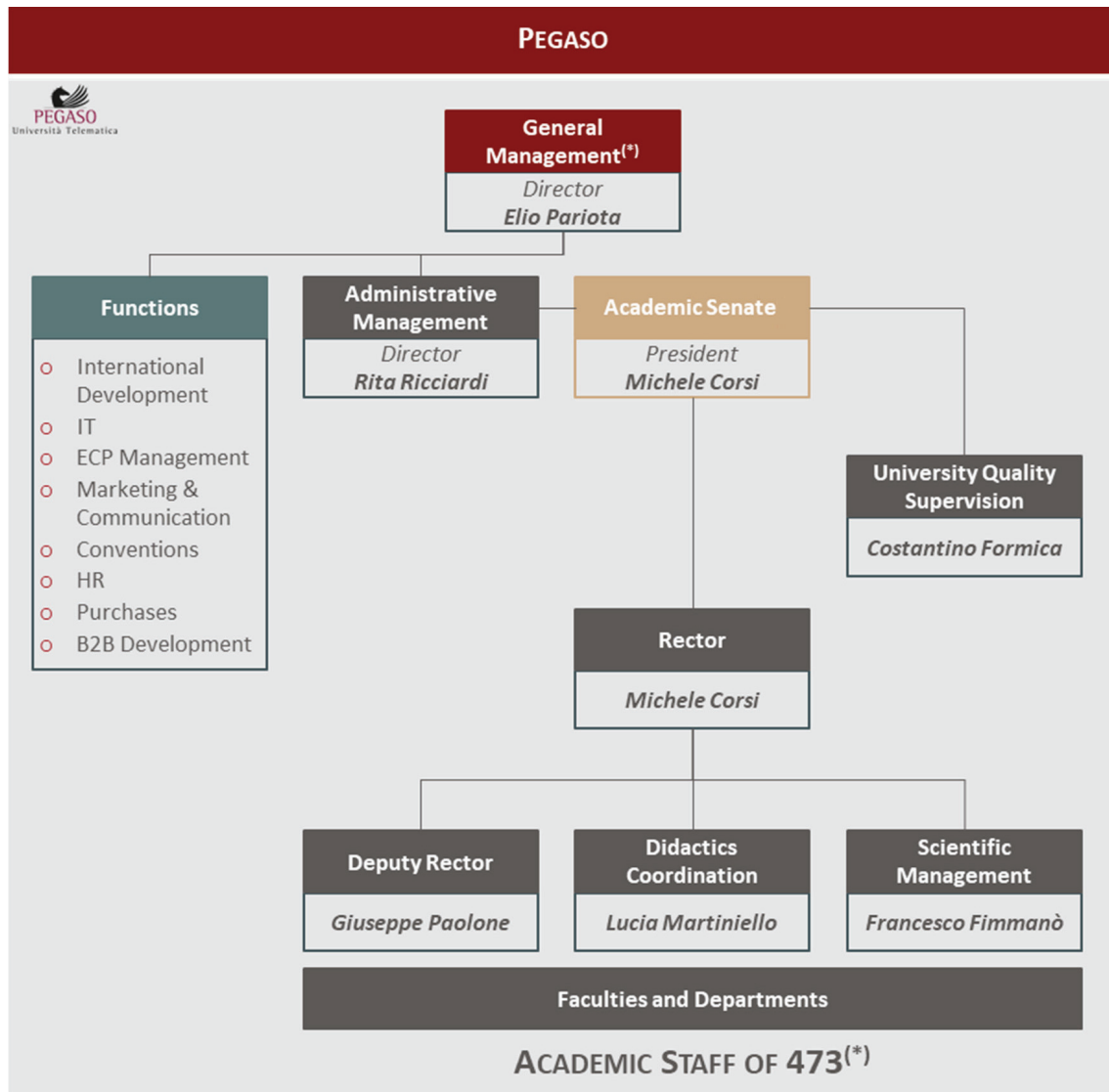
³⁵ Association for the progress and industrial development of Southern Italy

Below is the current organisational chart of the Multiversity Group.



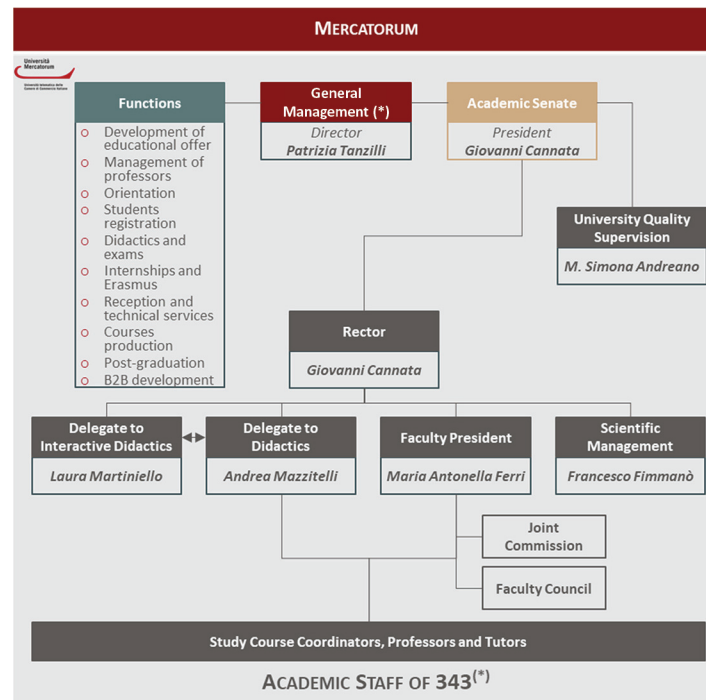
The quality and integrity of the educational offering is ensured by the independence of the two separate Academic Senates of Pegaso and Mercatorum. These are the highest academic authorities of the institutions and effectively drive the academic and scientific policy.

Pegaso faculty - simplified organizational chart:



* Also reports to the Board of Directors. Academic staff includes staff overlapping among entities and Rector.

Mercatorum faculty—simplified organizational chart:



* General Management also reports to the Board of Directors, Academic staff includes staff overlapping among entities and the Rector, the Joint Commission also includes the General Management

Business Strategy

We consistently focus on the following elements of our strategy to maintain and strengthen our position as one of the leading Italian online technology focussed educational groups.

We continue to deliver accessible education to students, addressing their needs and contributing to democratising higher education learning

We believe our commitment to the provision of a high quality online educational experience to our students is the foundation of our operating performance and growth.

We will continue to offer our students flexibility and constant support throughout their academic careers, an excellent educational path and a cutting-edge platform, all with a compelling economic proposition. All of this is possible as we recruit and retain experienced and highly qualified teachers and constantly refresh proprietary content, with the aim of best positioning our students to respond to the future demands of the job market. Furthermore, we remain committed to the development of a tailored educational offering and will continue to implement innovative courses and approaches to education.

We intend to continue our strategy by attracting, retaining and investing in teaching professionals and prominent Italian experts across various disciplines, all while delivering superior content. In this context, we believe research plays a key role; our goal is to support our staff with the means and tools to continue to produce updated content and publications.

We will allocate adequate financial resources to further enhance our tech platform, particularly in cybersecurity, to support the protection of remote students while maintaining a high standard of service.

In line with the 2030 Agenda for the Sustainable Development Goals (“SDGs”), we remain loyal to our commitment to ensure an inclusive and fair quality education, to promote opportunities of continuous learning for everyone and sustainable and inclusive economic growth, facilitating access to honorable job opportunities for everyone.

Continue to deliver educational content through a superior user experience and technology platform, investing in improving academic quality and maintaining brand awareness

Providing our students with a superior experience is at the core of our operations.

To achieve this goal, we will leverage our cutting-edge technological platform and continue improving our web and mobile applications, with the aim of delivering educational content in the most streamlined, intuitive and efficient manner as possible. Our IT staff will support our professors to ensure that all content is optimised for deployment across our various delivery channels and guaranteeing the best possible online academic experience to our students.

We also intend to continue investing in the back-end of our technological platform to ensure the highest quality of service. We plan to further improve our cybersecurity operations, as protecting our remote students from potential risks remains a key priority for us. We intend to continue our roll-out of the most up-to-date technologies, including facial recognition and artificial intelligence software.

In addition to further developing our technology, we also remain committed to constantly improving the quality of our academic offering and adapting it to market demand.

We believe that the constant improvement of our digital-born platform and academic offering, coupled with our commitment to ensuring flawless delivery across all channels, will contribute to maintaining and reinforcing our brand awareness.

Increase enrollment by focusing on segments with unmet demand

On the basis of our leadership position and the quality of our offering, we believe we are best positioned to tap the significant white space in the Italian market, especially in the undergraduate segment. In an effort to address the widest possible audience with our unique proposition, we will focus on optimizing our marketing and advertising initiatives (including our presence on digital and traditional channels), strengthening our ELCPs network and expanding our commercial partnerships.

A high level of student satisfaction is key for us and something we are highly committed to, as it translates into higher retention rates and, consequently, a higher number of years students spend at Multiversity. We are strongly convinced in the evolution of the market towards a “continuous learning” model; the more we are able to retain our students and address their needs, the greater the chance that they will return to Multiversity for their future educational needs.

Maximizing operating and financial performance

We continuously monitor and evaluate our operational performance to identify opportunities for enhancement and to capitalize on embedded growth.

We continue to place significant emphasis on managing our costs efficiently, benefiting from higher operating leverage and maintaining operational flexibility.

We also seek to consistently generate tuition fee growth above cost inflation—supported by the growing demand for online education, our strong reputation and the quality of our educational offer—in order to grow our revenue and expand our margins.

Pursue opportunity to grow selectively beyond the existing perimeter, leveraging existing in-house capabilities

We will continue to assess and develop opportunity beyond the existing perimeter, such as B2B and continuous learning, becoming a technology provider, and international expansion.

Recent Developments

Trading Update

Based on our unaudited preliminary management accounts for the YTD period ended August 31, 2021, Multiversity Group revenue amounted to €181.7 million and increased by 35% compared to the same period ended August 31, 2020. EBITDA margin YTD period ended August 31, 2021 is generally in line with EBITDA margin for the YTD period ended June 30, 2021. These results were driven by the increase of new enrollments for the period and undergraduates students enrolled during previous academic years.

The preliminary results and estimates presented above have not been audited, are derived from internal management accounts, are the responsibility of management and are subject to our financial closing procedures.

These procedures have not yet been completed. 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. This information may not be indicative of the remainder of the period ended August 31, 2021 or any future period. See “Forward-Looking Statements”, “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Offering Memorandum for a more complete discussion of certain of the factors that could affect our future performance.

Principal Shareholders

CVC

CVC is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 25 offices on five continents: 16 across Europe and the Americas and nine in the Asia-Pacific region. As of June 30, 2021, CVC has secured commitments of over \$165 billion from over 300 investors from across the world. In total, CVC’s private equity platform currently manages approximately \$97 billion of assets.

Information about the Issuer

The Issuer is a joint stock company (società per azioni) established under the laws of the Republic of Italy and is registered with the Companies’ Registry (Registro delle Imprese) of Rome under No. 16314391000. The registered office of the Issuer is located at Via di San Nicola da Tolentino 67, 00187 Rome, Italy. The telephone number of the Issuer is +39 06 93 18 271 and the fax number of the Issuer is +39 06 931 827 403.

The Transactions

On November 4, 2019, Paganini Investments S.à r.l., a Luxembourg company indirectly controlled by CVC (“**Paganini**”), acquired from Multiversity S.p.A. (“**MultiSpa**”) 50% of the share capital of Multiversity through wholly equity financed investment.

Paganini also acquired 50% stake of the share capital of Certipass S.r.l. (“**Certipass**”). The remaining 50% of the share capital of Multiversity has been indirectly held by an Italian individual (the “**Seller**”) and on June 20, 2021 Paganini entered into a sale and purchase agreement to acquire the remaining 50% of the share capital of Multiversity from the Seller (the “**Acquisition**”).

We currently expect the Acquisition to complete on October 28, 2021 (immediately following the Issue Date), as a result of which the Issuer will acquire (i) the entire issued share capital of Wiversity S.r.l., an entity incorporated under the laws of Italy (“**Wiversity**”) and (ii) the entire issued share capital in Multiversity (together, such investments being the “**Multiversity Investment**”) such that, at completion of the Multiversity Investment, the Issuer will own, directly or indirectly, the entire issued share capital of the Multiversity. Following the Acquisition, Multiversity will also own 100% of Certipass.

In connection with the Multiversity Investment, (i) the Issuer will enter into a bridge to cash facility agreement (the “**Bridge to Cash Facility Agreement**”), which will be used to partially fund the Multiversity Investment (the “**Bridge to Cash Facility**”), (ii) the Issuer will enter into a super senior revolving credit facility (the “**Revolving Credit Facility**”) and will draw €38.7 million under the Revolving Credit Facility and (iii) CVC indirectly made a cash equity contribution to the Issuer in the aggregate amount of €41.8 million (the “**Equity Contribution**”) through injections into Paganini Holdings S.à r.l. (“**LuxCo**”) and Paganini.

The gross proceeds of the Offering, are €763.1 million. On the the Acquisition Closing Date, the proceeds of the Offering, the Bridge to Cash Facility, amounts drawn under the Revolving Credit Facility and the Equity Contribution will be used by the Issuer to fund the Multiversity Investment and to pay the estimated costs and expenses associated with the Transactions (as defined below). See “—Sources and Uses” and “Use of Proceeds.”

We refer to the Multiversity Investment, the Bridge to Cash Facility, the entering into the Revolving Credit Facility Agreement, the Equity Contribution and the Offering and any actions or steps related to the foregoing, collectively as the “**Transactions**.”

Following completion of the Multiversity Investment, the Issuer, Wiversity and MultiSpa will merge into Multiversity under a reverse merger (the “**Post-Closing Reorganisation**”) with the surviving entity being Multiversity. Following the Post-Closing Reorganisation, Multiversity will assume the obligations of the Issuer under the Indenture, the Notes and the Revolving Credit Facility Agreement. Subject to certain Agreed Security Principles (as defined herein), sufficient guarantors will accede within 120 days of the earlier of (a) the Post-Closing Reorganisation and (b) the first anniversary of the Acquisition Closing Date such that entities contributing 80% of the Consolidated EBITDA of the Group (and each Material Company (being each

contributing 5% or more of Consolidated EBITDA of the Group on an unconsolidated basis) located in Guarantor Jurisdictions (as defined herein) become, subject to Agreed Security Principles, guarantors, see “*Description of Certain Financing Arrangements—Revolving Credit Facility—Guarantees*”. In addition, security is to be granted (subject to and in accordance with the Agreed Security Principles and certain significant limitations pursuant to applicable laws as described under “*Limitations on Validity and Enforceability of any notes Guarantees and the Collateral and Certain Insolvency Law*”) over the shares in any additional borrower under the Revolving Credit Facility (including on a limited recourse basis if the relevant shareholder is not a guarantor), and any Material Company or other member of the Group located in a Guarantor Jurisdiction which becomes a guarantor of the Revolving Credit Facility is required (subject to and in accordance with the Agreed Security Principles and certain limitations pursuant to applicable laws as described under “*Limitations on Validity and Enforceability of any notes Guarantees and the Collateral and Certain Insolvency Law Considerations—Limitations on Granting Security Interests and Guarantees under Italian Law*”) to grant security over shares in any Material Company that is its wholly-owned subsidiary and (if wholly owned by other members of the Group) to have its own shares (or equivalent ownership interests) secured in favor of the Security Agent (including on a limited recourse basis if the relevant shareholder is not a guarantor). For the avoidance of doubt, no security shall be granted by (or over the quota in or loans made to) Target or MultiSpA.

Escrow Account

The Initial Purchasers will, concurrently with the closing of the Offering on the Issue Date, deposit the gross proceeds of the Offering into an escrow account (the “**Escrow Account**”). The release of the escrow proceeds will be subject to certain conditions, including completion of the Acquisition. If the Acquisition is not consummated on or prior to the Escrow Longstop Date, 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 initial issue price of such Notes plus accrued and unpaid interest, and additional amounts, if any, from the Issue Date to the special mandatory redemption date. See “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*”.

The escrowed funds will be limited to the gross proceeds from this offering of the Notes, together with any earnings thereon and investments thereof, if any, and will not include cash to fund any accrued and unpaid interest on each series of Notes that may be payable in the event of a special mandatory redemption. See “*Risk Factors—Risks Related to our Capital Structure—If the Offering closes prior to the consummation of the Multiversity Investment, if certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem its Notes, which means that you may not obtain the return you expect on the Notes and the escrowed funds may not be sufficient to cover the special mandatory redemption price*”.

Sources and Uses

The expected estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below. Actual amounts on the Acquisition Closing Date will vary from estimated amounts depending on several factors, including differences from our estimate of fees and expenses. This table should be read in conjunction with “*Summary—The Transactions*”, “*Use of Proceeds*” and “*Capitalization*.”

Sources of funds		Uses of funds	
(in millions of Euros)		(in millions of Euros)	
Notes offered hereby ⁽¹⁾	763.1	Purchase of 50% stake of	
		Multiversity ⁽⁵⁾	800.2
Revolving Credit Facility ⁽²⁾	38.7	Cash Available ⁽⁶⁾	228.4
Bridge to Cash Facility ⁽³⁾	221.6		
CVC Contribution ⁽⁴⁾	41.8	Estimated transaction costs ⁽⁷⁾	36.6
.....	1,065.2	Total uses	1,065.2

(1) Represents the gross proceeds of the Notes issued at an offering price at 99.75%.

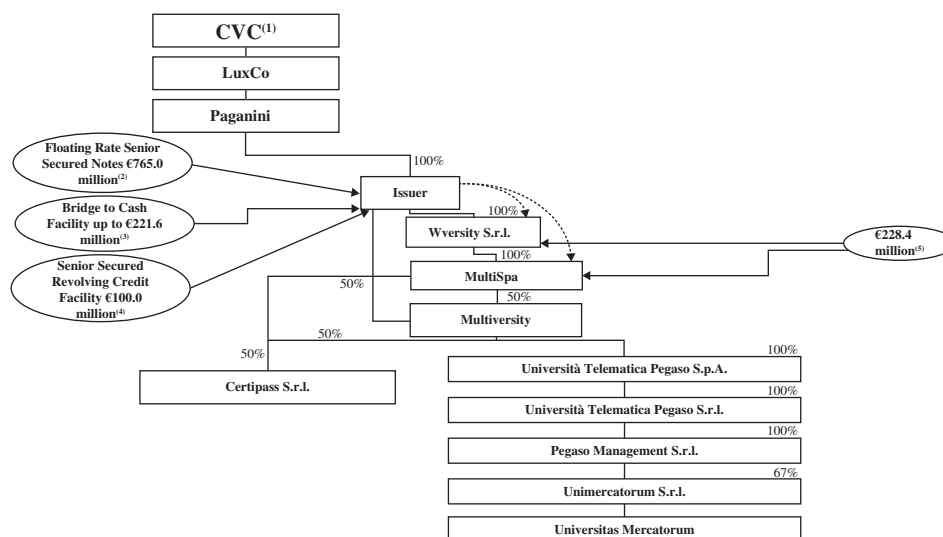
(2) Represents the €100.0 million Revolving Credit Facility. The amount of €38.7 million is expected to be drawn under Revolving Credit Facility immediately before the Acquisition Closing Date.

(3) The Issuer will enter into the Bridge to Cash Facility to partially fund the Multiversity Investment. The quantum of the Bridge to Cash Facility will be a principal amount of €221.6 million which represents an amount equal to the Cash Available held by MultiSpA for the purposes of the Multiversity Investment. The Bridge to Cash Facility will be repaid within two Business Days following the completion and effectiveness of the Post-Closing Reorganisation (as defined herein) (but in any event no later than December 15, 2022).

- (4) Represents the aggregate principal amount of the Equity Contribution downstreamed to the Issuer which together with the proceeds of the Notes the amounts drawn under the Revolving Credit Facility and the Bridge to Cash Facility will be applied towards the consideration for the Multiversity Investment.
- (5) Represents the total purchase price paid by the Issuer for the remaining 50% stake at Multiversity.
- (6) Cash Available represents cash held by Wiversity and MultiSpa that the Issuer will pay to the Seller in connection with the Multiversity Investment (the “**Cash Available**”). The Cash Available will ultimately be used to discharge the Bridge to Cash Facility.
- (7) Represents the estimated transaction costs associated with the Transactions, including underwriting fees and other transaction costs and professional expenses. The actual amount of transaction fees and expenses may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as of the completion of the transactions referred to in the table above.

SUMMARY CORPORATE AND FINANCING STRUCTURE—ON AND IMMEDIATELY FOLLOWING THE ISSUE DATE BUT PRIOR TO THE POST-CLOSING REORGANISATION

The following chart summarizes our corporate and financing structure as of the date of this Offering Memorandum adjusted to give effect to the offering of the Notes hereby and the application of proceeds thereof as described in “*Use of Proceeds*” and does not reflect the Post-Closing Reorganisation. The 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*.”



(1) Funds advised or managed by CVC, own a majority indirect stake of the Issuer’s share capital through Paganini. Funds advised or managed by CVC will indirectly make an Equity Contribution through injections into LuxCo and Paganini which will be downstreamed to the Issuer. See “*Principal Shareholders*.”

(2) The Issuer is offering €765.0 million in aggregate principal amount of Notes. The Notes will be senior obligations of the Issuer and will (i) rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer and other obligations that are not expressly subordinated in right of payment to the Notes, including the Revolving Credit Facility, (ii) 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, (iii) rank effectively senior to any existing and future indebtedness of the Issuer that is unsecured to the extent of the value of the Collateral (as defined below), (iv) be effectively subordinated to any existing and future indebtedness or obligation of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness and (v) be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors.

The Notes will not be guaranteed on the Issue Date. Subject to certain Agreed Security Principles (as defined herein), the Notes will be secured by first-ranking security interests (the “**Collateral**”): (i) on or about the Issue Date, by (x) a limited recourse pledge over Paganini’s shares in the Issuer and (y) a limited recourse security interest agreement over Paganini Investments S.à r.l.’s structural intercompany receivables owing to it by the Issuer (if any) and (ii) within 20 Business Days following the Post-Closing Reorganisation (as defined herein), an over limited recourse pledge over Paganini’s shares in Multiversity (to be converted, subject to any relevant approval and/or authorization, into an S.p.A. (*Società per azioni*) prior to the Post-Closing Reorganisation). In addition, the Notes will be secured by a first-ranking security interest in the Escrowed Property. See “—*Escrow of Proceeds; Special Mandatory Redemption*”. The Collateral will also secure on a first-ranking basis the Revolving Credit Facility and certain hedging obligations and may also secure certain future indebtedness. In the event of an enforcement of the Collateral, the holders of the Notes will receive proceeds from such collateral only after lenders under the Revolving Credit Facility and counterparties to certain hedging obligations have been repaid in full. See “*Description of Certain Financing Arrangements—Intercreditors Agreement*,” and “*Description of the Notes—Security*.”

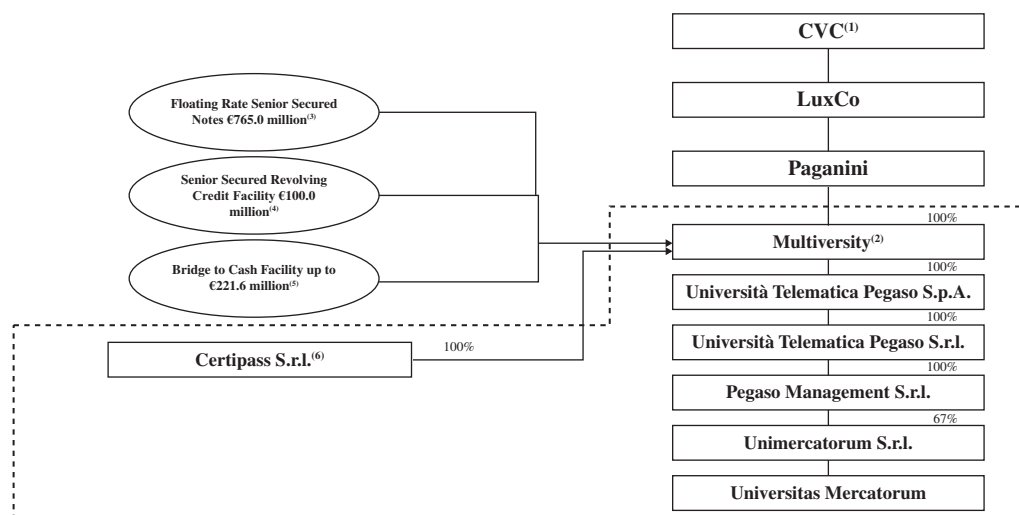
(3) The Issuer will enter into the Bridge to Cash Facility to partially fund the Multiversity Investment. The quantum of the Bridge to Cash Facility will be a principal amount of €221.6 million which represents an amount equal to the Cash Available held by MultiSpa for the purposes of the Multiversity Investment. The Bridge to Cash Facility will be repaid within two Business Days following the completion and effectiveness of the Post-Closing Reorganisation (as defined herein) (but in any event no later than December 15, 2022). See “*Description of Certain Financing Arrangements—Bridge to Cash Facility*.”

(4) Prior to the Issue Date, the Issuer will also enter into the Revolving Credit Facility Agreement and will draw €38.7 million, which is secured by first-priority security interests in the Collateral. For more information on the Revolving Credit Facility, see “*Description of Certain Financing Arrangements—Revolving Credit Facility*.” 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 Revolving Credit Facility and counterparties to certain hedging agreements have been repaid in full. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*.”

(5) Cash Available represents cash held by Wiversity and MultiSpa which the Issuer will pay to the Seller in connection with the Multiversity Investment. The Cash Available will ultimately be used to discharge the Bridge to Cash Facility.

SUMMARY CORPORATE AND FINANCING STRUCTURE—POST-CLOSING REORGANISATION

The following chart summarizes our expected corporate and financing structure adjusted to give effect to the offering of the Notes hereby, the application of proceeds thereof as described in “*Use of Proceeds*”, the payment of the Bridge to Cash Facility and the Post-Closing Reorganisation. The 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 charts, please refer to the sections entitled “*Description of the Notes*,” “*Description of Certain Financing Arrangements*” and “*Capitalization*.”



- (1) Funds advised or managed by CVC, own a majority indirect stake of the share capital of Multiversity through Paganini. See “*Principal Shareholders*.”
- (2) Following completion of the Multiversity Investment, the Issuer, Wversity and MultiSpa will merge into the Multiversity under a reverse merger (the “**Post-Closing Reorganisation**”) with the surviving entity being Multiversity which in that context will be converted, subject to any relevant approval and/or authorization, into an S.p.A. (*Società per azioni*). After the Post-Closing Reorganisation, Multiversity as the surviving entity will assume the obligations of the Issuer under the Indenture, the Notes and the Revolving Credit Facility. Subject to the Agreed Security Principles (as defined herein), post-closing, sufficient guarantors will accede within 120 days of the earlier of (a) the Post-Closing Reorganisation and (b) the first anniversary of the Acquisition Closing Date such that entities contributing 80% of the Consolidated EBITDA of the Group that are located in Guarantor Jurisdictions (as defined herein) and each Material Company (being each contributing 5% or more of Consolidated EBITDA of the Group on an unconsolidated basis) become, subject to Agreed Security Principles, guarantors, see “*Description of Certain Financing Arrangements—Revolving Credit Facility—Guarantees*”. In addition, security is to be granted (subject to and in accordance with the Agreed Security Principles) over the shares in any additional borrower under the Revolving Credit Facility (including on a limited recourse basis if the relevant shareholder is not a guarantor), and any Material Company or other member of the Group located in a Guarantor Jurisdiction (as defined herein) which becomes a guarantor of the Revolving Credit Facility is required (subject to and in accordance with the Agreed Security Principles and certain limitations pursuant to applicable laws as described under “*Limitations on Validity and Enforceability of any notes Guarantees and the Collateral and Certain Insolvency Law Considerations—Limitations on Granting Security Interests and Guarantees under Italian Law*”) to grant security over shares in any Material Company that is its wholly-owned subsidiary and (if wholly owned by other members of the Group) to have its own shares (or equivalent ownership interests) secured in favor of the Security Agent (including on a limited recourse basis if the relevant shareholder is not a guarantor). For the avoidance of doubt, no security shall be granted by (or over the quota in or loans made to) Target or MultiSpA.
- (3) The Notes will be senior obligations of Multiversity. The Notes will not be initially guaranteed. The Notes will be secured by the Collateral. The Collateral will also secure on a first-ranking basis the Revolving Credit Facility and certain hedging obligations and may also secure certain future indebtedness.
- (4) Multiversity assumes the obligations under the Revolving Credit Facility, which is secured by first-priority security interests in the Collateral. 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 Revolving Credit Facility and counterparties to certain hedging agreements have been repaid in full. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*.”
- (5) The Bridge to Cash Facility will be repaid within two Business Days following the completion and effectiveness of the Post-Closing Reorganisation (as defined herein) (but in any event no later than December 15, 2022).
- (6) Following the Acquisition, Multiversity will also own 100% of Certipass.

THE OFFERING

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

Issuer	Paganini BidCo S.p.A. and following the Post-Closing Reorganisation, Multiversity S.r.l. (to be converted, subject to any relevant approval and/or authorization, into an S.p.A. (<i>Società per azioni</i>) prior to the Post-Closing Reorganisation)
Notes Offered	€765.0 million aggregate principal amount of senior secured floating rate notes due 2028.
Issue Date	October 27, 2021.
Issue Price	99.75%, plus accrued and unpaid interest from the Issue Date.
Maturity Date	October 30, 2028
Interest Rate and Interest Payment	
Dates	Three-month EURIBOR (subject to a 0.0% floor) plus 4.25% per annum, reset quarterly. Interest on the Notes will be paid quarterly in arrears on each January 30, April 30, July 30 and October 30, commencing on January 30, 2022. Interest on the Notes will accrue from the Issue Date.
Form and Denomination	The Notes will be issued on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.
Ranking of the Notes	The Notes will: <ul style="list-style-type: none"> • be general senior obligations of the Issuer, secured as set forth under “—Description of the Notes—Security”; • rank <i>pari passu</i> 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; • rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes; • rank effectively senior to any existing and future indebtedness of the Issuer that is unsecured to the extent of the value of the Collateral; • be effectively subordinated to any existing and future indebtedness or obligation of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and • be structurally subordinated to any existing or future indebtedness of the Subsidiaries of the Issuer that are not Guarantors.
Security, Enforcement of Security ...	Subject to certain Agreed Security Principles, the Notes will be secured by first-priority security interests: (i) on or about the Issue Date by: (A) a limited recourse pledge over Paganini shares in the Issuer and (B) a limited recourse security interest agreement over Paganini’s structural intercompany receivables owing to it by the

Issuer (if any) and (ii) within 20 Business Days following the Post-Closing Reorganisation (as defined herein), a limited recourse pledge over Paganini's shares in Multiversity (to be converted, subject to any relevant approval and/or authorization, into an S.p.A. (*Società per azioni*) prior to the Post-Closing Reorganisation).

In addition, the Notes will be secured by a first-ranking security interest in the Escrowed Property. See "*Escrow of Proceeds; Special Mandatory Redemption*".

The Collateral will also secure the liabilities under the Revolving Credit Facility as well as 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 Revolving Credit Facility and counterparties to certain Hedging Obligations, the Security Agent, any receiver and certain creditor representatives have been repaid in full. See "*Risk Factors—The interests of the principal shareholder may conflict with your interests as a holder of the Notes—Creditors under the Revolving Credit Facility, certain hedging liabilities and certain debt that we may incur in the future will be entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to 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 "*Description of the Notes—Security*," "*Limitations on Validity and Enforceability of any notes Guarantees and the Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—The interests of the principal shareholder may conflict with your interests as a holder of the Notes*."

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*."

Guarantors The Notes will not initially be guaranteed. Subject to certain Agreed Security Principles (as defined herein), sufficient guarantors will accede within 120 days of the earlier of (a) the Post-Closing Reorganisation and (b) the first anniversary of the Acquisition Closing Date such that entities contributing 80% of the Consolidated EBITDA of the Group (and each Material Company (being each contributing 5% or more of Consolidated EBITDA of the Group on an unconsolidated basis) located in Guarantor Jurisdictions (as defined herein) become, subject to Agreed Security Principles, guarantors), see "*Description of Certain Financing Arrangements—Revolving Credit Facility—Guarantees*".

To the extent that guarantees are granted prior to the Post-Closing Reorganisation, proceeds from a virtual portion of the Notes, equal to an aggregate principal amount of €765.0 ("**Tranche A**"), will be used to fund, directly or indirectly, the purchase price for the Acquisition and fees and expenses in connection therewith, and proceeds from a separate virtual portion of the Notes, equal to an aggregate principal amount of €0.0 ("**Tranche B**"), will be used to fund, directly or

indirectly, the refinancing of certain existing indebtedness (if any) of the Target or its subsidiaries. For more information on the Italian law considerations applicable to Tranche A and Tranche B and the related limitations on guarantees and security interests granted by Italian companies, see “*Limitations on Validity and Enforceability of the Collateral and any Future Notes Guarantees and Certain Insolvency Law Considerations—Italy—Limitations on Granting Security Interests and Guarantees under Italian Law*” and “*Risk Factors—Risks Related to the Notes, the Collateral and any Future Notes Guarantees—The Collateral and any future guarantees or security of the Notes will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.*” 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 Acquisition and the various elements of the refinancing of the Group Existing Debt, respectively, and will not entail issuing separate identifiers (ISINs or common codes) for each such tranche. See “*Listing and General Information.*”

Escrow of Proceeds; Special

Mandatory Redemption The Initial Purchasers will, concurrently with the closing of the Offering on the Issue Date, deposit the gross proceeds of the Offering into the Escrow Account.

If the Acquisition is not consummated on or prior to the Escrow Longstop Date, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of each series of Notes will be equal to 100% of the aggregate initial issue price of such series of Notes plus accrued and unpaid interest, and additional amounts, if any, from the Issue Date to the special mandatory redemption date. See “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*”.

The escrowed funds will be limited to the gross proceeds from this offering of the Notes, together with any earnings thereon and investments thereof, if any, and will not include cash to fund any accrued and unpaid interest on each series of Notes that may be payable in the event of a special mandatory redemption. See “*Risk Factors—Risks Related to our Capital Structure—If the Offering closes prior to the consummation of the Multiversity Investment, if certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem its Notes, which means that you may not obtain the return you expect on the Notes and the escrowed funds may not be sufficient to cover the special mandatory redemption price*”.

Use of Proceeds On the Acquisition Closing Date, which will be immediately following the consummation of the Offering, the proceeds of the Offering, the Bridge to Cash Facility, amounts drawn under the Revolving Credit Facility and the Equity Contribution will be used by the Issuer to fund the Multiversity Investment and to pay the estimated costs and expenses associated with the Transactions. See “*Risk Factors*”.

Optional Redemption: The Issuer may redeem all or part of the Notes at any time on or after October 30, 2022 at the redemption prices as described under “*Description of the Notes—Optional Redemption.*”

At any time prior to October 30, 2022, the Issuer may redeem all or part of Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption plus a “make-whole” premium, as described under “*Description of the Notes—Optional Redemption.*”

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

The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. Subject to and as set forth in “*Description of the Notes—Withholding Taxes*,” the Issuer will not be liable to pay any additional amounts to holders of the Notes if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) (“Decree No. 239”) or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 (as the same may be amended or supplemented from time to time) (“**Decree No. 461**”), except, in the case of Decree No. 239 and Decree No. 461, where the procedures required under Decree No. 239 or Decree No. 461, as applicable, in order to benefit from an exemption have not been complied with due to solely the actions or omissions of the Issuer or its agents. See “*Description of the Notes—Withholding Taxes*.”

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

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

Change of Control	Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase the outstanding Notes at a purchase price equal to 101% of their principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. However, a change of control will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event. See “ <i>Description of the Notes—Change of Control.</i> ”
Certain Covenants	<p>The Indenture, among other things, will restrict the ability of the Issuer and its restricted subsidiaries to:</p> <ul style="list-style-type: none"> • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends, redeem capital stock and make certain investments; • make certain other restricted payments; • create or permit to exist certain liens; • impose restrictions on the ability of the Issuer’s subsidiaries to pay dividends; • transfer or sell certain assets; • merge or consolidate with other entities; • enter into certain transactions with affiliates; and • impair the security interests for the benefit of the holders of the Notes. <p>Certain of the covenants will be suspended if the relevant Notes obtain and maintain an investment-grade rating.</p> <p>Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See “<i>Description of the Notes—Certain Covenants.</i>”</p>
Transfer Restrictions	The Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. See “ <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 has been made to admit the Notes on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof in accordance with the rules thereof. There is no assurance that the Notes will be, or 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.

Governing Law The Indenture and the Notes will be governed by the laws of the State of New York. The Intercreditor Agreement and the Revolving Credit Facility will be governed by English law. The security documents will be governed by the applicable law of the jurisdiction under which the security interests are granted.

Escrow Agent The Bank of New York Mellon, London Branch.

Trustee BNY Mellon Corporate Trustee Services Limited.

Security Agent Deutsche Bank AG, London Branch.

Registrar and Transfer Agent The Bank of New York Mellon SA/NV, Dublin Branch.

Principal Paying Agent The Bank of New York Mellon, London Branch.

SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables present summaries of the historical financial information of the Multiversity Group derived from the Multiversity Unaudited Condensed Interim Consolidated Financial Statements, the Multiversity Audited Annual Consolidated Financial Statements and of Pegaso derived from the Pegaso Audited Annual Financial Statements. The historical summary consolidated financial information of the Multiversity Group set forth below as of and for the six-month period ended June 30, 2021 and for the year ended December 31, 2020 and as of and for the period ended December 31, 2019 has been derived from the Multiversity Unaudited Condensed Interim Consolidated Financial Statements and the Multiversity Audited Annual Consolidated Financial Statements, which are included elsewhere in this Offering Memorandum. The historical summary financial information of Pegaso set forth below as of and for the years ended December 31, 2020, 2019 and 2018 has been derived from the Pegaso Audited Annual Financial Statements, which are included elsewhere in this Offering Memorandum. For the year ended December 31, 2019 information for Multiversity Group has been derived from the Schedule to Combined Financial Information that is included in the S-pages of this Offering Memorandum. Multiversity was established on October 1, 2019 and acquired the predecessor business from Multiversity S.p.A., including its subsidiaries, on October 28, 2019. As a result, the income statement and other information derived therefrom for the 2019 Multiversity Audited Annual Consolidated Financial Statements covers only the period since inception to the end of the year of Multiversity stand alone as allowed by Italian GAAP, as the first consolidation date was December 31, 2019.

You should read the summary in conjunction with the sections entitled “Presentation of Financial and Other Information”, “Selected Financial Information” and “Management Discussion and Analysis of Financial Condition and Results of Operations”, the Multiversity Audited Annual Consolidated Financial Statements, the Pegaso Audited Annual Financial Statements and the Schedule to Combined Financial Information including the notes thereto, which are included elsewhere in this Offering Memorandum.

Summary consolidated/combined income statement information of Multiversity Group

	Year ended December 31			Six months ended June 30,		Twelve months ended June 30,
	2019	2019	2020	2020	2021	2021
	(Consolidated, audited)	(Combined, unaudited)	(Consolidated, audited)	(Consolidated, unaudited)	(Consolidated, unaudited)	(Consolidated, unaudited)
(in thousands of Euro)						
A) Production value						
Revenues from sales and services	1,824	135,929	187,177	95,534	132,964	224,607
Change in inventories of work in progress and finished products	—	(4)	50	20	4	34
Other revenues and income	—	2,918	2,768	2,521	829	1,076
Total value of production	1,824	138,843	189,995	98,075	133,797	225,717
B) Costs of production						
Costs for raw and ancillary materials, consumables and goods	—	(649)	(604)	(300)	(238)	(542)
Costs for services	(88)	(45,476)	(65,074)	(30,471)	(36,252)	(70,855)
Costs for use of third party assets	(4)	(5,246)	(4,630)	(2,083)	(2,179)	(4,726)
Cost of personnel	(209)	(9,277)	(13,683)	(5,952)	(8,146)	(15,877)
Amortization, depreciation and write-downs	(930)	(6,844)	(42,460)	(20,767)	(21,813)	(43,506)
Change in inventories of raw and ancillary materials ...	—	41	(39)	(37)	—	(2)
Accruals to provisions for risks	—	(116)	(100)	—	—	(100)
Other operating expenses ...	—	(3,364)	(8,147)	(6,341)	(2,318)	(4,124)
Total production costs	(1,231)	(70,931)	(134,737)	(65,951)	(70,946)	(139,732)
Difference between Value And Costs of production (A-B)	593	67,912	55,258	32,124	62,851	85,985

	Year ended December 31			Six months ended June 30,		Twelve months ended June 30,
	2019 <i>(Consolidated, audited)</i>	2019 <i>(Combined, unaudited)</i>	2020 <i>(Consolidated, audited)</i> <i>(in thousands of Euro)</i>	2020 <i>(Consolidated, unaudited)</i>	2021 <i>(Consolidated, unaudited)</i>	2021 <i>(Consolidated, unaudited)</i>
C) Financial Income and Expenses						
Financial income	—	1,106	28	—	—	28
Financial charges	—	(12)	(140)	(20)	(8)	(128)
Total financial income and expenses	—	1,094	(112)	(20)	(8)	(100)
D) Total Value adjustments of financial assets	—	—	(98)	—	—	(98)
Profit before tax (A-B+/-C+/-D)	593	69,006	55,048	32,104	62,843	85,787
Income taxes	40	(17,497)	(25,310)	(14,681)	(15,356)	(25,985)
Profit for the period	633	51,509	29,738	17,423	47,487	59,802
Attributable to:						
- the Group	633		28,374	16,544	44,001	55,831
- Minority interests			1,364	879	3,486	3,971

Summary standalone income statement of Pegaso

	Year ended December 31,		
	2018	2019	2020
	<i>(in thousands of Euro)</i>		
A) Value of Production			
Revenues from sales and services	102,185	124,180	165,737
Other revenues and income	19,714	1,584	2,738
Total value of production	121,899	125,764	168,475
B) Costs of production			
Costs for raw and ancillary materials, consumables and goods	(661)	(371)	(371)
Costs for services	(34,640)	(40,560)	(55,634)
Costs for use of third party assets	(9,363)	(10,839)	(13,568)
Cost of personnel	(5,993)	(6,615)	(7,883)
Amortization, depreciation and write-downs	(4,114)	(5,195)	(6,300)
Accruals to provisions for risks	(208)	(63)	—
Accruals to other provisions	(497)	—	—
Other operating expenses	(1,726)	(2,461)	(6,791)
Total production costs	(57,202)	(66,104)	(90,547)
Difference between Production Value and Costs of Production (A-B) ...	64,697	59,660	77,928
C) Financial income and expenses			
Financial income	324	1,190	29
Financial charges	(57,196)	(50,808)	(9)
Total financial income and expenses	(56,872)	(49,618)	20
D) Value adjustments of financial assets and liabilities	(612)	(425)	(216)
Profit before tax (A-B+/-C+/-D)	7,213	9,617	77,732
Income taxes	(356)	(3,413)	(23,682)
Profit for the year	6,857	6,204	54,050

Summary consolidated balance sheet of Multiversity Group

	As of December 31,		As of
	2019	2020	June 30,
	(Consolidated, audited)	(Consolidated, audited)	(Consolidated, unaudited)
	(in thousands of Euro)		
Balance Sheet Assets			
B) Non Current Assets			
I. Intangible assets	608,507	576,143	558,935
II. Property, plant and equipment	2,877	2,825	2,803
III. Investments	44,738	46,715	46,750
Total Non Current Assets	656,122	625,683	608,488
C) Current Assets			
I. Inventories	114	125	130
II. Receivables	72,223	105,321	56,171
IV. Cash and cash equivalents	35,766	122,846	185,548
Total Current Assets	108,103	228,292	241,849
Accrued income and prepaid expenses	636	547	376
Total Assets	764,861	854,522	850,713
Balance Sheet Liabilities			
Total Group shareholders' equity	651,445	679,827	723,828
Total shareholders' equity pertaining to minority interests	1,831	3,891	7,377
Total consolidated shareholders' equity	653,276	683,718	731,205
B) Provisions For Risks And Charges	18,324	16,386	7,368
C) Employees Termination Indemnity	888	1,178	1,362
D) Payables	25,893	52,247	78,382
E) Accrued Liabilities And Deferred Income	66,480	100,993	32,396
Total Liabilities and shareholders' equity	764,861	854,522	850,713

Summary balance sheet of Pegaso

	As of December 31,		
	2018	2019	2020
	(in thousands of Euro)		
Balance Sheet Assets			
B) Non Current Assets			
I. Intangible assets	1,459	1,134	1,962
II. Property, plant and equipment	2,320	2,009	1,559
III. Investments	23,005	50,764	54,203
Total Non Current Assets	26,784	53,907	57,724
C) Current Assets			
II. Receivables	53,869	64,474	79,231
III. Financial assets not fixed	9,722	—	—
IV. Cash and cash equivalents	55,872	31,008	109,876
Total Current Assets	119,463	95,482	189,107
Accrued income and prepaid expenses	268	261	397
Total Assets	146,515	149,650	247,228
Balance Sheet Liabilities			
Total shareholders' equity	16,259	22,463	76,513
B) Provisions For Risks And Charges	2,002	1,737	90
C) Employees Termination Indemnity	487	612	774
D) Payables	78,672	63,037	85,570
E) Accrued Liabilities And Deferred Income	49,095	61,801	84,281
Total Liabilities and shareholders' equity	146,515	149,650	247,228

Summary consolidated cash flow statement of Multiversity Group

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2019	2019	2020	2020	2021	2021
	(Consolidated, audited)	(Combined, unaudited) (in thousands of Euro)	(Consolidated, unaudited)	(Consolidated, unaudited)	(Consolidated, unaudited)	(Consolidated, unaudited)
Cash flow from operating activities (A)	805	54,644	93,121	48,629	63,642	108,134
Cash flow from investing activities (B)	(227)	7,892	(6,081)	(4,336)	(932)	(2,677)
Cash flow from financing activities (C)	—	(565)	40	(20)	(8)	52
Increase (decrease) in cash and cash equivalents (A ± B ± C)	578	61,971	87,080	44,273	62,702	105,509
Cash and cash equivalents at the beginning of the period	100	68,629	35,766	35,766	122,846	122,846
Consolidated cash and cash equivalents	35,088	—	—	—	—	—
Cash and cash equivalents at the end of the period	35,766	130,600*	122,846	80,039	185,548	228,355

* The difference between the combined closing balance of cash and cash equivalents as at December 31, 2019 and the consolidated opening balance of cash and cash equivalents as at January 1, 2020 is due to: dividend payment to Multiversity S.p.A. (€59.2 million); capital increase approved by Università Telematica Pegaso Srl (€22.5 million); financing provided to Group companies (€4.5 million), payment of royalties (€4.1 million) and adjustments to the result of the year for the eliminations deriving from intercompany transactions (€4.6 million).

Summary cash flow statement of Pegaso

	Year ended December 31,		
	2018	2019	2020
	(in thousands of Euro)		
Cash flow from operating activities (A)	46,725	62,799	84,435
Cash flows from investing activities (B)	(5,946)	(18,303)	(5,567)
Cash flows from financing activities (C)	(23,739)	(69,360)	—
Increase (decrease) in cash and cash equivalents (A ± B ± C)	17,040	(24,864)	78,868
Cash and cash equivalents at the beginning of the year	38,832	55,872	31,008
Cash and cash equivalents at the end of the year	55,872	31,008	109,876

Summary Other Financial and Operating Data

The following tables set out the key economic and financial indicators used by our management to monitor the group's performance ("Alternative Performance Measures" or "APMs") for the periods indicated. These APMs are not recognized as measures of financial performance or liquidity under Italian GAAP, IFRS or any other accounting standards. All Non-GAAP Measures are unaudited. For further information, see "Presentation of Financial and Other Information—Use of Non-GAAP Measures."

	Year ended December 31,		Six months ended June 30,		Twelve months ended June 30
	2019	2020	2020	2021	2021
	(Combined)	(Consolidated)	(Consolidated)	(Consolidated)	(Consolidated)
(Unaudited—In thousands of Euro, except percentages)					
EBIT ⁽¹⁾	67,912	55,258	32,124	62,851	85,985
EBIT margin ⁽²⁾	49%	29%	33%	47%	38%

	Year ended December 31,		Six months ended June 30,		Twelve months ended June 30
	2019 (Combined)	2020 (Consolidated)	2020 (Consolidated)	2021 (Consolidated)	2021 (Consolidated)
(Unaudited—In thousands of Euro, except percentages)					
EBITDA ⁽³⁾	70,433	91,681	50,216	80,978	122,443
EBITDA margin ⁽⁴⁾	51%	48%	51%	61%	54%
Adjusted EBIT ⁽⁵⁾	67,912	88,612	51,068	77,261	114,805
Adjusted EBIT margin ⁽⁶⁾	49%	47%	52%	58%	51%
Adjusted EBITDA ⁽⁷⁾	74,756	102,252	57,425	84,664	129,491
Adjusted EBITDA margin ⁽⁸⁾	54%	54%	59%	63%	57%
Operating Free Cash Flow ⁽¹⁰⁾	47,588	84,134	43,818	59,812	100,128
Cash Conversion ⁽¹¹⁾	68%	92%	87%	74%	82%
Adjusted Operating Free Cash Flow ⁽¹²⁾	51,911	94,705	51,027	63,498	107,176
Adjusted cash conversion ⁽¹³⁾	69%	93%	89%	75%	83%
Capex ⁽¹⁴⁾	(1,809)	(4,006)	(2,240)	(897)	(2,663)

	As of December 31,		As of June 30,
	2019 (Consolidated)	2020 (Consolidated)	2021 (Consolidated)
(Unaudited—In thousands of Euro, except percentages)			
Net working capital ⁽¹⁵⁾	(16,918)	(43,874)	(50,951)
Net invested capital ⁽¹⁶⁾	619,220	563,406	547,938
Net financial indebtedness ⁽¹⁷⁾	(34,057)	(120,310)	(183,267)

The following table reconciles EBIT, EBIT margin, EBITDA and EBITDA margin for the periods indicated:

	Year ended as of December 31,		Six-month period ended June 30,		Twelve months ended June 30,
	2019 (Combined)	2020 (Consolidated)	2020 (Consolidated)	2021 (Consolidated)	2021 (Consolidated)
(Unaudited—In thousands of Euro, except percentages)					
Profit for the period	51,509	29,738	17,423	47,487	59,802
Income taxes	(17,497)	(25,310)	(14,681)	(15,356)	(25,985)
Financial income and expenses	1,094	(112)	(20)	(8)	(100)
Effects of investments using the equity method (financial)	—	(98)	—	—	(98)
EBIT⁽¹⁾ (A)	67,912	55,258	32,124	62,851	85,985
EBIT Margin⁽²⁾ (operating result margin)	49%	29%	33%	47%	38%
Depreciation and amortization (B)	(2,521)	(36,423)	(18,092)	(18,127)	(36,458)
EBITDA⁽³⁾ (A-B)	70,433	91,681	50,216	80,978	122,443
EBITDA Margin⁽⁴⁾	51%	48%	51%	61%	54%

(1) We define EBIT as the sum of profit after tax, income taxes, value adjustments of financial assets, financial income and expenses, foreign exchange gains and losses.

We present EBIT because we believe it is a meaningful measure to evaluate the Multiversity Group's operating performance on a consistent basis over time. EBIT makes the underlying performance of the Multiversity Group's business more visible by factoring out interest income and interest expenses and income tax expenses. This measure is also commonly used by investors, analysts and rating agencies to assess performance.

- (2) We define EBIT margin as the ratio between EBIT and the value of production and is used by the Group as a supplemental measure of operating performance.
- (3) We define EBITDA as the sum of profit for the period, income taxes, effects of investments using the equity method, financial income and expenses, foreign exchange gains and losses and amortization and depreciation.
- (4) We define EBITDA Margin as the ratio between EBITDA and the value of production and is used by the Group as a supplemental measure of operating performance.

The following table shows the reconciliation between EBIT, Adjusted EBIT and EBIT margin and EBITDA, Adjusted EBITDA and EBITDA margin for the periods indicated:

	Year ended as of December 31,				Six-month period ended June 30,				Twelve months ended June 30,	
	2019	%	2020	%	2020	%	2021	%	2021	%
	(Combined)	on	(Consolidated)	on	(Consolidated)	on	(Consolidated)	on	(Consolidated)	on
	revenue		revenue		revenue		revenue		revenue	
<i>(Unaudited—In thousands of Euro)</i>										
EBIT (A)	67,912		55,258		32,124		62,851		85,985	
Goodwill amortization (C)	—		(28,820)		(14,410)		(14,410)		(28,820)	
Non-recurring income/(expenses) ⁽⁹⁾ (D)	—		(4,534)		(4,534)		—		—	
Adjusted EBIT⁽⁵⁾ (A-C-D)	67,912		88,612		51,068		77,261		114,805	
Adjusted EBIT margin⁽⁶⁾		49%		47%		52%		58%		51%
Depreciation and amortization (excluding goodwill) (E)	(2,521)		(7,603)		(3,682)		(3,717)		(7,638)	
Bad debt accrual(F)	(4,323)		(6,037)		(2,675)		(3,686)		(7,048)	
Adjusted EBITDA⁽⁷⁾ (A-C-D-E-F)	74,756		102,252		57,425		84,664		129,491	
Adjusted EBITDA margin⁽⁸⁾		54%		54%		59%		63%		57%

- (5) We define Adjusted EBIT as EBIT adjusted for goodwill amortization and non-recurring items
- (6) We define Adjusted EBIT margin as the ratio between Adjusted EBIT and the value of production and is used by the Group as a supplemental measure of operating performance.
- (7) We define Adjusted EBITDA as EBITDA adjusted for bad debt accruals and non-recurring items.
- Our presentation of Adjusted EBITDA may be different from the presentation used by other companies and therefore comparability may be limited. Adjusted EBITDA is a Non-GAAP Measure and the term Adjusted EBITDA is not defined under Italian GAAP, IFRS or any other generally accepted accounting principles. Consequently, the use of Adjusted EBITDA has certain limitations. We present Adjusted EBITDA because it excludes items that the we do not believe are indicative of the Group's ongoing operating performance and allows us to view operating trends, perform analytical comparisons and benchmark performance between periods. We believe that adjusting for these items that are not directly related to the operational performance of the Group and increases comparability and enables a better understanding of the underlying performance of the Group. Adjusted EBITDA is not a measure of net income, operating income, operating performance or liquidity presented in accordance with Italian GAAP or IFRS. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our net income, operating income or any other operating performance or liquidity measure that is calculated in accordance with Italian GAAP or IFRS. For a more detailed description of the limitations of Adjusted EBITDA as analytical tool, see "Presentation of Financial and Other Information—Use of Non-GAAP Financial Measures."
- (8) We define Adjusted EBITDA margin as the ratio between Adjusted EBITDA and the value of production.
- (9) The following table shows the breakdown of non-recurring income/(expenses):

	Year ended December 31,		Six months ended June 30,		Twelve months ended June 30
	2019 (Combined)	2020 (Consolidated)	2020 (Consolidated)	2021 (Consolidated)	2021 (Consolidated)
	(Unaudited—In thousands of Euro)				
Other income from the release of the ELCP funds ⁽ⁱ⁾	—	1,284	1,284	—	—
Extraordinary consultancy costs ⁽ⁱⁱ⁾	—	(767)	(767)	—	—
Costs incurred in connection with a consensual termination agreement with an ELCP ⁽ⁱⁱⁱ⁾	—	(4,000)	(4,000)	—	—
Contingent liability provision ^(iv)	—	(351)	(351)	—	—
Other costs ^(v)	—	(701)	(701)	—	—
Non-recurring income/(expenses)	<u>—</u>	<u>(4,534)</u>	<u>(4,534)</u>	<u>—</u>	<u>—</u>

(i) Represents the release of provisions for risks and charges as a result of the fact that the risk for which the provision was made in previous years no longer exists.

(ii) Represents extraordinary tax and administrative consultancy costs.

(iii) Represents the settlement with the main ELCPs, which provides for the consensual termination of the agreements in place based on the payment of a total amount of €4 million. This settlement also provides a non-compete agreement for a consideration of €16,600 (plus VAT) per month going forward for five years.

(iv) Represents assessments of payables relating to previous years.

(v) Represent costs for extraordinary advertising, promotional expenses and miscellaneous expenses of previous year.

Furthermore, we define Aggregated Adjusted EBITDA as the sum of Adjusted EBITDA and the remaining 50% Adjusted EBITDA of Certipass (which is consolidated using the proportional method and therefore the remaining portion is not included in our unaudited interim consolidated financial statements as of June 30, 2021 since we own only a 50% stake in Certipass).

The following table shows the reconciliation between the Adjusted EBITDA and the Aggregated Adjusted EBITDA for the last twelve months ended June 30, 2021 on the basis of full consolidation for the remaining 50% stake in Certipass:

	Twelve months ended June 30,	
	2021 (Consolidated, unaudited)	% on revenue
(In thousands of Euro)		
Adjusted EBITDA (A)	129,491	
Certipass 50% (B)	3,031	
Aggregated Adjusted EBITDA (A+B)	132,522	

The following table sets out the reconciliation of Operating Free Cash Flow and Cash Conversion for the periods indicated:

	Year ended as of December 31,		Six-month period ended June 30,		Twelve months ended June 30,
	2019 (Combined)	2020 (Consolidated)	2020 (Consolidated)	2021 (Consolidated)	2021 (Consolidated)
	(Unaudited - In thousands of Euro, except percentages)				
EBITDA (A)	70,433	91,681	50,216	80,978	122,443
Capex(B)	(1,809)	(4,006)	(2,240)	(897)	(2,663)
Change in Net Working Capital (C)	(21,036)	(3,541)	(4,158)	(20,269)	(19,652)
Operating Free Cash Flow⁽¹⁰⁾					
(D)=(A)+(B)+(C)	47,588	84,134	43,818	59,812	100,128
Cash Conversion⁽¹¹⁾ (E)=(D)/(A)	68%	92%	87%	74%	82%

(10) We define Operating Free Cash Flow as EBITDA less Capex and change in Net Working Capital.

(11) We define Cash Conversion as the ratio of (i) the Operating Free Cash Flow; and (ii) EBITDA.

The following table sets out the reconciliation of Adjusted Operating Free Cash Flow and Adjusted Cash Conversion for the periods indicated:

	Year ended as of December 31,		Six-month period ended June 30,		Twelve months ended June 30,
	2019 (Combined)	2020 (Consolidated)	2020 (Consolidated)	2021 (Consolidated)	2021 (Consolidated)
	(Unaudited—In thousands of Euro, except percentages)				
Adjusted EBITDA (A)	74,756	102,252	57,425	84,664	129,491
Capex (B)	(1,809)	(4,006)	(2,240)	(897)	(2,663)
Change in NWC (C)	(21,036)	(3,541)	(4,158)	(20,269)	(19,652)
Adjusted Operating Free Cash Flow ⁽¹²⁾ (D)=(A)-(B)-(C)	51,911	94,705	51,027	63,498	107,176
Adjusted Cash Conversion ⁽¹³⁾ (E)=(D)/(A)	69%	93%	89%	75%	83%

(12) We define Adjusted Operating Free Cash Flow as the difference between Adjusted EBITDA, Capital Expenditure and change in the net working capital.

(13) We define Adjusted Cash Conversion as the ratio of (i) the Adjusted Operating Free Cash Flow; and (ii) Adjusted EBITDA.

The following table provides the components of Capex for the periods indicated:

	Year ended as of December 31,		Six-month period ended June 30,		Twelve months ended June 30,
	2019 (Combined)	2020 (Consolidated)	2020 (Consolidated)	2021 (Consolidated)	2021 (Consolidated)
	(Unaudited—In thousands of Euro)				
Investments in property, plant and equipment (A)	(876)	(1,022)	(41)	(469)	(1,450)
Investments in intangible assets (B)	(933)	(2,984)	(2,199)	(428)	(1,213)
Capex ⁽¹⁴⁾ (C)=(A)+(B)	(1,809)	(4,006)	(2,240)	(897)	(2,663)

(14) We define Capex as the sum of cash outflow from investing in property, plant and equipment and in intangible assets.

The following table provides the components of Net Working Capital and Net Invested Capital as of the dates indicated:

	As of December 31,		As of June 30,
	2019 (Consolidated)	2020 (Consolidated)	2021 (Consolidated)
	(Unaudited—In thousands of Euro)		
Inventory	114	125	130
Trade receivables	69,738	96,605	46,689
Trade payables	(16,978)	(20,091)	(22,080)
Other current assets and liabilities	(69,792)	(120,513)	(75,690)
Net Working Capital ⁽¹⁵⁾	(16,918)	(43,874)	(50,951)
Tangible and intangible assets	611,384	578,968	561,738
Other non-current assets and liabilities	(19,212)	(17,564)	(8,730)
Investments	43,965	45,876	45,881
Net Invested Capital ⁽¹⁶⁾	619,220	563,406	547,938

(15) We define Net Working Capital as the sum of operating working capital and other current and non current liabilities.

(16) We define Net Invested Capital as the sum of tangible and intangible assets, net working capital, other non current assets and liabilities, and investments.

We present Net Invested Capital because we believe it is a meaningful measure to evaluate our investments and liquidity.

The following table provide the calculation of net financial indebtedness as of the dates indicated:

	As of December 31,		As of June 30,
	2019	2020	2021
	(Consolidated)	(Consolidated)	(Consolidated)
	(Unaudited—In thousands of Euro)		
A. Cash	35,754	122,841	185,548
B. Cash Equivalent	12	4	.
C. Other current financial assets	773	839	869
D. Liquidity (A+B+C)	36,539	123,684	186,417
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt).	1,264	1,761	1,815
F. Current portion of non-current financial debt	—	—	.
G. Current financial indebtedness (E+F)	1,264	1,761	1,815
H. Net current financial indebtedness (G-D)	(35,275)	(121,923)	(184,602)
I. Non-current financial debt (excluding current portion and debt instruments)	—	773	651
J. Debt instruments	—	—	—
K. Non-current trade and other payables	1,218	840	684
L. Non-current financial indebtedness (I+J+K)	1,218	1,613	1,335
M. Total Financial Indebtedness (H+L)⁽¹⁷⁾	(34,057)	(120,310)	(183,267)

(17) We define Net Financial Indebtedness as the sum of liquidity and financial indebtedness (current and non-current) based on ESMA recommendations 32-382-1138 issued on March 4, 2021. We present Net Financial Indebtedness because we believe it is a meaningful measure to evaluate its ability to meet its financial obligations in accordance with ESMA guidelines.

The following table shows certain alternative performance measures calculated with regard to the last twelve months ended June 30, 2021 as adjusted to give pro-forma potential effects of the Transactions, as if each of these Transactions had occurred on June 30, 2021, for the purposes of the consolidated statement of financial position, and as of July 1, 2020, for the purposes of the consolidated income statement.

Such alternative performance measures presented in this Offering Memorandum are based on available information and certain assumptions that we believe are reasonable. They are presented for illustrative purposes only and do not purport to represent what the financial condition or the actual results of operations would have been if the events for which the *pro forma* adjustments were made had occurred on the dates assumed, nor do they purport to project our results of operations for any future period or our financial condition at any future date. Our future operating results may differ materially from the *pro forma* amounts set out in this Offering Memorandum due to various factors, including changes in operating results. Such pro forma alternative performance indicators set forth herein and elsewhere in this Offering Memorandum have not been prepared in accordance with the requirements of Regulation S–X under the Exchange Act. Neither the adjustments nor the resulting pro forma financial information have been audited or reviewed.

	Last twelve months ended June 30, 2021
	(in millions of Euro)
<i>Pro forma</i> cash and cash equivalents ⁽¹⁸⁾	191.0
<i>Pro forma</i> net senior secured debt ⁽¹⁹⁾	612.7
<i>Pro forma</i> net debt ⁽²⁰⁾	615.7
<i>Pro forma</i> interest expense ⁽²¹⁾	34.2
Ratio of <i>pro forma</i> net senior secured debt ⁽¹⁹⁾ Aggregated Adjusted EBITDA ⁽⁹⁾	4.6x
Ratio of <i>pro forma</i> net debt ⁽²⁰⁾ Aggregated Adjusted EBITDA ⁽⁹⁾	4.6x
Ratio of Aggregated Adjusted EBITDA ⁽⁹⁾ to <i>pro forma</i> interest expense ⁽²⁰⁾	3.9x

(18) *Pro forma* cash and cash equivalents includes financial assets at the amount of €2.0 million and 100% of Mercatorum, Certipass, Benecon and Laf Shool.

(19) *Pro forma* net senior secured debt represents the estimated consolidated *pro forma* long-term financial indebtedness of Multiversity after giving effect to the Transactions, that is secured by a first-ranking security interest and includes the obligations under the Revolving Credit Facility and the Notes, net of *pro forma* cash and cash equivalents. *Pro forma* senior secured debt is calculated differently from Senior Secured Indebtedness as defined in the section “Description of the Notes” of this Offering Memorandum and in the Indenture.

- (20) *Pro forma* net debt represents the estimated consolidated *pro forma* long-term financial indebtedness of Multiversity, after giving effect to the Transactions, net of pro forma cash and cash equivalents. *Pro forma* net debt includes the obligations under the Notes offered hereby, the €38.7 million drawn under the Revolving Credit Facility, €1.3 million which represents the non-current financial indebtedness of Multiversity Group as of June 30, 2021 and €1.8 million which represents the current financial indebtedness of Multiversity Group as of June 30, 2021. See “*Capitalization*.”
- (21) Pro forma interest expense reflects the estimated interest expense of Multiversity for the twelve months ended June 30, 2021, as if the Notes had been issued on July 1, 2020 and the proceeds therefrom had been used as set forth under “*Use of Proceeds*.” *Pro forma* interest expense includes the interest payable in respect of the Notes offered hereby and the Revolving Credit Facility. *Pro forma* interest expense is presented for illustrative purposes only, does not purport to represent what our interest expense would have actually been had the Transactions occurred on July 1, 2020 nor does it purport to project our interest expense for any future period or our financial position at any future date.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors in the Notes should carefully consider the risks described below and the other information contained in this Offering Memorandum before making a decision to invest in the Notes. Any of the following risks, individually or together, could have a material adverse effect on the Issuer's business, financial position, results of operations and prospects, and accordingly the value of the Notes or on the Issuer's ability to fulfil its obligations under the Notes. This section describes the risks and uncertainties that the Issuer believes are material, but these risks and uncertainties may not be the only ones that it faces. Additional risks and uncertainties, including those of which the Issuer is currently unaware or those which it deems immaterial, may also result in decreased sales, assets and cash inflows, increased expenses, liabilities or cash outflows or other events that could result in a decline in the value of the Notes, or which could have a material adverse effect on its business, financial position, results of operations and prospects and thus on its ability to fulfil its obligations under the Notes. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Issuer's business, financial position, results of operations and prospects or on the trading price of the Notes. There are no specific risks related to Wvesrity S.r.l. . The operations of the Company are run on the Group level by Multiversity and all risks that are relevant for the Group are applicable for Wvesrity S.r.l.

Risks Related to the Group's Business and Industry

Multiversity is subject to various licensing and accreditation requirements in the jurisdictions in which it operates, and its failure to comply with these requirements could expose Multiversity to financial losses and lead to loss of qualified personnel and students.

Multiversity's activities are subject to extensive regulation and obtaining and maintaining authorizations. Individual courses offered by Multiversity's academic institutions are also subject to various accreditation requirements. In order to operate, Multiversity's academic institutions have received and maintained various accreditations and permissions from the Italian Ministry of Education, University and Research ("MIUR"), as well as from certain curriculum providers and examination bodies.

The accreditation system envisaged by the regulations provides that all courses forming part of an institution's educational offering, except master's courses, must be licensed every three years, and the relevant institution must undergo a review process every five years in order to maintain its licensing. The procedure for obtaining and maintaining the relevant license varies depending on whether the course is newly created or already existing. See "Regulation" for further information.

As a prerequisite to obtaining and maintaining specific licenses for each course, an institution must itself have obtained its general license to operate from the MIUR.

To maintain these accreditations and permissions, Multiversity's Italian academic institutions must meet standards relating to, among other things, performance, governance, institutional integrity, educational quality, staff, administrative capability and resources. In particular, Pegaso and Mercatorum, as Italian private universities, are subject to a periodic accreditation assessment carried out by the Italian National Agency for the Evaluation of Universities and Research Institutes (*Agenzia Nazionale di Valutazione del Sistema Universitario e della Ricerca* or "ANVUR"), the entity to which the MIUR has delegated the task of carrying out a periodic qualitative assessment of the activities carried out by Italian universities and research institutes. The periodic accreditation assessments are processed following on-site visits to universities by an *ad hoc* commission of experts appointed by ANVUR. The periodic accreditation process is carried out in three phases: (i) a remote examination of the documentation made available by the university to the commission, (ii) the actual on-site visit in order to examine the degree programs and the departments selected by ANVUR for each university, and (iii) the drafting of a report by the commission. For further information on the legislative framework and licensing and accreditation process to which Multiversity's academic institutions are subject, please see "Regulation".

Depending on the outcome of ANVUR's periodic accreditation assessment, a negative score could be assigned to Pegaso or Mercatorum, which in turn could lead to the revocation of their authorizations, in the event that Pegaso or Mercatorum is unable to improve its score as a result of continuing material weakness following subsequent reassessment. Inspections could also lead to downgrading of the rating assigned to any of Multiversity's academic institutions. Any such event could result in the temporary or permanent cessation of all or part of Multiversity's business and/or a reduction of the academic institutions' ability to enroll new students or attract qualified personnel. Multiversity's reputation would also be severely impacted.

In addition, the jurisdictions in which Multiversity operates (being, as at the date hereof, almost exclusively Italy and, to a limited extent, Malta, although Multiversity degrees are recognized across the European Union) may at any time impose additional laws, regulations or licensing requirements on online academic institutions, or even

on academic institutions in general. Such new laws could oblige Multiversity or Multiversity's individual institutions to obtain additional licenses, permits or accreditations, which could in turn lead it to incur significant costs, limit or delay its ability to operate and/or to expand its business in such jurisdiction in line with its strategic objectives. In addition, in the event that compliance with such legislative changes were to be deemed too operationally or financially burdensome by Multiversity, Multiversity could cease to operate in the relevant jurisdiction altogether.

In particular, Pegaso was the first university in Italy to become a limited company and commercial entity. At the time of Pegaso's transformation into a limited liability company (*società a responsabilità limitata*) in 2019, both the Italian Council of State (*Consiglio di Stato*) and the MIUR issued favourable opinions on the matter, without raising objections to the specific transaction in the absence of any express legislative provision to the contrary. Both authorities however noted in their opinions that existing legislation does not expressly regulate the status of universities as private corporations, and that this could, impact how the regulatory framework is applied to open universities that take the form of private corporations. The authorities therefore called for the government to consider proposing legislative reforms in order to exclude the risk of encountering incompatibility issues in the practical application of the current legal framework to corporations. It cannot be excluded that the authorities could in the future consider legislative proposals in order to update the legal framework. Were such reforms to be passed into law, it cannot be excluded that Pegaso, as the first university to transform into a private corporation, could be required to comply with enhanced legal requirements or to implement organisational or structural changes, thereby potentially facing increased costs and hindering its ability to conduct its current business effectively. In addition should any further universities of the Group be similarly transformed, they would face similar uncertainties. See further "*Regulation—Establishment of Pegaso and Mercatorum*" and "*Regulation—Transformation of Pegaso into a private corporation*".

Any termination, suspension, revocation or non-renewal of any of Multiversity's licenses and authorisations could result in the temporary or permanent cessation of the activities being conducted pursuant to such license and/or authorisation, impact its ability to enroll new students, adversely affect Multiversity's reputation or cause it to incur unanticipated costs. Any of the circumstances described above are likely to have a material adverse effect on Multiversity's business, financial condition, results of operations and prospects. Regulatory changes and investigations may be driven by political and public opinion affecting providers of higher education.

The success of Multiversity's business depends significantly on compliance of its subsidiaries (including its academic institutions) with legislation and oversight by the MIUR, mainly through ANVUR. The regulation of alternative providers of higher education in Italy is, to a significant degree, subject to political and public opinion on the role of the private sector in the provision of education. This may lead to the implementation of policies that promote the preferential treatment of publicly-funded higher education providers over private universities or higher education institutions' ability to recruit students, which could in turn have a material adverse impact on Multiversity's business and results of operations.

Although Multiversity has stringent procedures in place to ensure compliance with the laws and regulations to which it is subject, if other alternative providers abuse the system, Multiversity's reputation may be negatively impacted by association, thus leading to a negative impact on Multiversity's business and financial position. See also "*—Any negative impact on the reputation of Multiversity's institutions and sector could adversely affect its business*" below.

In addition, there can be no assurance that regulatory authorities in Italy or in any other jurisdiction in which Multiversity operates will not impose restrictions on the level of tuition fees charged by its universities in the future or any other material changes in the applicable requirements to Multiversity's operations. Changes in such regulations, which can often occur at short notice, could have a material adverse effect on Multiversity's business, financial condition, results of operations and prospects, the cost structure and the business model of Multiversity. If the regulatory framework governing the levels of tuition fee is altered in a manner which negatively impacts Multiversity's tuition fee structure, its operating margins and prospects could be adversely affected.

Increased competition in the online education market could reduce enrollments, increase Multiversity's cost of student and staff recruitment and retention and put downward pressure on Multiversity's revenues and profitability.

The online education market in Italy has significant entry barriers and is effectively closed to new entrants (see "*Regulation—The Regulatory Context of Online Universities*"). Pursuant to the legislative framework in place as at the date of this Offering Memorandum (specifically and most recently, Italian Decree no. 289 of March 25, 2021 (as may be amended or replaced, "**Decree 289**")), no new licenses can be granted in order to incorporate

new online universities. Currently in Italy, eleven online universities have been authorised by the MIUR. The prohibition on the granting of new licenses has been in place for over ten years.

Decree 289 has a duration of three years, and will last until academic year 2023/2024. Should it not be extended or replaced by a similar law after such time, or should the broader legislative framework be amended at any point in time in order to repeal Decree 289, allowing the granting of further authorizations to new online institutions, Multiversity would face increased competition as a result of new entrants to the online education market, including, for example, established colleges and universities that had not previously offered an online education program.

Multiversity may be unable to compete successfully against future market players (for example, if Multiversity is unable to differentiate its educational offering from those of its competitors) and may therefore face difficulties in maintaining or increasing tuition fee levels and enrolling, retaining students and staff, thereby increasing its expenditure in student and staff recruitment and retention activities. In addition, Multiversity's institutions may face increased difficulties in locating and engaging third parties as e-learning centers, thereby limiting or reducing its geographical presence across Italy. Furthermore, Pegaso and/or Mercatorum could lose their market leadership position in the face of new competition, with a knock-on effect on their reputation. These competitive factors could cause Multiversity's enrollment figures, revenues and profitability to materially decrease.

If Multiversity is not able to ensure an adequate level of cybersecurity of its IT platforms, or fails to adequately maintain and develop its IT platform, it could suffer loss or theft of data and risk breaching regulations, as well as affecting the user experience of its students.

Multiversity has continuously invested in its proprietary IT platform and systems in order to deliver among the most advanced online learning platforms on the Italian market. The platform does not run on external software or rely on external technology and is fully owned by Multiversity. The platform was developed mostly in-house in reliance on open-source software and is run on servers hosted by Amazon Web Services' cloud datacenters.

Although Multiversity has established and maintains cybersecurity frameworks that are developed and updated internally, including a system that monitors the platform and code transactions on it, its IT systems and platforms may be vulnerable to damage or interruption from power loss, telecommunications failures, data corruption, network or server failure, computer viruses, security breaches, data theft or leak of confidential information such as exams content or exam results, natural disasters, third-party intrusions or other technical malfunctions despite, where possible, efforts to prevent such damage or interruption. As a result, Multiversity's business could be disrupted if any of the technologies that Multiversity uses to deliver its programs are interrupted or fail. See "Business—Technology Platform" for further details.

Multiversity's business model is entirely reliant on the proper functioning of its e-learning platform and, more generally, of its IT systems. If Multiversity is unable to continue to maintain or update its IT platform, it may have difficulty delivering its online services. In addition, any failure to deliver its online services would have an adverse impact on Multiversity's operations, damage its reputation and limit its ability to attract and retain students. Any damage or malfunction to any of these technologies may require capital expenditure to rectify and would necessarily cause delays in Multiversity's operations. Any material disruption or slowdown, including those caused by Multiversity's failure to successfully upgrade its technologies and systems, could cause some information, including prospective student applications or student work product, to be lost or delayed when processed. Furthermore, e-learning institutions are vulnerable to data breaches by students themselves or by third parties, particularly with the aim of retrieving official examination papers ahead of the examinations themselves in order to leak them to all or part of the student body.

Such loss, delay or theft could result in loss of reputation and student dissatisfaction, which could in turn adversely affect Multiversity's reputation and business. Moreover, as a result of such a loss or delay, Multiversity could be involved in remedial actions or legal proceedings which in turn might have a material adverse effect on Multiversity's business, financial condition, results of operations and prospects.

Multiversity's institutions may not be able to respond to technological changes or satisfy future technology demands of their students and could fall behind their competitors.

Multiversity's proprietary IT platform is a critical part of its strategy. Multiversity's online and traditional competitors that offer solutions that are similar to certain aspects of Multiversity's IT platform might be able to introduce more innovative and user friendly IT platforms. Multiversity's competitiveness in the future will depend on Multiversity's ability to respond to technological changes and satisfy future technology demands by developing technological solutions in a timely and cost-effective manner. There can be no assurance that Multiversity will be able to achieve such technological advances.

If Multiversity fails to comply with laws and regulations relating to privacy, data protection and information security or if new laws in these areas are enacted, Multiversity could face claims or penalties, which could adversely affect its business, financial condition and results of operations.

In the conduct of its business, Multiversity collects, uses, transmits and stores data in its IT systems. This data includes confidential information such as confidential exam content or information belonging to it, its students and business partners, as well as personally identifiable information of individuals, including employees. Multiversity's operations are based in Europe, and are therefore subject to the European General Data Protection Regulation ("GDPR"). The GDPR provides for stringent enforcement of requirements regarding protection of personal data, and any failure to comply with it could subject Multiversity to significant monetary forfeitures and other penalties. In particular, Multiversity's online universities routinely process and retain sensitive personal data, including specific information regarding individuals' ethnicity, gender and disability information or information regarding student performance. The processing and storage of such information is highly regulated under GDPR and other applicable privacy regimes, and any mishandling of this data could subject Multiversity to significant regulatory penalties or civil liabilities. As such, any breach in data privacy protection regulations could have a material adverse effect on Multiversity's business and could lead to a negative reputational impact. In addition, if the security measures Multiversity uses to protect personal data are ineffective due to a systems failure or other reasons (including ones not caused by Multiversity), Multiversity could be subject to liability, including for breach of data protection legislation, claims of invasion of privacy, impersonation, unauthorized purchases or other claims. It is also possible that Multiversity's employees could, fraudulently or otherwise, misuse personal data and Multiversity would be liable for such misuse.

If Multiversity does not maintain suitable controls and processes that comply with the GDPR, its ability to attract and retain students may be adversely impacted, its reputation may deteriorate and its business, prospects, results of operations, cash flow and financial condition may be materially and adversely affected.

Multiversity could also incur significant expenses in connection with remedying any potential security breaches, by either settling any resulting claims against Multiversity, defending itself in court or administrative proceedings and putting in place additional measures in order to further protect itself from the threat of these breaches. In addition, any failure to protect personal information may adversely impact Multiversity's ability to attract and retain students, cause its reputation to deteriorate and materially and adversely affect its business, results of operations, financial condition and prospects.

As further described in the section "*Regulation*", Multiversity is subject to extensive regulation and supervision in a variety of areas including those related to privacy, data protection and information security. However, new regulations and guidelines are introduced relatively frequently. Any changes in the regulatory framework, in how regulations are applied, or any further implementation of new requirements for private companies providing online education services may have a detrimental effect on the business and operations of Multiversity.

If Multiversity is unable to protect its intellectual property, or if it infringes on the intellectual property of third parties, its business could be affected.

Multiversity's trademarks, patents, copyright and other intellectual property rights distinguish its universities and the services they provide from those of its competitors and are critical to Multiversity's ability to continue to develop and enhance its brand. In particular, Multiversity relies on trademark protection in Italy and worldwide to protect its rights to the trademark 'Pegaso' and 'EIPASS', among others, and its distinctive logos and other marks associated with its programs and services. It has registered 40 domain names and 12 trademarks, as well as the algorithm underlying its IT platform's flowchart, among other software registrations (see "*Business—Intellectual Property*" for further information). Moreover, in the ordinary course of its business, Multiversity develops intellectual property of many kinds, also in collaboration with its commercial partners, that is or will be the subject of copyright or other protections. Such intellectual property includes but is not limited to didactic and research materials and business know-how, as well as its e-learning platform which has been developed by it entirely in-house.

There is no guarantee that third parties (including its commercial and academic business partners) will not in the future infringe or misappropriate its trademarks, brand names or other intellectual property, and that any present or future measures enacted by Multiversity to protect its intellectual property and enforce its rights are or will be sufficient. Furthermore, Multiversity also may be involved in disputes from time to time over rights and obligations concerning certain other intellectual property that it utilizes, and Multiversity may not prevail in these disputes which may also incur significant costs for the company. Third parties may bring claims against Multiversity alleging infringement or violation of their intellectual property. Some third party intellectual property rights may be extremely broad and it may not be possible for Multiversity to conduct its operations in such a way as to avoid infringement of those intellectual property rights. Any claims of infringement or alleged

infringement of intellectual property rights could negatively impact Multiversity's reputation and branding, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

Policing the unauthorized use or theft of Multiversity's trademarks, brand name know-how and technology is complex and costly, and a litigation may be necessary to enforce or protect such intellectual property rights or to determine the validity and scope of the proprietary rights of others. The outcome of such potential litigation may not always be in favor of Multiversity and, even in the event of a successful outcome, the remedies may not be sufficient able to adequately protect its rights.

Multiversity may also be subject to claims by third parties in connection with infringement of the intellectual property rights of third parties. Multiversity might face penalties and charges if found liable for any infringements or might be required to comply with injunctions against it to prevent further infringement. This could affect Multiversity's reputation and its prospects, results of operations and financial condition. Multiversity's financial performance depends in part on its ability to maintain or increase its tuition fees.

The principal factors that could have an adverse impact on Multiversity's ability to maintain current levels of tuition fees or to potentially increase tuition fees in the future include:

- negative perceptions of the quality of its services or a decline in the reputation or official rankings of Multiversity's academic institutions;
- resistance to tuition fee increases by tuition payers due to difficult economic conditions;
- lower fees or reductions or discounts of tuition fees by competitors in the markets in which Multiversity operates; and
- future government regulation that may impact the tuition fee structure.

As of December 31, 2020, approximately 77%³⁶ of Multiversity's revenues were generated from tuition fees paid by students offered at its two core institutions, Pegaso and Mercatorum. The inability to maintain or increase tuition fees as a result of these or other factors could have a material and adverse effect on Multiversity's business, prospects, financial conditions and results of operations.

In addition, to stimulate demand, online and traditional competitors might offer discounted tuition fees, which might lead to increased price pressures and sharpened competition within the Italian higher education market. As a result, Multiversity's profitability might be affected by the risk of rising price pressure. Multiversity's ability to respond to such pressure would depend on how quickly its institutions could adapt and adjust their tuition fees. Any failure to adequately respond to competitors' tuition reductions or if potential students do not perceive the quality and value of the services offered by Multiversity's institutions, and those institutions are unable to compensate for the tuition decreases by attracting more students, Multiversity's business, financial condition and results of operations could be adversely affected.

If Multiversity is unable to attract and retain its faculty, administrators and skilled personnel, it may not be able to support its growth strategy and deliver updated programs.

Multiversity must attract and retain highly qualified (and, in some cases, high profile) faculty, administrators, IT specialists and other skilled personnel to implement its growth strategy and deliver up-to-date programs, along with maintaining quality of instruction.

If Multiversity fails to attract new skilled personnel or faculty or fails to retain and motivate its existing faculty, administrators, and skilled personnel, it may have to withdraw certain programs and may experience a reduction in student enrollment which, in turn, could have a material adverse impact on its results of operations. Additionally, a possible increase in the turnover rate could adversely affect its ability to attract and recruit sufficient staff in key areas which could affect the quality and consistency of the curricula, in turn affecting students' academic performance as well as the brand and reputation of its educational institutions.

In addition, as Multiversity continues to expand and add personnel, it may face additional difficulty in maintaining consistency in the quality of the teaching staff that it recruits. A shortage of quality teaching personnel and a high turnover rate of staff could lead to ineffective delivery of the curricula offered to students, impacting their academic performance and Multiversity's reputation. If Multiversity is unable to, or is perceived

³⁶ Excluding any fees payable by students for ancillary services, such as supplemental tuition fee or the alternative exam location fee, in each case described under "Business—Offering—Ancillary Fees and Services" below.

to be unable to, attract and retain qualified and effective teachers, principals, school administrators and support staff, its business, prospects, results of operations, cash flow and financial condition may be materially and adversely affected.

Demand for Multiversity's services is affected by employment demand, including by the Italian public administration.

Demand for Multiversity's services is affected by the Italian employment market as students of Multiversity's institutions tend to enroll in a particular course in periods when there are or are expected to be significant employment opportunities in the relevant sector that they are looking to achieve a qualification in. Similarly, scarce employment opportunities in particular industry sectors might adversely affect the number of students pursuing relevant qualifications. For example, total enrollments across all of Multiversity's institutions declined by approximately 4% in the 2020/2021 academic year, specifically due to a decrease in enrollments in certain postgraduate and individual courses which are usually undertaken in order to participate in public tenders (*concorsi pubblici*) for the assignment of public employment posts, such as teaching positions. See "*Business—Enrollment, Student Demographics and Performance by Entity*" for further information on enrollment figures for the 2020/2021 academic year.

Accordingly, should employment opportunities decrease in the Italian job market or, more specifically, should the Italian public administration fail to launch tender procedures periodically or with the expected frequency (usually every two years), or should such tenders require the recruitment of less personnel than expected, demand for Multiversity's programs and services could decline, thereby materially and adversely affecting Multiversity's business, financial condition, results of operations and prospects.

If Multiversity fails to enroll new students and re-enroll existing students, its financial performance may suffer.

Increasing enrollments in the courses offered by Multiversity's educational institutions is critical to Multiversity's financial performance. The online education market has shown constant growth in Italy since the 2015/2016 academic year—see "*Industry—The student base is overall resilient over time, with the traditional segment enrolling the majority of students and the online segment growing taking share from traditional and unlocking additional unmet demand*". In line with this trend, the number of students enrolled in Pegaso and Mercatorum's undergraduate degree courses for the academic year 2020/2021 increased by 49% with respect to the previous academic year. However, the overall number of students enrolled in all courses offered overall by Multiversity slightly decreased (by approximately -4%) compared to the previous academic year, due principally to the seasonality effect linked to public tenders (*concorsi pubblici*) for specific professions such as teachers—such public tenders are usually carried out every two years by the public administration. Multiversity's revenues and Adjusted EBITDA were not impacted by the decrease in the total number of enrolled student base due to the increase in undergraduate programmes that have longer duration and higher tuition fee, and in fact grew by 36% and 37%, respectively, in 2020 as compared to 2019. For further information as to the causes underlying the decrease, see "*—Demand for Multiversity's services is affected by employment demand, including by the Italian public administration*" above. In addition, see "*Business—Offering*" and "*Business—Enrollment, Student Demographics and Performance by Entity*" for further details on the number of students enrolled in Pegaso and Mercatorum.

If Multiversity is unable to secure new students through its marketing and recruitment efforts, or fails to expand its educational offering, it may be unable to maintain and/or increase enrollment rates at its universities. A high volume of Pegaso and Mercatorum's students benefit from preferential rates which are lower than the full-priced tuition fees. Such students, are entitled to preferential rates pursuant to certain agreements that such institutions have entered into with private companies as well as public bodies, in order to provide their employees (and in some cases their related parties) with more favourable rates and thereby incentivizing such employees to, for example, attend courses in order to accelerate their career paths or to comply with the ongoing professional development requirements set up by regulators or employers. Pegaso and Mercatorum together have in place over 1,500 agreements securing captive customers which provide for the application of preferential rates for undergraduate and postgraduate degree courses (see "*Business—Tuition Fees—Preferential and corporate rates*"). Should a proportion of such agreements be terminated or not be renewed, Multiversity would be unable to offer the same competitive rates to certain categories of students who may choose to enroll at a competitor as a result, thereby impacting Multiversity's ability to maintain the current enrollment rates at its universities.

In addition, if Multiversity's institutions fail to maintain or enhance the quality of education they offer or change their current offering, students may choose not to re-enroll or may decide to drop out of university. If Multiversity is unable to recruit or retain students in its universities, its business, prospects, results of operations, cash flow and financial condition could be materially adversely affected.

As Multiversity is an online provider of education, it is substantially dependent on continued growth and acceptance of online education and, if recognition by students and employers of the value of online education does not continue to grow, its ability to grow its business could be adversely impacted.

Continued growth in online education is expected to be largely dependent on new students and employers recognizing the value of degrees and courses obtained from online institutions. If students and employers are not convinced that an online education provides necessary value, or if growth in the market penetration of online education slows, growth in the industry and, consequently, Multiversity's business, could be adversely affected. Because Multiversity's business model is based solely on online education and distance learning, if acceptance of online education does not continue to grow, its ability to expand its business and increase its revenues year-on-year, its results of operations and prospects could be materially adversely affected.

If Multiversity loses key management personnel, its business could be adversely affected.

Multiversity's success depends, in part, on its ability to attract and retain key management personnel. If its officers, managers and department heads are unable or unwilling to continue in their present positions for any reason, Multiversity may not be able to replace them easily or at all. Loss of the services of experienced management personnel may be disruptive and cause uncertainty. The process to replace these individuals would involve significant time and expense and may significantly delay or prevent the achievement of Multiversity's business objectives. An inability to attract and retain qualified key management personnel in a timely manner could have a material and adverse effect on Multiversity's business, prospects, results of operations and financial condition.

Any negative impact on the reputation of Multiversity's institutions and sector could adversely affect its business.

Multiversity is susceptible to reputational risks and may be negatively impacted by negative publicity. In particular, Multiversity's ability to attract and retain students depends largely on the academic reputation and popularity of its universities. Factors which may negatively impact reputation and result in negative publicity include:

- perceptions of students and regulators about the quality of curricula, teaching staff or program facilities;
- accidents, criminal incidents or other events that adversely affect Multiversity's employees or its students, including in the locations in which Multiversity operates; and/or
- legal, fiscal, regulatory or compliance action which highlights concerns about Multiversity's operations.

If any of these or similar events occur, Multiversity could face regulatory or even criminal sanctions, loss of authorizations, fines or other financial or reputational harm (including negative press). The occurrence of such events may lead to a decline in new student enrollments and cancellation of enrollments and therefore could have a material adverse effect on Multiversity's business, financial condition, results of operations and prospects.

In addition, the occurrence of an event affecting the reputation of one or more of Multiversity's universities could be associated with the brand of a specific university or, more broadly, with Multiversity as a whole and could influence the way its programs are viewed, not only by potential students, but also by its partners, regulators and other parties in the education sector and the general public. A reduction in the number of students enrolled in Multiversity's institutions or the inability to maintain or increase tuition fees and the variety of its offering as a result of damage to the reputation of any one of Multiversity's institutions or in the institutions of Multiversity as a whole, could have an adverse effect on Multiversity's business, results of operations and financial condition.

Multiversity's ability to retain existing contracts with key personnel and to attract potential students is also dependent on the maintenance of its reputation. Multiversity is vulnerable to adverse market perception as it operates in an industry where a high level of integrity and trust is paramount. Inappropriate or illegal behaviour of the members of the staff or students could occur and this might have bearing on the public perception of Multiversity's educational institutions. Any perceived, actual or alleged mismanagement, fraud or failure to satisfy Multiversity's responsibilities or negative publicity resulting from such activities or allegations of such activities (whether founded or not) could have a material adverse effect on its business, financial condition, results of operations and prospects.

Multiversity's future growth and profitability is dependent upon the effectiveness of its marketing and advertising efforts and brand reputation.

Multiversity's future growth and profitability will depend in large part upon the effectiveness of its marketing and advertising strategy and brand reputation. As at the date of this Offering Memorandum, Multiversity

advertises its programs and services through social media and various online channels, as well as through traditional marketing methods. See “*Business—Student Orientation and Marketing and Sales*” for further details.

If Multiversity’s media performance is not effective in promoting program awareness or brand reputation, or if it is not able to reach its target demographic, its future results of operations and financial condition may be adversely affected.

Changes in tax laws could have a material adverse effect on our business, cash flow, results of operations and financial condition.

Multiversity and its subsidiaries are subject to income and other taxes mainly in Italy in particular, changes in Italian tax laws and regulations or their interpretation and application could materially affect our tax expenses and profitability.

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

Future changes in tax laws, treaties, or regulations, and their interpretation or enforcement, may be unpredictable, particularly as the taxing jurisdiction face an increasing number of political, budgetary and other fiscal challenges. Tax rates in Italy may change as a result of macroeconomic and other factors outside of our control, making it increasingly difficult for corporations like ourselves to operate with certainty about taxation. As a result, we could be materially adversely affected by future changes in tax law or policy (or in their interpretation or enforcement), which could have a material adverse effect on our business, cash flow, results of operations, and financial condition, as well as our effective income tax rate.

Multiversity and its subsidiaries may be subject to legal and tax proceedings in the ordinary course of its business.

From time to time, Multiversity and its subsidiaries may also be party to legal or tax proceedings or investigations by public authorities, arising in the ordinary course of its business. Litigation can be costly and time-consuming and divert management resources from business operations. In the event of an adverse outcome, Multiversity and its subsidiaries could incur significant defense costs, be required to pay damages and interest to the prevailing party and, depending on the jurisdiction of the litigation, be held responsible for paying the costs of the prevailing party. In addition, tax, judicial or other governmental authorities may impose significant fines or other measures (including, *inter alia*, operational bans) if they conclude that Multiversity and its subsidiaries’ operations have not been conducted in accordance with applicable legislation, regulations, rules or best practice guidelines or certain specific corporate compliance requirements, such as the obligation to have in place organizational and internal monitoring systems (including an internal control model pursuant to Legislative Decree no. 231 of 8 June 2001, which certain entities of the Multiversity Group adopted starting from 2019 and which is currently being updated). For details of the legal or tax proceedings to which Multiversity and the members of its group are subject, see “*Business—Litigation and legal, tax and administrative proceedings.*”

Multiversity relies on third parties to provide certain services, mainly related to providing information and orientation or certifications to new students. If Multiversity is not able to manage this third parties’ network it could face a decrease of the new enrollments.

Multiversity relies on its network of approximately 3,000³⁷ ELCPs located all over Italy to provide certain services, primarily, in the case of Pegaso and Mercatorum’s ELCPs, the orientation of new potential students. Approximately 60% of new students at Pegaso and Mercatorum are oriented by the ELCPs. In the case of Certipass, its ELCPs are authorised to provide EIPASS Certifications and related services. See “*Business—Presence and Property*” for further details. Although Multiversity has entered into specific accreditation agreements with all of the ELCPs managing these orientation activities, they remain independent third-party providers and there is no guarantee that they will at all times operate in line with Multiversity’s expectations or requirements or that they will not breach the terms of the relevant accreditation agreement, resulting in Multiversity terminating the contractual relationship. Furthermore, ELCPs’ actions are outside of Multiversity’s control and could be at times contrary to Multiversity’s policies, potentially resulting in reputational damages for Multiversity which might impact Multiversity’s perception among prospective students and the number of students seeking enrollment.

³⁷ Certain ELCPs are accredited by more than one Multiversity institution

In addition, should Multiversity be unable to continue to secure the services of these or other third parties (through increased competition or for other reasons) its ability to provide orientation or certification services to students across the territory could be significantly impacted which might lead to a decrease in new enrollments.

Any change in the timing of tuition fee payments could create cash flow issues for Multiversity.

Payment of tuition fees for undergraduate courses and academic master's degrees are generally due in four equal instalments in September-November, May, June and July of each academic year, whereas tuition fees for postgraduate master's courses are generally payable in a single lump-sum payment.

The timing of the incurrence of expenses by Multiversity may, however, not necessarily correspond to this pattern. If Multiversity were to be required by regulation or as a result of market conditions to collect its fees after courses have been completed by the student, this could have an adverse effect on its cash flows.

Risks Related to Multiversity's Capital Structure

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

Upon consummation of the Acquisition, Multiversity will be highly leveraged and will have significant debt service obligations. As of June 30, 2021, after giving *pro forma* effect to the Transactions, the principal amount of our financial indebtedness would have been €806.7 million, consisting of indebtedness under the Notes and €38.7 million drawn under our Revolving Credit Facility. See "*Capitalization*," "*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.

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

- making it more difficult to satisfy our debt obligations, including under the Notes the Revolving Credit Facility and other debt and liabilities we may be permitted to incur;
- increasing the vulnerability to a downturn in our business or economic and industry conditions;
- increasing the exposure to interest rate increases because some of our indebtedness bears a floating rate of interest;
- limiting Multiversity and its subsidiaries' ability to obtain additional financing to fund future working capital requirements, capital expenditures, business opportunities and other corporate requirements and increasing the costs of such additional financings;
- placing Multiversity at a competitive disadvantage compared to its competitors that have less debt in relation to cash flow;
- requiring Multiversity 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 the flexibility in planning for, or reacting to, changes in our business, competitive environment and industry;

Any of these or other consequences or events could have a material adverse effect on the ability to satisfy its debt obligations, including under the Notes, the Revolving Credit Facility and other debt and liabilities we may be permitted to incur.

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

Despite its substantial leverage, Multiversity may incur substantial additional debt in the future. Multiversity has the ability to borrow up to €100.0 million under our Revolving Credit Facility and the Indenture also permits the incurrence of additional debt thereunder. The Indenture also permits to incur a substantial amount of indebtedness at subsidiaries and to incur indebtedness that shares in the Collateral or that benefits from security interests over assets that do not secure the Notes. Any debt that Multiversity subsidiaries incur could be structurally or effectively senior to the Notes to the extent that such subsidiaries do not guarantee the Notes or such debt is secured by liens that do not secure the Notes, to the extent of the value of such property and assets securing such debt, and other debt could be secured or could mature prior to the Notes. Although the Indenture

will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our existing debt levels, the related risks that we now face would increase. In addition, the Indenture will not prevent us from incurring obligations that do not constitute indebtedness thereunder. Our inability to service our debt could have a material adverse effect on our business, financial position, results of operations and our ability to fulfil our obligations under the Notes.

Following the consummation of the Transactions, we will be subject to restrictive covenants that will limit our operating and financial flexibility.

Restrictive covenants under the Revolving Credit Facility Agreement and the Indenture may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control, could result in an event of default that could materially adversely affect our financial condition and results of operations. The Revolving Credit Facility Agreement contains 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;
- 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;
- enter into transactions with affiliates;
- take certain actions that would impair the security interests in the Collateral granted for the benefit of the holders of the Notes;
- merge, consolidate or transfer all or substantially all of our assets; and
- pay or redeem subordinated debt or equity.

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

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

If the Multiversity Investment does not occur on or prior to the Escrow Longstop Date, the Issuer will be required to redeem its Notes, which means that you may not obtain the return you expect on the Notes and the escrowed funds may not be sufficient to cover the special mandatory redemption price.

The gross proceeds from the Offering will be held in the Escrow Account pending the satisfaction of certain conditions, some of which are outside of our control. If the Multiversity Investment does not occur on or prior to the Escrow Longstop Date or if certain other events that trigger escrow termination occur, the Notes will be subject to a special mandatory redemption as described in “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*” and you may not obtain the return you expect to receive on the Notes. Upon such redemption, you may not be able to reinvest the proceeds from the redemption in an investment that yields comparable returns. In addition, if you purchase the Notes at a price greater than the issue price of the Notes, you may suffer a loss on your investment. The escrow funds will be initially limited to the gross proceeds from the Offering and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the

aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to, but excluding, the date of special mandatory redemption and there is no assurance that the Issuer will 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. In addition, the Issuer will have three business days following release of the escrowed funds from the Escrow Account to complete the Multiversity Investment, which means that during such period such funds will not be subject to the Escrow Charge.

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

Current tax legislation in Italy (Article 96 of Presidential Decree No. 917 of December 22, 1986 (“**Decree No. 917**”), as amended by Legislative Decree No. 142 of November 29, 2018) allows for the full tax deductibility of interest expense incurred by a company in each fiscal year up to the amount of the interest income of the same fiscal year or carried forward from previous fiscal years. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of the EBITDA of the company (*i.e.*, *risultato operativo lordo della gestione caratteristica* or “**ROL**”) to be quantified on the basis of the relevant tax values assumed from the perspective of the Italian corporate income tax (*i.e.* considering the tax adjustments applied for corporate income tax purposes to items included in the ROL computed from an accounting perspective). The amount of ROL not used for the deduction of the amount of interest expense that exceeds interest income can be carried forward, increasing the amount of ROL for the following five fiscal years. Interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years, provided that, in such fiscal years, the amount of interest expense that exceeds interest income is lower than 30% of ROL. In the case of a tax group, interest expense not deducted by an entity in the tax group due to lack of ROL can be deducted at the tax unity level, within the limit of the excess of ROL of the other companies within the tax group.

Based on the above rules, the Issuer (or the Group) may not be able to deduct for Italian tax purposes all interest expenses borne in each relevant fiscal year.

In the past, the Italian tax authorities have in certain instances challenged merger leveraged buyout transactions with respect to the deductibility of interest expenses arising in connection with acquisition financing. However, on March 30, 2016, the Italian Revenue Agency issued Circular Letter No. 6/E clarifying, as a common principle, that interest on an acquisition bank loan in leveraged buyout (“**LBO**”) transactions are generally deductible for the Italian corporate income tax (“**TRES**”) purposes, subject only to ordinary limitations stated in Article 96 of Presidential Decree No. 917 of December 22, 1986. In particular, the Italian Revenue Agency confirmed as a general principle that LBO transactions are generally based on sound economic reasons considering that the financing from third party lenders is usually conditional on acquisition of control over the target company by a special purpose vehicle and the following merger with debt push down. As a result of such guidance, LBO transactions are generally not considered irregular for tax purposes absent specific circumstances in which the tax authorities contend that the structuring of any such transaction was designed to obtain unlawful tax advantages in violation of the law or established legal principles (e.g., re-leveraged transactions without a change of control).

Any future changes in Italian tax laws or in their interpretation, including any future limitation on the use of the ROL of the Issuer and/or the subsidiaries of the Issuer included in the tax group, if any, or the tax treatment of interest expense arising from any indebtedness, including the Notes, the failure to satisfy the applicable legal requirements relating to the deductibility of interest expense or the application by Italian tax authorities of certain existing interpretations of Italian tax law may result in our inability to fully deduct our interest expenses, and the application of withholding taxes, which may have a material adverse effect on our financial condition. Furthermore, if the Italian tax authorities were to successfully challenge the tax treatment or characterization of any of the Transactions, including the issue of the Notes or the use of proceeds from the Offering, including on the basis of anti-avoidance or anti-abusive criteria, we may be unable to fully deduct our interest expenses or may be subject to (i) significant penalties and accrued interest; (ii) the imposition of withholding taxes or (iii) other consequences that could have a material adverse effect on our financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

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

If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing shareholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences, and privileges senior to those of holders. If we 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, results of operations and financial condition.

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

The Issuer is beneficially owned by funds advised by CVC. Since the consummation of the Acquisition, the Target Group has been directly wholly owned by the Issuer. As a result, the CVC has, 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. CVC's 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, CVC could vote to cause us to incur additional indebtedness. Moreover, CVC is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us and/or that operate in our markets or adjacent ones. CVC may also pursue acquisition opportunities that are complementary to or in competition with our business and, as a result, those acquisition opportunities may not be available to us. In addition, CVC may hold interests in suppliers or customers of the target companies. CVC and its respective affiliates could also have an interest in pursuing acquisitions, divestitures (including one or more divestitures of all or part of our business or sales of our shares which would result in changes to our shareholding structure), financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to you as a holder of Notes.

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

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

On the Issue Date and upon the completion of the Multiversity Investment, the Notes will not be guaranteed. The Issuer's subsidiaries will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or otherwise. As such, the claims of creditors of our subsidiaries, including trade creditors and claims of preference shareholders (if any), will have priority with respect to the assets and earnings of the subsidiary over the claims of the creditors of the Issuer, including claims by the holders of the Notes.

Subject to restrictions in the Indenture and the Revolving Credit Facility, we may incur additional indebtedness, including at the level of our subsidiaries. See “—We may incur additional indebtedness, including at the level of our subsidiaries, which could increase our risk exposure from debt and could decrease your share in any proceeds.”

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

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

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

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

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

The Notes will be secured only to the extent of the value of the Collateral and other secured indebtedness may be secured by assets that do not secure the Notes. See “*Description of the Notes—Security*”. Not all our assets will secure the Notes and the Indenture allows the Issuer and its restricted subsidiaries to secure certain future indebtedness permitted to be incurred with certain property and assets that do not secure the Notes. If an event of default occurs and the obligations under the Notes are accelerated, the Notes and the Notes Guarantee thereof will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured indebtedness of the Issuer and its restricted subsidiaries with respect to any property or assets excluded from the Collateral securing the Notes. The claims of secured creditors that are secured by assets that do not also secure the Notes will have priority with respect to such assets over the claims of holders of the Notes. As such, the claims of the holders of the Notes will be effectively subordinated to the rights of such secured creditors to the extent of the value of the assets securing such indebtedness.

On or following the Issue Date, within the time periods specified herein, subject to the Agreed Security Principles, the Notes will be secured on a first-ranking basis by the Collateral. The Collateral comprises, (i) limited recourse pledge over Paganini’s shares in the Issuer, (ii) limited recourse security interest agreement over Paganini’s structural intercompany receivables owing to it by the Issuer (if any) and (iii) within 20 business days following the Post-Closing Reorganisation, limited recourse pledge over Paganini’s shares in Multiversity. The Collateral will also secure on a first-ranking basis our obligations under the Revolving Credit Facility and certain hedging agreements. The Collateral may also secure additional debt to the extent permitted by the terms of the Indenture, the Revolving Credit Facility and the Intercreditor Agreement. The rights of the holders of the Notes to the Collateral may be diluted by any increase in the first- priority debt secured by the Collateral. The Notes will be secured only to the extent of the value of the Collateral. The value of the Collateral and the amount to be received upon an enforcement of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, whether or not the business is sold as a going concern, the condition of the Italian economy and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, (i) the pledges, shares and ownership interests of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding because all of the obligations of the entity must first be satisfied, leaving little or no remaining assets in the entity and (ii) the total amount secured under the Collateral is not linked to the market value of the underlying assets.

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

The Collateral will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement, whether on or after the date the Notes are first issued. The existence of such exceptions, defects, encumbrances, liens and other imperfections could materially adversely affect the value of the Collateral, as well as the ability of the Security

Agent to realize or foreclose on such Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions (including the laws of Italy).

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

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

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

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

The recovery from the enforcement of the share pledges forming part of the Collateral may be complicated, involve long recovery times and a low recovery rate.

In connection with the enforcement of pledge over shares of entities with outstanding debt obligations, any sale of such entities is likely to involve a release of some or all of the debt of such entity, which could result in a taxable capital gain to such entities. As the Notes will be issued by the Issuer, an enforcement over the shares of the Issuer would involve the enforcement over the share pledge of an entity with outstanding debt claims. In addition, the Indenture will not prohibit the Issuer from incurring additional debt claims in the future. Consequently, the enforcement of the share pledge over the Issuer's shares may result in the release of the Issuer's debt obligations, which could result in a taxable capital gain. This taxable capital gain is likely to reduce the proceeds of any recovery from the enforcement of such share pledge. Therefore, the value of the pledge over the shares of the Issuer may be limited. In addition, the Collateral includes, *inter alia*, a security interest over the shares of each of the Issuer and, after the Post-Closing Reorganisation, Multiversity.

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

The Italian corporate benefit and financial assistance regulatory regime makes it unlikely that the subsidiaries of the Issuer will guarantee and/or secure the Notes. However, if such guarantees and/or security were to be granted, the obligations of any future guarantor and/or security provider of the Notes (a "Guarantor"), the enforcement of each of their Notes Guarantees and/or Collateral, the obligations of the grantors of guarantee and/or security and the ability of the Security Agent to enforce the Notes Guarantee and/or Collateral will be limited to the maximum amount that can be guaranteed and/or secured, as applicable, by such Guarantor under the applicable laws of Italy, including a limitation to the extent that the granting of such guarantee and/or security is not in the relevant Guarantor's corporate interests, or otherwise would result in violations of laws related to corporate benefit, capitalization, capital preservation, financial assistance or transactions under value. See "*Limitations on Validity and Enforceability of any notes Guarantees and the Collateral and Certain Insolvency Law*

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

As a result of the applicable limitations under Italian law with respect to, amongst others, financial assistance and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement, as regards any guarantor or security provider incorporated in Italy (an “**Italian Guarantor**”):

- (i) in order to comply with the provisions of the Italian law in relation to financial assistance (including article 2358 and/or article 2474, as the case may be, of the Italian Civil Code), the Notes Guarantee and security interests granted by the relevant Italian Guarantor shall not include and/or extend to any amounts of the Notes the purpose or the actual use of which is to finance, directly or indirectly, the acquisition of the relevant Italian Guarantor (or any of its direct or indirect holding companies) and/or the subscription of any shares or quota in the relevant Italian Guarantor (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;
- (ii) the Notes Guarantee and security interests granted by the relevant Italian Guarantor shall not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans or other financial support in any form (such term, for the avoidance of doubt, not including equity contributions) advanced or made available from time to time to such Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1 and 2, of the Italian Civil Code) by the Issuer (whether directly or indirectly) on or following the Acquisition Closing Date, and outstanding at the time of the enforcement of the relevant Notes Guarantee, in each case net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or received upon the enforcement of any security interests granted by such Italian Guarantor; provided further that no Italian Guarantor shall be liable as a Guarantor and/or security provider in respect of any amounts in excess of the amount that it is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by such Italian Guarantor under the relevant Notes Guarantee and/or as a result of the enforcement of any security interests granted by it;
- (iii) the maximum amount guaranteed and/or secured by any Italian Guarantor, also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed 120% of the outstanding principal amount of the Notes;
- (iv) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by an Italian Guarantor will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes guaranteed and/or secured by the relevant Italian Guarantor at that time;
- (v) notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including article 1283 of Civil Code and article 120 of the Italian Banking Act), the obligations of such Guarantor under its Notes Guarantee shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code and/or article 120 of the Italian Banking Act, respectively.

In the event that the Post-Closing Reorganisation does not occur by December 15, 2022, as regards to Target and any of its subsidiaries, given the above limitation in relation to Italian financial assistance law and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement, until such time as the Post-Closing Reorganisation is completed (if ever):

- (i) the Notes Guarantee and security interests to be granted by Target and any of its subsidiaries will only guarantee and secure the Issuer’s obligations under the Notes in a proportion equal to that which Tranche B bears to the nominal principal amount of the Notes at issuance (the “**Refinancing Proportion**”) and shall

not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans or other financial support in any form (such term, for the avoidance of doubt, not including equity contributions) advanced or made available from time to time to Target and any of its subsidiaries (or any of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1 and 2, of the Italian Civil Code) by the Issuer (whether directly or indirectly) on or following the Acquisition Closing Date, and outstanding at the time of the enforcement of the relevant Notes Guarantee or security, net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or received upon the enforcement of any security interests granted by Target and any of its subsidiaries; provided further that Target and any of its subsidiaries shall not be liable as a Guarantor and/or security provider in respect of any amounts in excess of the amount that it is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by Target and any of its subsidiaries under the relevant Notes Guarantee and/or as a result of the enforcement of any security interests granted by it;

- (ii) the maximum amount guaranteed and/or secured by Target and any of its subsidiaries, also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed the lower of (i) 120% of the outstanding principal amount of the Notes, and (ii) the aggregate amount of the original principal amount of the Tranche B (as described under “*Summary—The Offering*”) under the Notes, reduced, from time to time, by an amount equal to any repayment, prepayment or redemption of the principal amount of the Notes multiplied by the ratio of (I) the aggregate amount of the original principal amount of the Tranche B (as described under “*Summary—The Offering*”) under the Notes to (II) the original principal amount of the Notes;
- (iii) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by Target and any of its subsidiaries will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes guaranteed and/or secured by Target and any of its subsidiaries at that time;
- (iv) notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including article 1283 of the Italian Civil Code and article 120 of the Italian Banking Act), the obligations of Target and any of its subsidiaries under its Notes Guarantee shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code and/or article 120 of the Italian Banking Act, respectively; and
- (v) any guarantee, indemnity, obligations and liability granted or assumed pursuant to the relevant Guarantee and/or security interest by Target and any of its subsidiaries does not (and will not) include and does not (and will not) extend, directly or indirectly, to any amounts and/or payment obligations under Tranche A (as described under “*Summary—The Offering*”) under the Notes or in any way exceeding the Refinancing Proportion;

The abovementioned “*virtual tranching*” structure aimed at identifying the relevant portion of the proceeds of the Notes which does not constitute “acquisition debt” in respect of Target and Multiversity 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 directly or indirectly by the Issuer of the share capital of Target and Multiversity. Should the Notes Guarantee and/or security interests granted by Target and any of its subsidiaries be deemed by a court or public authority to be contrary to any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, such Notes Guarantee and security interests could be declared null and void.

In any case, the maximum amount that an Italian Guarantor may be required to pay in respect of its obligations as Guarantor under the Indenture and/or security grantor under the relevant security documents upon enforcement of the security interests granted by such Italian Guarantor will ratably concur and not cumulate with the corresponding amounts due by such Italian Guarantor to any guaranteed and/or secured creditor pursuant to the Revolving Credit Facility Agreement and/or the Intercreditor Agreement (including any guaranteed and/or secured creditors with respect to any further *pari passu* indebtedness contemplated under the Intercreditor Agreement) and/or any security documents, and *vice versa*. For the avoidance of doubt, by virtue of the abovementioned limitations applicable to the guarantees and the security interests granted by an Italian Guarantor, the obligations of each Italian Guarantor as guarantor and/or security provider under the Notes, the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement and any agreement regulating

future *pari passu* indebtedness contemplated under the Intercreditor Agreement, the security documents relating to the Collateral and any other transaction documents related thereto shall not be deemed to be cumulative and shall be considered without duplication, and the transaction documents will provide that the aggregate amount of the proceeds deriving from any enforcement of any such guarantee and/or security obligations of the relevant Italian Guarantor shall not exceed on an aggregate basis the limit of the relevant Italian Guarantor's credit support as described above.

In addition to the above, under article 1938 of the Italian Civil Code, if a corporate guarantee is issued by an Italian Guarantor to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). It has been held that such determination must be proportionate to the relevant Guarantor's assets. If such determination is deemed disproportionate to the assets of each of the Guarantors, there is a risk that the guarantee could be declared void.

The proceeds of the enforcement of said guarantees and/or security interests shall be distributed among the guaranteed and/or secured creditors (including, without limitation, the holders of the Notes) in accordance with the provisions of the Intercreditor Agreement. Accordingly, the holders of the Notes will be able to recover limited amounts under the relevant Notes Guarantees and security. See "*Limitations on Validity and Enforceability of any notes Guarantees and the Collateral and Certain Insolvency Law Considerations.*"

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

Prior to the Post-Closing Reorganisation, the Issuer will operate as a holding company that conducts no business operations of its own and has no significant assets. As a result, the Issuer will be dependent upon the cash flow from its subsidiaries in the form of dividends, intercompany loans or otherwise to make payments on the Notes. The Issuer's operating subsidiaries may not generate cash flow sufficient to enable the Issuer to meet its payment obligations under the Notes. In addition, the Issuer's subsidiaries may be restricted from providing funds to the Issuer under some circumstances. These circumstances could include, among others, restrictions under Italian corporate law which require a company to retain at least 5% of its annual unconsolidated net income until such reserve reaches at least 20% of the value of the company's share capital, and future contractual restrictions, including restrictions in credit facilities and other indebtedness, that may affect the ability of the Issuer's subsidiaries to pay dividends or make other payments to the Issuer. In addition, applicable tax laws may also subject such payments to taxation.

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

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

The Issuer is beneficially owned by funds advised by CVC. Since the consummation of the Acquisition, the Target Group has been directly wholly owned by the Issuer. As a result, the Sponsor has, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to influence the outcome of matters requiring action by our shareholders. The Sponsor's 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 Sponsor could vote to cause us to incur additional indebtedness. Moreover, the Sponsor is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us and/or that operate in our markets or adjacent ones. The Sponsor may also pursue acquisition opportunities that are complementary to or in competition with our business and, as a result, those acquisition opportunities may not be available to us. In addition, the Sponsor may hold interests in suppliers or customers of the target companies. The Sponsor and its respective affiliates could also have an interest in pursuing acquisitions, divestitures (including one or more divestitures of all or part of our business or sales of our shares which would result in changes to our shareholding structure), financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to you as a holder of Notes.

Further, the lenders under the Revolving Credit Facility may be granted the benefit of additional security or guarantees which are not otherwise permitted to be granted in favor of holders of the Notes due to the application of Italian financial assistance and corporate benefit rules. Accordingly, in such circumstances you would have no direct claim for payment against any such additional guarantor nor any rights as a secured party with respect to any such additional collateral. It is possible that a Guarantor, or a creditor of a Guarantor or the bankruptcy trustee in the case of a bankruptcy of a Guarantor, may contest the validity and enforceability of the Notes Guarantee or Collateral on any of the aforementioned grounds and that the applicable court may determine that the Notes Guarantee or Collateral should be limited or voided. To the extent such limitations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor, including trade payables of such Guarantor to the extent of such limitations. Future security or guarantees may be subject to similar limitations.

Additionally, the grant of Collateral to secure the Notes may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may otherwise be set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified “clawback” period following the grant. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the relevant security interest.

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

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce 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 Security Agent, and thus the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the security documents or to exercise any rights or powers arising under the security documents except through the Security Agent as provided in the Intercreditor Agreement. By accepting a Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against us in the event of a default. See *“Description of Certain Financing Arrangements—Intercreditor Agreement”*

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

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

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

See “*Limitations on Validity and Enforceability of any notes Guarantees and the Collateral and Certain Insolvency Law Considerations*.”

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

The Intercreditor Agreement will provide that a common Security Agent, who will also serve as the security agent for the lenders under Revolving Credit Facility Agreement, the hedging obligations which are permitted by the Indenture to be secured on the Collateral, and any additional debt secured by the Collateral permitted to be incurred by the Indenture, will act only as provided for in the Intercreditor Agreement. The Intercreditor Agreement will regulate the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action. The Security Agent is not required to take enforcement action unless instructed to do so by an Instructing Group (as defined below under “*Description of Certain Financing Arrangements—Intercreditor Agreement*”) that comprises (i) creditors holding more than 66⅔% of the indebtedness and commitments under the Revolving Credit Facility, any other Credit Facility and certain priority hedging obligations (the “**Super Majority Super Senior Creditors**”) and (ii) creditors holding more than 50.0% of the indebtedness under the Notes and indebtedness ranking *pari passu* with the Notes with respect to the proceeds of enforcement of security (the “**Majority Senior Secured Creditors**”) (in each case acting through their respective creditor representative). If, however, before the discharge of all obligations to the lenders under the Revolving Credit Facility and any other Credit Facility and so long as no insolvency event has occurred, the Security Agent has received conflicting enforcement instructions from the creditor representatives (and for these purposes, the failure to give instructions is deemed to be a conflicting instruction) then, to the extent the instructions from the Majority Senior Secured Creditors (to the extent given) comply with the initial consultation requirements and the security enforcement principles (one of which states that the primary and overriding objective of an enforcement of security over the Collateral is the maximization, so far as is consistent with prompt and expeditious realization of value, of recoveries by the Super Senior Creditors (as defined below under “*Description of Certain Financing Arrangements—Intercreditor Agreement*”), the holders of the Notes and certain creditors ranking *pari passu* with the holders of the Notes with respect to the proceeds of enforcement of security) each as set forth in the Intercreditor Agreement, the Security Agent will comply with the instructions from the Majority Senior Secured Creditors, provided that if the super senior liabilities have not been fully discharged within six months, or no enforcement action has been taken by the Security Agent within three months, of the date on which the initial consultation period expires (or where no consultation is required, of the Majority Senior Secured Creditors providing a specified notice), or at any time after the occurrence of an insolvency event with respect to certain members of the Multiversity Group, then the instructions of the Super Majority Super Senior Creditors will prevail. To the extent the Multiversity Group incurs additional indebtedness

that is secured on a pari passu basis with the Notes with respect to the proceeds of enforcement of security, your voting interest in an instructing group will be diluted commensurately with the amount of indebtedness the Multiversity Group incurs.

The lenders under the Revolving Credit Facility Agreement, any Credit Facility and creditors in respect of certain hedging obligations may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the security documents at a time when it would be disadvantageous for the holders of the Notes to do so.

In addition, if the Security Agent sells Collateral comprising the shares of the Issuer or any of its holding companies or subsidiaries as a result of an enforcement action or other distressed disposal in accordance with the Intercreditor Agreement, claims under the Notes against, and the liens over any other assets of, such entities and any subsidiaries of such entity securing the Notes may be released. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Description of the Notes—Security—Release of Liens*.”

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

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

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

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

- subject to the immediately following sub-paragraph below, in connection with any sale or other disposition of property or assets constituting Collateral, if the sale or other disposition does not violate the covenant described under “*Description of the Notes—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” covenant or other applicable provisions under the Indenture and is to a person that is not a Parent (as defined under “*Description of the Notes—Definitions*”), the Issuer or a Restricted Subsidiary (as defined under “*Description of the Notes—Definitions*”);
- any release of a security Interest in respect of the capital stock of the Issuer pursuant to the preceding bullet will only be permitted if such capital stock is subject to a Lien of at least equivalent ranking (in the good faith judgment of the Issuer) in favor of the note holders as soon as reasonably practicable after such release;
- in the case of a future guarantor that is released from its notes guarantee pursuant to the terms of the Indenture, the release of the property and assets, and capital stock, of such future guarantor as described under “*Description of the Notes—Amendments and Waivers*”;
- if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary (as defined under “*Description of the Notes—Definitions*”) in accordance with the applicable provisions of the Indenture, only with respect to the property and assets, and capital stock, of such Unrestricted Subsidiary;
- in respect of a Restricted Subsidiary that is not a Significant Subsidiary (as defined under “*Description of the Notes—Definitions*”), following the release of any liens granted in favor of the Revolving Credit Facility, so long as no Event of Default (as defined under “*Description of the Notes—Definitions*”) has occurred and is continuing, only in respect of the property, assets and Capital Stock of such Restricted Subsidiary; *provided* that there is no other Indebtedness secured by a Lien on the assets of such Restricted Subsidiary that would result in the requirement under the Indenture for the Notes to be secured on such property, assets or capital stock pursuant to the covenant described under “*Description of the Notes—Certain Covenants—Liens*” or the covenant described under “*Description of the Notes—Certain Covenants—Additional Notes Guarantees*”;
- only with respect to the security interest in respect of all of the shares of the Issuer, to facilitate an initial public offering of the Issuer;

- in connection with a Permitted Reorganization as defined under “*Description of the Notes—Definitions*”;
- upon payment in full of principal, interest and all other obligations of the Notes or defeasance or discharge of the Notes, as provided under “*Description of the Notes—Defeasance*” and “*Description of the Notes—Satisfaction and Discharge*”; and
- in accordance with the Intercreditor Agreement or as otherwise permitted in accordance with the Indenture.

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

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

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

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

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

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

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

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

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

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

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

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

Following allegations of manipulation of LIBOR, a measure of interbank lending rates, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR or the calculation of LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR. In addition, LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be “benchmarks” are the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the U.K. Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “**FCA Announcement**”). The FCA Announcement and a subsequent speech by the Director of Markets and Wholesale Policy at the FCA on January 28, 2019 indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed, and market participants should not rely on its publication, after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark. Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on Multiversity Group’s ability to service debt that bears interest at floating rates of interest. The Indenture will provide a mechanism whereby, if the Issuer determines that EURIBOR is no longer being calculated or administered, among other circumstances, the Issuer could cause an independent financial advisor to determine an appropriate successor rate (or, if not reasonably practicable to appoint such independent financial advisor, the Issuer would determine such successor benchmark rate), and make certain adjustments to such rate, including applying a spread thereon to make such successor rate to reduce or eliminate any economic benefit or prejudice to holders of the Notes as a result of the replacement of EURIBOR, which upon certification by the Issuer to each of the Trustee, the Calculation Agent and the Paying Agent will be used to calculate the interest rate in relation to the Notes without any further action or consent by the noteholders or the Trustee. This means that interest on the Notes would be determined on the basis of a benchmark rate, together with adjustments, that was not contemplated at the time you purchased the Notes issued on the Issue Date. See “*Description of the Notes—Interest.*” In addition, due to the uncertainty concerning the availability of an appropriate successor rate and the involvement of an independent financial advisor, the Indenture’s successor rate mechanism may not operate as intended at the relevant time. Any elimination of the EURIBOR benchmark, or changes in the manner of administration of EURIBOR, could require an adjustment to the terms and conditions of our floating rate debt. Any such consequence could have a material adverse effect on the value of and return on any such floating rate debt. If EURIBOR were discontinued or otherwise unavailable, the rate of interest on our floating rate debt will be determined for the relevant period by the fallback provisions applicable to such debt. The application of these fallback provisions could result in the Notes becoming fixed rate instruments.

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

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

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

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, recapitalization or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a “change of control” as defined in the Indenture. Except as described under “*Description of the Notes—Change of Control,*” the Indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes, respectively, in the event of a reorganization, restructuring, recapitalization or similar transaction. Moreover, a change of control will be deemed not to have occurred if it constitutes a “Specified Change of Control Event”. See “*Description of Notes—Certain definitions—Specified Change of Control Event.*”

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

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

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

extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the Notes, to change the quorum requirements relating to meetings, to change the majority required to pass a resolution, and/or to change the amendment provisions. These and other changes may adversely impact rights of holders of Notes and may have a material adverse effect on the market value of the Notes. Under Italian law, the approval of an extraordinary resolution typically requires the consent of more than one half of the aggregate principal amount of the outstanding Notes. Our decision to increase the majority requirement is untested under Italian law, may be challenged by holders of the Notes, the Issuer and others, and if challenged, may not be upheld by an Italian court, with the consequence being that the majority voting threshold may be reduced from 75% to 50%.

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

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

The Issuer and the Guarantors are not liable to pay any additional amounts to holders of the Notes in certain circumstances, including if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as amended or supplemented) (“**Decree No. 239**”) (except where the procedures required under Decree No. 239 or under Decree No. 461 in order to benefit from an exemption have not been complied with due solely to the actions or omissions by the Issuer or its agents) and any related implementing regulations, or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 (as amended or supplemented) (“**Decree No. 461**”). In those circumstances, investors will receive the proceeds of their investment in the Notes, net of applicable withholding or deductions.

In particular, holders of Notes that are not residents in White List countries, holders who are residents in White List countries that do not properly and promptly comply with certain certification and procedural requirements set forth by Decree No. 239 and by the relevant application rules to benefit from exemption from Italian taxation, and certain categories of holders of the Notes who are residents in Italy, will therefore only receive the net proceeds of their investment in the Notes and will not be paid any additional amounts to compensate them for the withholding or deduction.

Although we believe that, under current law, Italian substitute tax will not be imposed under Decree No. 239 where the Notes are listed on a regulated market or multilateral trading facility upon issuance and the holder of Notes is a resident for tax purposes in a White List country and such holder promptly and properly complies with certain certification and procedural requirements set forth by Decree No. 239 and by the relevant application rules, there is no assurance that this will be the case should there be a change in applicable law or relevant procedures. See “*Certain Tax Considerations OECD Common Reporting Standards—Certain Italian Tax Considerations*” and “*Description of the Notes—Withholding Taxes*.” Moreover, holders of the Notes should note that they will bear the risk of any change in the White List.

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

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

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

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

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

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

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

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

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

the creditor was aware of the state of insolvency of the relevant entity in order to enforce any clawback action. See “*Limitations on Validity and Enforceability of any notes 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 insolvent estate. To the extent that the grant of any security interest is voided, the holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related security documents.

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

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

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

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

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

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

The Notes are being offered and sold pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws of the United States. The Notes have not been and will not be registered under the U.S. Securities Act or any state securities laws. Therefore, you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes and the Indenture contain provisions that restrict the Notes from being offered, sold or otherwise

transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S under the Securities Act, or other exemptions under the Securities Act. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an aggregate principal amount of less than €100,000. Furthermore, we have not registered the Notes under any other country's securities laws and do not have any intention to do so. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Transfer Restrictions*."

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

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

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

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

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

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

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

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

No assurance can be given that the Notes will be listed or that, once listed, the listing will be maintained or that such listing will satisfy the listing requirement of Italian Legislative Decree No. 239 of April 1, 1996 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to the exemption from the requirement to apply withholding tax.

The Italian tax authorities have issued an interpretive circular relating to, among other things, the listing requirement of the aforementioned legislation in order for the Notes to be eligible to benefit from the exemption from withholding tax. According to a stringent interpretation of this circular, the Notes may not be eligible to benefit from such provisions if the listing of the Notes is not effective as of the Issue Date. In the event that the

Notes are not listed as of the Issue Date or that such listing requirement is otherwise not satisfied, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax (*ritenuta a titolo di imposta o acconto*) currently at a rate of 26%, and we would be required to pay additional amounts with respect to such withholding taxes such that beneficial owners receive a net amount that is not less than the amount that they would have received in the absence of such withholding. We cannot assure you that the listing can be achieved by the Issue Date. However, we intend to achieve the required listing of the Notes on the Issue Date by obtaining a listing on the Euro MTF Market of the Luxembourg Stock Exchange. 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.

USE OF PROCEEDS

The gross proceeds of the Offering will be €763.1 million. On the the Acquisition Closing Date, the proceeds of the Offering, the Bridge to Cash Facility, amounts drawn under the Revolving Credit Facility and the Equity Contribution will be used by the Issuer to fund the Multiversity Investment and to pay the estimated costs and expenses associated with the Transactions. The expected estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below. Actual amounts on the Acquisition Closing Date will vary from estimated amounts depending on several factors, including differences from our estimate of fees and expenses.

<u>Sources of funds</u> (in millions of Euros)		<u>Uses of funds</u> (in millions of Euros)	
Notes offered hereby ⁽¹⁾	763.1	Purchase of 50% stake of Multiversity ⁽⁵⁾	800.2
Revolving Credit Facility ⁽²⁾	38.7	Cash Available ⁽⁶⁾	228.4
Bridge to Cash Facility ⁽³⁾	221.6		
CVC Contribution ⁽⁴⁾	41.8	Estimated transaction costs ⁽⁷⁾	36.6
	<u>1,065.2</u>	Total uses	<u>1,065.2</u>

(1) Represents the gross proceeds of the Notes issued at an offering price at 99.75%.

(2) Represents the €100.0 million Revolving Credit Facility. The amount of €38.7 million is expected to be drawn under Revolving Credit Facility immediately before Acquisition Closing Date.

(3) The Issuer will enter into the Bridge to Cash Facility to partially fund the Multiversity Investment. The quantum of the Bridge to Cash Facility will be a principal amount of €221.6 million which represents an amount equal to the Cash Available held by MultiSpa for the purposes of the Multiversity Investment. The Bridge to Cash Facility will be repaid within two Business Days following the completion and effectiveness of the Post-Closing Reorganisation (as defined herein) (but in any event no later than December 15, 2022).

(4) Represents the aggregate principal amount of the Equity Contribution downstreamed to the Issuer which together with the proceeds of the Notes, amounts drawn under the Revolving Credit Facility and the Bridge to Cash Facility will be applied towards the consideration for the Multiversity Investment.

(5) Represents the total purchase price paid by the Issuer for the remaining 50% stake at Multiversity.

(6) Cash Available represents cash held by Wiversity and MultiSpa that the Issuer will pay to the Seller in connection with the Multiversity Investment (the “**Cash Available**”). The Cash Available will ultimately be used to discharge the Bridge to Cash Facility.

(7) Represents the estimated transaction costs associated with the Transactions, including underwriting fees and other transaction costs and professional expenses. The actual amount of transaction fees and expenses may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as of the completion of the transactions referred to in the table above.

CAPITALIZATION

The following table sets forth the cash and cash equivalents and consolidated capitalization as of June 30, 2021 of Multiversity Group (i) on an actual basis, and (ii) on an as adjusted basis giving effect to the Transactions, including the gross proceeds from the offering of the Notes and the application of the proceeds therefrom.

This table should be read in conjunction with “*Use of Proceeds*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Description of Certain Financing Arrangements*,” “*Description of the Notes*,” and Multiversity Audited Annual Consolidated Financial Statements included elsewhere in this Offering Memorandum.

	As of June 30, 2021	
	Historical	As adjusted
	(in millions of Euro)	
Cash and cash equivalents	<u>(186.0)</u>	<u>(191.0)⁽¹⁾</u>
Notes offered hereby ⁽²⁾	—	765.0
Revolving Credit Facility ⁽³⁾	—	38.7
Current financial indebtedness	2.0	2.0
Non-current financial indebtedness	1.0	1.0
Total Indebtedness	3.0	806.7
Shareholders’ equity ⁽⁴⁾	<u>731.0</u>	<u>842.1</u>
Total capitalization⁽⁵⁾	<u>734.0</u>	<u>1,648.8</u>

(1) Represents cash and cash equivalents (€186 million) as adjusted for the remaining 50% of Certipass and €2 million of securities.

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

(3) Represents the €100.0 million super senior revolving credit facility. The amount of €38.7 million is expected to be drawn under Revolving Credit Facility immediately before the Acquisition Date. See “*Summary—The Transactions*” and “*Description of Certain Financing Arrangements—Revolving Credit Facility*.”

(4) As adjusted Shareholders’ equity reflects the acquisition purchase price and the Equity Contribution by CVC. This item does not include the effect of the Acquisition and the related transaction costs.

(5) Capitalization is calculated as the sum of the shareholders’ equity and total indebtedness.

SELECTED FINANCIAL INFORMATION

The selected financial information provided below has been derived from Multiversity Unaudited Condensed Interim Consolidated Financial Statements, Multiversity Audited Annual Consolidated Financial Statements and Pegaso Audited Annual Financial Statements. For the year ended December 31, 2019, information for Multiversity Group that has been derived from the Schedule to Combined Financial Information is presented elsewhere in this Offering Memorandum. The selected financial information is qualified in its entirety by reference to, and should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the Multiversity Unaudited Condensed Interim Consolidated Financial Statements, the Multiversity Audited Annual Consolidated Financial Statements and the Pegaso Audited Annual Financial Statements included elsewhere in this Offering Memorandum. See “Presentation of Financial and Other Information.”

Prospective investors should read the summary data presented below in conjunction with “Use of Proceeds,” “Capitalization,” “Summary—Summary Financial Information and Other Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the Multiversity Unaudited Condensed Interim Consolidated Financial Statements, the Multiversity Audited Annual Consolidated Financial Statements and the Pegaso Audited Annual Financial Statements included elsewhere in this Offering Memorandum.

Summary consolidated income statement of Multiversity Group

	Year ended December 31		Six months ended June 30,		Twelve months ended June 30,
	2019	2020	2020	2021	2021
	(Combined, unaudited)	(Consolidated, audited)	(Consolidated, unaudited)	(Consolidated, unaudited)	(Consolidated, unaudited)
(in thousands of Euro)					
A) Production value					
Revenues from sales and services	135,929	187,177	95,534	132,964	224,607
Change in inventories of work in progress and finished products	(4)	50	20	4	34
Other revenues and income	2,918	2,768	2,521	829	1,076
Total value of production	138,843	189,995	98,075	133,797	225,717
B) Costs of production					
Costs for raw and ancillary materials, consumables and goods	(694)	(604)	(300)	(238)	(542)
Costs for services	(45,476)	(65,074)	(30,471)	(36,252)	(70,855)
Costs for use of third party assets	(5,246)	(4,630)	(2,083)	(2,179)	(4,726)
Cost of personnel	(9,277)	(13,683)	(5,952)	(8,146)	(15,877)
Amortization, depreciation and write-downs	(6,844)	(42,460)	(20,767)	(21,813)	(43,506)
Change in inventories of raw and ancillary materials	41	(39)	(37)	—	(2)
Accruals to provisions for risks	(116)	(100)	—	—	(100)
Other operating expenses	(3,364)	(8,147)	(6,341)	(2,318)	(4,124)
Total production costs	(70,931)	(134,737)	(65,951)	(70,946)	(139,732)
Difference between Value And Costs of production (A-B)	67,912	55,258	32,124	62,851	85,985
C) Financial Income and Expenses					
Financial income	1,106	28	—	—	28
Financial charges	(12)	(140)	(20)	(8)	(128)
Total financial income and expenses . .	1,094	(112)	(20)	(8)	(100)
D) Total Value adjustments of financial assets	—	(98)	—	—	(98)
Profit/(loss) before tax (A-B+/-C+/-D)	69,006	55,048	32,104	62,843	85,787
Income taxes	(17,497)	(25,310)	(14,681)	(15,356)	(25,985)
Profit for the period	51,509	29,738	17,423	47,487	59,802
Attributable to:					
—the Group		28,374	16,544	44,001	55,831
—Minority interests		1,364	879	3,486	3,971

Summary income statement of Pegaso

	Year ended December 31,		
	2018	2019	2020
	(in thousands of Euro)		
A) Value of Production			
Revenues from sales and services	102,185	124,180	165,737
Other revenues and income	19,714	1,584	2,738
Total value of production	121,899	125,764	168,475
B) Costs of production			
Costs for raw and ancillary materials, consumables and goods	(661)	(371)	(371)
Costs for services	(34,640)	(40,560)	(55,634)
Costs for use of third party assets	(9,363)	(10,839)	(13,568)
Cost of personnel	(5,993)	(6,615)	(7,883)
Amortization, depreciation and write-downs	(4,114)	(5,195)	(6,300)
Accruals to provisions for risks	(208)	(63)	—
Accruals to other provisions	(497)	—	—
Other operating expenses	(1,726)	(2,461)	(6,791)
Total production costs	(57,202)	(66,104)	(90,547)
Difference between Production Value and Costs of Production (A-B)	64,697	59,660	77,928
C) Financial income and expenses			
Financial income	324	1,190	29
Financial charges	(57,196)	(50,808)	(9)
Total financial income and expenses	(56,872)	(49,618)	20
D) Value adjustments of financial assets and liabilities	(612)	(425)	(216)
Profit/(loss) before tax (A-B+/-C+/-D)	7,213	9,617	77,732
Income taxes	(356)	(3,413)	(23,682)
Profit for the year	6,857	6,204	54,050

Summary consolidated balance sheet of Multiversity Group

	As of December, 31,		As of June, 30,
	2019	2020	2021
	(Consolidated, audited)	(Consolidated, audited)	(Consolidated, unaudited)
	(in thousands of Euro)		
Total non-current Assets	656,122	625,683	608,488
Total current Assets	108,103	228,292	241,849
Accrued income and prepaid expenses	636	547	376
Total Assets	764,861	854,522	850,713
Total shareholders' equity	653,276	683,718	731,205
Total provision for risks and charges	18,324	16,386	7,368
Total employees' termination indemnity	888	1,178	1,362
Total Payables	25,893	52,247	78,382
Accrued liabilities and deferred income	66,480	100,993	32,396
Total liabilities	764,861	854,522	850,713

Summary balance sheet of Pegaso

	As of December, 31,		
	2018	2019	2020
	(in thousands of Euro)		
Total non current assets	26,784	53,907	57,724
Total current assets	119,463	95,482	189,107
Accrued income and prepaid expenses	268	261	397
Total Assets	146,515	149,650	247,228
Total shareholders' equity	16,259	22,463	76,513
Total Provision for Risks and Charges	2,002	1,737	90
Employees Termination Indemnity	487	612	774
Total Payables	78,672	63,037	85,570
Accrued liabilities and deferred income	49,095	61,801	84,281
Total Liabilities	146,515	149,650	247,228

Summary consolidated cash flow statement of Multiversity Group

	Year ended December 31,		Year ended June 30,	
	2019 (Combined, unaudited)	2020 (Consolidated, audited)	2020 (Consolidated, unaudited)	2021 (Consolidated, unaudited)
	(in thousands of Euro)			
Cash flow from operating activities (A)	54,644	93,121	48,629	63,642
Cash flow from investing activities (B)	7,892	(6,081)	(4,336)	(932)
Cash flow from financing activities (C)	(565)	40	(20)	(8)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	61,971	87,080	44,273	62,702
Cash and cash equivalents at the beginning of the period	68,629	35,766	35,766	122,846
Cash and cash equivalents at the end of the period ..	130,600*	122,846	80,039	185,548

* The difference between the combined closing balance of cash and cash equivalents as at December 31, 2019 and the consolidated opening balance of cash and cash equivalents as at January 1, 2020 is due to: dividend payment to Multiversity S.p.A. (€59.2 million); capital increase approved by Università Telematica Pegaso Srl (€22.5 million); financing provided to Group companies (€4.5 million), payment of royalties (€4.1 million) and adjustments to the result of the year for the eliminations deriving from intercompany transactions (€4.6 million).

Summary cash flow statement of Pegaso

	Year ended December 31,		
	2018	2019	2020
	(in thousands of Euro)		
Cash flow from operating activities (A)	46,725	62,799	84,435
Cash flow from investing activities (B)	(5,946)	(18,303)	(5,567)
Cash flow from financing activities (C)	(23,739)	(69,360)	0
Increase (decrease) in cash and cash equivalents (A ± B ± C)	17,040	(24,864)	78,868
Cash and cash equivalents at the beginning of the year	38,832	55,872	31,008
Cash and cash equivalents at the end of the year	55,872	31,008	109,876

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

The following is a discussion and analysis of (i) Multiversity Group results of operations and financial condition as of June 30, 2021 and for the six months ended June 30, 2021 and 2020, as derived from the Multiversity Unaudited Interim Consolidated Financial Statements, and as of and for the year ended December 31, 2020 and as of and for the period ended December 31, 2019, as derived from the Multiversity Audited Annual Consolidated Financial Statements and with regard to the income statement and the statement of cash flows as derived from the Schedule to Combined Financial Information and (ii) Pegaso as of and for the years ended December 31, 2020, 2019, and 2018 as derived from the Pegaso Audited Annual Financial Statements. The Multiversity Unaudited Interim Consolidated Financial Statement, Multiversity Audited Annual Consolidated Financial Statements, Pegaso Audited Annual Financial Statements and Schedule to Combined Financial Information 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 Financial Information," "Selected Financial Information" and "Capitalization", which are included elsewhere in this Offering Memorandum.

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

Summary

General

Multiversity is the market leader in Italy in the e-learning market by number of enrolled students with a 40% market share of the Italian online undergraduate higher education market for the 2019/2020 academic year capturing approximately 3% of the total Italian undergraduate market.³⁸ It operates two private online universities, Pegaso and Mercatorum, a certification entity, Certipass and a number of academies as well as an international lifelong learning higher education institution based in Malta. It delivers its services through a proprietary online platform that carries out the e-learning contents produced in-house.

Università Telematica Pegaso S.p.A., held by Multiversity, is the promoter and supporter of Pegaso, Multiversity's primary education institution. Approximately 105,000 students were enrolled in one of Pegaso's online courses for the 2020-2021 academic year. Pegaso offers a range of both undergraduate and postgraduate courses, and in particular, seven undergraduate bachelor's degrees, five specialist master's degrees, one single cycle five-year degree and 139 postgraduate master's courses as well as a number of higher education and specialization courses for professionals and high school graduates. Pegaso also offers six individual certifications and gives students the possibility to undertake single examinations for each course module upon payment of a fee without having to complete the full course.

Multiversity's other key institution, Mercatorum, is held indirectly by Multiversity through its 66.66% stake in the share capital of Unimerctorum S.r.l. as the promoter and supporter of Mercatorum, with the remaining 33.33% stake in Unimerctorum S.r.l. is held indirectly by Unioncamere. Unioncamere, the Italian Union of Chambers of Commerce, Industry, Crafts and Agriculture, is the public body that unites and institutionally represents the Italian system of chambers of commerce. Approximately 23,000 students were enrolled in Mercatorum for the 2020-2021 academic year. Mercatorum's core offering currently consists of 14 undergraduate bachelor's degrees (two of which are newly accredited and are therefore being offered for the first time in the 2021/2022 academic year), four specialist master's degrees, one Ph.D. and 11 postgraduate master's courses. Like Pegaso, it also allows students to undertake single examinations for any course module offered within its curricula.

Other assets of Multiversity include Certipass, as provider of international certifications for digital competences and IT skills, and an ever-growing number of academies established through collaboration agreements between Pegaso and Mercatorum and their respective commercial partners, covering a wide range of specialist subjects such as marketing, communications and media and teaching. In addition, Principe di Napoli S.c.a.r.l. ("**Principe di Napoli**") was established in February 2019 by Pegaso in partnership with Mercatorum (holding 90% and 10% stakes, respectively) as a center for higher education and specialization in the sectors of gastronomy and tourism.

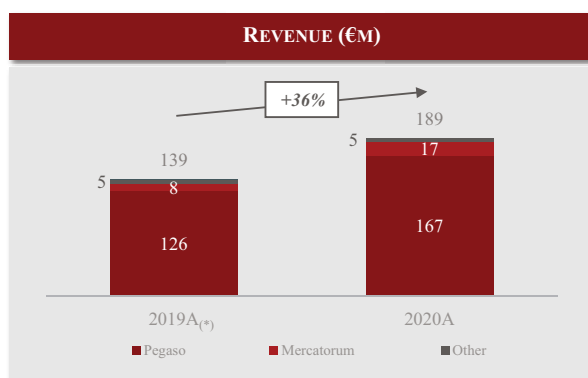
³⁸ In terms of number of enrolled students (source: Third Party Commercial Advisor, commercial due diligence (2021), source MIUR data (extraction @6/2019), Third Party Commercial Advisor).

Apart from the Postgraduate School in Legal Professions (as further described below), Principe di Napoli is one of the few institution within Multiversity to hold on premise courses.

Multiversity also operates a publishing entity and companies dedicated to research, which are mostly ancillary and in support of the two universities. Almost the entirety of its operations are located in Italy, with some limited operations in Malta. It also has collaboration agreements with several partners in Italy for the development and delivery of specialized courses in a multitude of subjects, made available through its two universities.

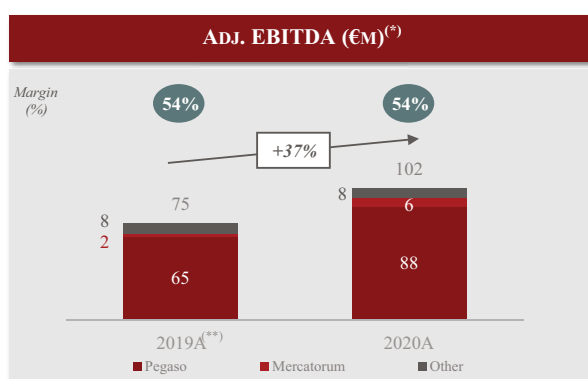
Multiversity's revenues for the financial year ended December 31, 2020 amounted to €188.7 million, as compared to €138.8 million³⁹ for the prior financial year (an increase of 36%), while Multiversity's revenues for the six months ended June 30, 2021 were €133.8 million, as compared to €98.1 million in the same period of the prior financial year (an increase of 36%). Undergraduate enrolled students increased by approximately 50% in the 2020/2021 academic year with respect to the previous academic year. In addition, Adjusted EBITDA generated for the year ended December 31, 2020 was €102.3 million as compared to €74.8 million for the year ended December 31, 2019 (an increase of 37%), while Adjusted EBITDA for the six months ended June 30, 2021 was equal to €84.7 million, as compared to €57.4 million in the same period of the prior financial year.

Approximately 98% of Multiversity's revenues for the year ended December 31, 2020 were generated by Pegaso (which accounted for 89% of Multiversity's revenues) and Mercatorum (which accounted for 9% of Multiversity's revenues). By comparison, approximately 98% of Multiversity's revenues for the six months ended June 30, 2021 were generated by Pegaso (which accounted for 81% of Multiversity's revenues) and Mercatorum (which accounted for 17% of Multiversity's revenues). The below diagram charts the growth in revenues of Pegaso, Mercatorum and Multiversity's other assets for the years ended December 31, 2019 and 2020:



(*) 2019 figures are combined unaudited.

In addition, the following diagram shows the progression of Multiversity's Adjusted EBITDA with reference to each of Pegaso, Mercatorum and Multiversity's other assets for the years ended December 31, 2019 and 2020:



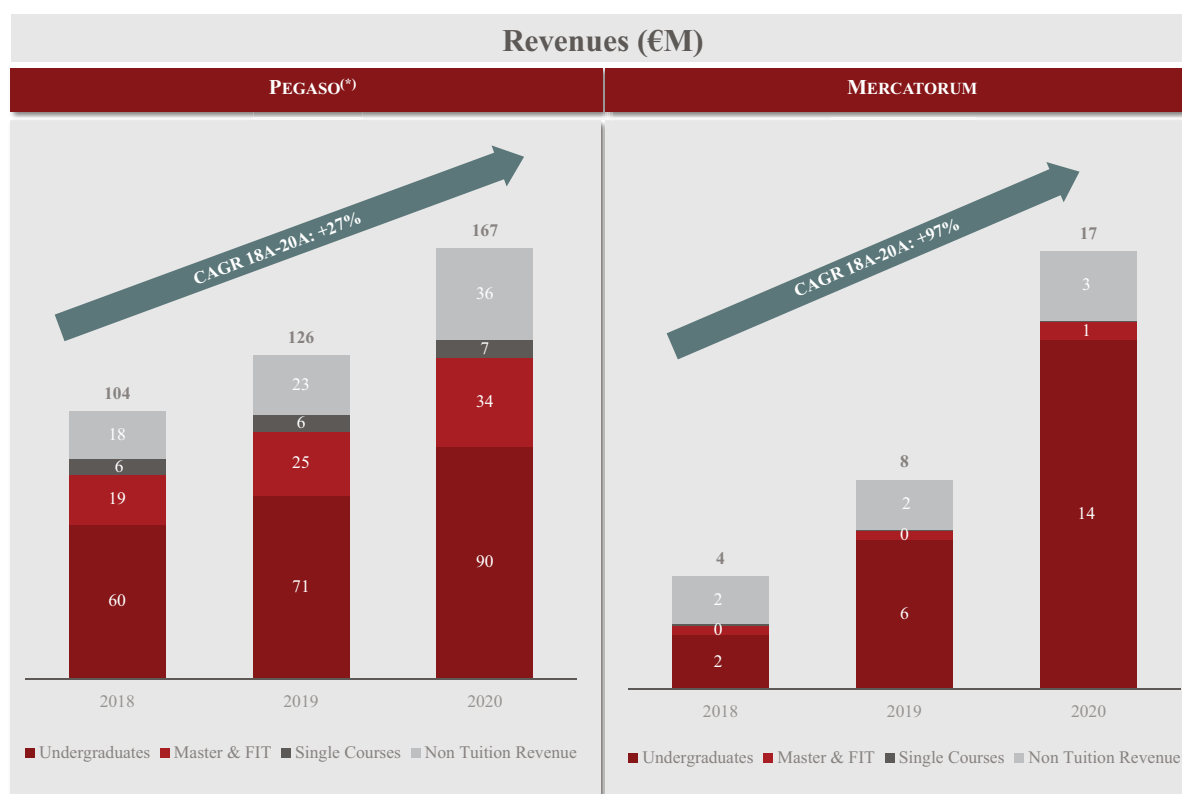
(*) EBITDA adjusted excluding non recurring items and bad debt accruals. Adj. EBITDA of Pegaso and Mercatorum include intercompany royalties paid to Multiversity; Other includes royalties income received by Multiversity.

(**) 2019 figures are combined unaudited.

In terms of growth generated through undergraduates, master's and FIT (teacher training courses), single exams or non-tuition revenue, the below diagrams chart the revenue growth of Pegaso for the years ended December 31,

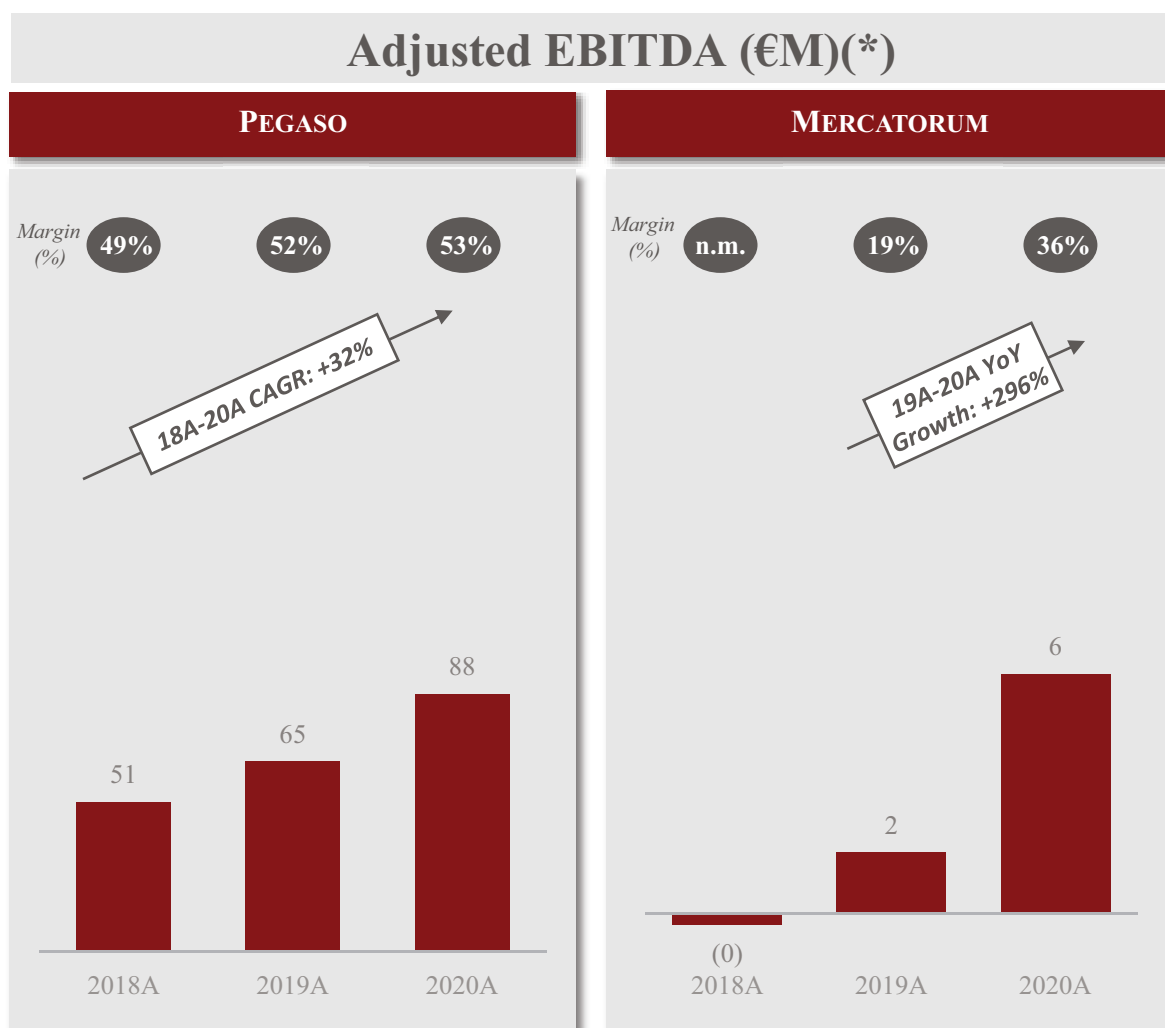
³⁹ Unaudited combined figure

2018, 2019 and 2020 and of Mercatorum for the years ended December 31, 2019 and 2020:



(*) Net of fund release (non recurring item) amounting to c. €18m in 2018 and c. €1m in 2020

The below diagram charts the Adjusted EBITDA progression in respect of Pegaso (for the years ended December 31, 2018, 2019 and 2020) and Mercatorum (for the years ended December 31, 2019 and 2020):



(*) EBITDA adjusted excluding non recurring items and bad debt accruals, and including intercompany royalties paid to Multiversity.

In order to support their online offering, Multiversity’s institutions have an extensive network of approximately 3,000⁴⁰ e-learning center points as at September 30, 2021 across each of Pegaso (the “**ELCP Points**”), Mercatorum (the “**Ei-Points**”) and Certipass (the “**EIPASS Points**” and, together with ELCP Points and Ei-Points, the “**ELCPs**”). The ELCPs provide information to prospective and current students about the various institutions, and in particular, Pegaso and Mercatorum’s ELCP Points and the Ei-Points, among other things, serve as orientation centers for new students throughout the entire duration of the course they undertake. The ELCP Points and the Ei-Points performed orientation activities for approximately 60% of Multiversity’s institution’s new students, however the relevant institution retains the direct relationship with student as it manages the enrollment process and tuition fee payments directly with the student⁴¹. As regards Certipass’ EIPASS Points, these purchase EIPASS cards from Certipass and on-sell them to customers who wish to obtain an EIPASS certification. All ELCPs are managed by external third parties that have entered into specific accreditation agreements with Pegaso, Mercatorum or Certipass (in some cases, more than one institution has entered into an accreditation agreement with the same ELCP). See “*Material Contracts—Accreditation Agreements for ELCPs*” below.

Business Model

Multiversity’s business model is based on a student-centric offering of a flexible learning experience and access to teaching content through our proprietary and technologically advanced e-learning platform. Both Pegaso and Mercatorum address a specific unmet demand in the market for a flexible path to an undergraduate degree, whilst catering to specific professions for postgraduate continuous learning.

⁴⁰ Some entities perform services for, and have entered into accreditation agreements with, more than one of Pegaso, Mercatorum and Certipass.

⁴¹ With reference to the 2021/2022 academic year

Revenues are mainly driven by tuition fees paid by students to Pegaso and Mercatorum, which contributed to 77%⁴² of Multiversity's revenues. The levels of tuition fees in turn depend on the number of students, the nature or class of degree undertaken, the year of enrollment, the type of course and the student's selected enrollment channel, amongst other factors. Undergraduate degrees, which are multi-year courses (three year bachelor's degree plus a two year specialist master's degree, or a single-cycle five year degree), are a recurring multi-year revenue stream for the term of the program (consisting of both the tuition fees and any other ancillary fees), which has an average course length of 2.8 years. Approximately 40% of graduates from Pegaso and Mercatorum who have completed three year undergraduate degree courses wish to continue their education and apply to enroll in two year specialist master's degree and master's degree courses with the same institution. Undergraduate tuition fees accounted for 54% of Pegaso's revenues and 80% of Mercatorum's revenues in the financial year ended December 31, 2020, and 62% of Pegaso's revenues and 85% of Mercatorum's revenues for the six months ended June 30, 2021.

On the other hand, one-year postgraduate master's courses (i.e. second level master's which may be undertaken by students who have already completed a three year undergraduate bachelor's degree plus a two year specialist master's degree or a single-cycle five year degree) together with Multiversity's FIT offering (i.e. teacher training courses) provide a one-off tuition fee payment per student, accounting for 20% of Pegaso's revenues and 4% of Mercatorum's revenues for the financial year ended December 31, 2020 and 12% of Pegaso's revenues and 6% of Mercatorum's revenues for the six months ended June 30, 2021. Various other services offered to students provide additional revenue such as fees payable in order to take examinations in an alternative location, and certificates—such additional services accounted for approximately 20% of Pegaso's revenues and 8% of Mercatorum's revenues, in each case for the financial year ended December 31, 2020 and 26% of Pegaso's revenues and 11% of Mercatorum's revenues for the six months ended June 30, 2021. Single exams contributed to 4% of Pegaso's revenues for the year ended December 31, 2020 as compared with 3% for the six months ended June 30, 2021 (whereas single exams generally contribute less than 1% towards Mercatorum's revenues).

Multiversity's growth strategy is based on expanding volumes by increasing market penetration within the population, whilst selectively increasing its course offering, its brand awareness, digital marketing practices and *ad hoc* orientation services to prospective students as well as by entering into commercial agreements and partnerships falling into two main categories:

- agreements with corporations, law enforcement, governmental bodies and public administration authorities providing for the application of lower corporate rates to their employees (and, in certain instances, their family members) and, in some cases, for the creation and implementation of employee training programs, thereby incentivizing such employees to attend courses in order to accelerate their career paths or to comply with the ongoing professional development requirements set up by regulators or employers; and
- partnerships with private companies and public entities aimed at the development of specialized courses using the partners' know-how and branding, coupled with Multiversity's online e-learning platform, teaching know-how and, in certain instances, its academic staff. These agreements give rise, for example, to the specialist academies forming part of Pegaso and Mercatorum's higher education offering, as further described below.

Multiversity has established a nation-wide presence, with Pegaso's approximately 100 exam venues located in prestigious or historical buildings, Mercatorum's leveraging of the system of the Italian chambers of commerce and the institutions' network of approximately 3,000 ELCPs, along with a strong online social community and proprietary technology platforms for online classes, exams and tutoring.

The main objective underpinning Multiversity's business strategy is to consolidate its market position and become the leading entirely online education group in the Italian markets, employing both Business-to-Consumer and Business-to-Business marketing strategies in order to target an ever-wider audience of students. See further "*—Key Strengths*" and "*—Strategies*" below.

Key Factors Affecting Multiversity's Financial Condition and Results of Operations

Key Factors Affecting Our Results of Operations

Our results of operations have been affected in the periods under review, and are expected to continue to be affected, by various key factors relating to our business and industry, which we describe below. For further discussion of the factors affecting our results of operations, see "*Risk Factors*."

⁴² Excluding any fees payable by students for ancillary services, such as supplemental tuition fee or the alternative exam location fee, in each case described under "*—Offering—Ancillary Fees and Services*" below

Macroeconomic Conditions

During the financial year ended December 31, 2020 almost all of our revenues were derived from our operations in Italy and the macroeconomic environment in Italy has a direct impact on our results of our operations. Due to the COVID-19 pandemic, restrictions have been imposed globally leading to shutdowns of non-essential commercial activities with Italy being one of the most affected European countries recording a negative change in GDP in 2020 of 8.9% due to COVID-19 pandemic.

Despite the economic downturn triggered by COVID-19 pandemic certain industry sectors remained resilient. The IT and telecommunications grew by 15.3% compared to 2019 due to the establishment of flexible working models, the introduction of online learning in all Italian schools and Italians' need for leisure activities to cope with the stay-at-home restrictions imposed by the Italian government. In addition, the recent vaccination campaigns in Italy and throughout Europe along with governmental recovery funding are expected to produce macroeconomic results. According to the International Monetary Fund economic forecasts the global economy is expected to grow at 6.0% and 4.9% in 2021 and 2022, respectively. In particular, Italy could benefit from the EU Recovery and Resilience Facility which allocated approximately €46.0 billion to be used in Italy for digitalization, innovation, competitiveness and culture. We believe that these positive economic trends could be favorable for our business model and financial performance.

Market trends and Demand for Online Education

In the academic year 2019/2020, according to MIUR, approximately 309,000 new students enrolled at the Italian universities, which represents an increase of approximately 10,000 (or 3.3%) compared to the previous academic year and an increase of approximately 40,000 (or 14.7%) compared to the level recorded over the last decade. The increase in the number of new students for the academic year 2019/2020 is mainly recorded with respect to the three-year and master's degree programmes with approximately 276,000 students, representing 89.2% of total enrolments, representing an increase of approximately 4% over the previous academic year. The increase in new enrolments at Italian universities is driven by a number of factors such as a constant increase in the number of new graduates who continue their education at the Italian universities and also the rapid growth of enrolments registered at online universities. The COVID-19 pandemic also incentivized students to enroll in distance learning programmes which stimulated the new online learning models. The online universities are pioneering this process as they are the key promoters of flexible learning models.

We observed favourable market trends in recent years with respect to successful completion of academic studies. In 2009 39.2% of the graduates completed their studies on time whereas in the academic year 2019/2020 the number of such graduates reached 55.7%, with 61.0% having completed two-year master programmes, 56.1% represented first level graduates and 43.5% completed single-cycle masters. In addition, the number of students who did not complete their studies on time also decreased by half over the last decade representing just 8.1% of all students.

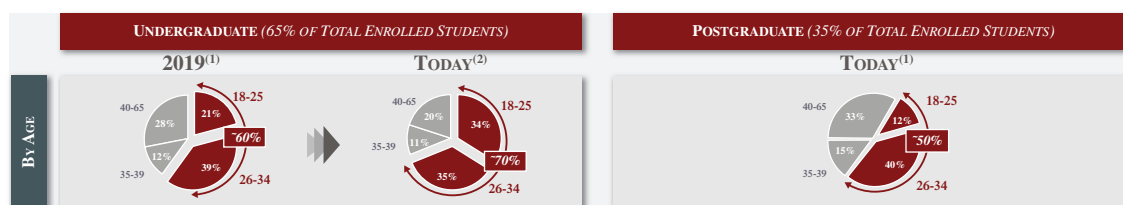
We observe closely these recent market trends and the increased number of students and the increased demand for online education. We have developed our technological platform and we offer personalizing open-source software able to deliver seamlessly across all platforms and devices so that we can meet the increased demand for online education.

Key Performance Indicators

The demographic profile of our student is a key operational metrics to manage our educational institutions. We monitor the age, year of enrolment, origin and geography of our students as we believe that they are the most reliable metrics for measuring the profitability of our educational institutions.

The tables below sets out our key operating data for the academic years 2020/2021 and 2018/2019 for Pegaso and Mercatorum on combined basis relevant for both the new students enrolled in undergraduate courses and the postgraduate courses. Undergraduates make up the majority of our student population. We observe high incidence of i) younger generations and first-timers (which have been and are expected to increase in the near future) and ii) students from Southern Italy (as a reflection of our original footprint; now rapidly expanding into the North).

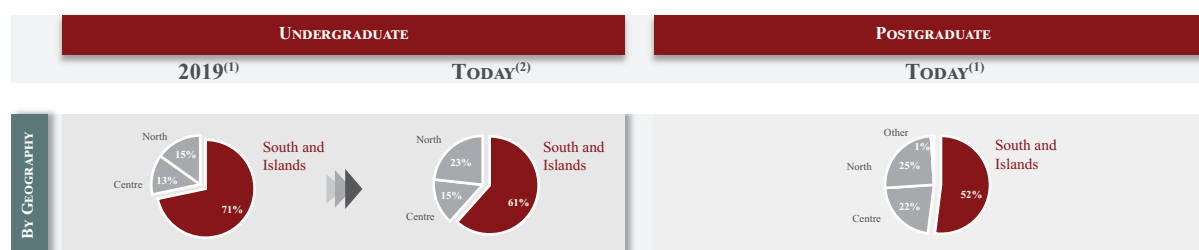
Our student base enrolled in undergraduate course is mainly composed of young students (aged 18-34), representing approximately 70% of the total number of enrolled undergraduate students in the academic year 2020/2021, as compared to approximately 60% in the academic year 2018/2019, and we recorded 52% young students enrolled in postgraduate courses in the academic year 2020/2021.



(1) Student profile refers to academic year 2018/2019 ending in July 2019.

(2) Student profile refers to academic year 2020/2021 ending in July 2021.

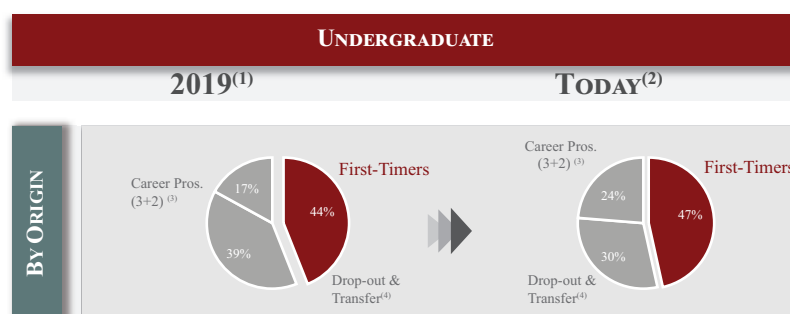
We also rely on student base, both in the undergraduate courses (61% in the academic year 2020/2021 and 71% in the academic year 2018/2019) and the postgraduate courses (52% in the academic year 2020/2021) from Southern Italy. However, we observe strong expansion of our student base into Northern Italy for the enrollments in both the undergraduate courses (23% in the academic year 2020/2021 as compared to 15% in the academic year 2018/2019) and the postgraduate courses (25% in the academic year 2020/2021).



(1) Student profile refers to academic year 2018/2019 ending in July 2019.

(2) Student profile refers to academic year 2020/2021 ending in July 2021.

In addition, we monitor closely the year of enrolment and the origin of our students enrolled in the undergraduate courses as illustrated in the table below for the academic years 2020/2021 and 2018/2019 for Pegaso and Mercatorum on combined basis:



(1) Student profile refers to academic year 2018/2019 ending in July 2019.

(2) Student profile refers to academic year 2020/2021 ending in July 2021.

(3) Stands for “Career Prosecution (3+2)” and refers to 2-year masters students that attended their bachelor degrees in Pegaso, Mercatorum or other universities.

(4) Students who have left or are leaving traditional and other online universities to re-enroll in Multiversity.

We observed the strongest increase in the student enrolment in the academic year 2020/2021 with the first-timers accounting for 47% of the total number of enrolled undergraduate students in 2020/2021 academic year and 44% in academic year 2018/2019. A fair number of undergraduate students (24% in the academic year 2020/2021 as compared to 17% in academic year 2018/2019) who acquired bachelor’s degrees in Pegaso, Mercatorum or other universities continued their education by enrolling to 2-year master’s courses.

Key Factors Affecting Comparability

Acquisitions

Following the closing of the acquisition of the business of Multiversity on November 4, 2019, the contribution of the Group to the consolidated financial statement has been included only starting from the end of 2019. As a

result, the income statement for the 2019 Multiversity Audited Annual Consolidated Financial Statements covers only the period since inception to the end of the year of Multiversity stand alone as allowed by Italian GAAP, as the first consolidation date was December 31, 2019. The financial results of Multiversity Group are presented on a fully consolidated basis for the first time for the year ended December 31, 2020. In addition, currently Multiversity owns 50% of the share capital of Certipass and Certipass is included in Multiversity's consolidated financial statements using the proportional method. Following the Acquisition, Multiversity will own 100% of the share capital of Certipass and it will be fully consolidated into Multiversity Group financial statements. These factors affected the comparability of our financial results between periods and the financial statements of Multiversity Group in the future will vary from the historical consolidated financial statements for the years ended December 31, 2019 and 2020.

We account for acquisitions using the equity method of accounting and the original cost of the investment changes in the periods following the acquisition of the investment taking into account the profits and losses and other changes in the shareholders' equity of the investee. On that basis the book value of equity investments is consolidated using line-by-line method elimination against the corresponding share of shareholders' equity, less the result for the year, at the date of first inclusion in the consolidation. The difference between the acquisition cost and the net equity at fair value of the subsidiaries at the consolidation date is allocated, where possible, to the assets and liabilities of the subsidiaries net of deferred taxes, where applicable; any remaining difference, if positive and if the requirements for recording goodwill provided for by OIC 24 are met, is recognised in the item 'Goodwill' within intangible assets. The residual difference that cannot be allocated to assets and liabilities and to goodwill is charged to the income statement under item "B14 Other operating expenses".

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

Value of production

The value of production primarily comprises the operating income deriving from the educational offerings of Pegaso and Mercatorum, as well as from Certipass (historically controlled at 50% and included in the consolidated financial statements using the proportional method). These include fees for enrolment in degree, postgraduate and single courses, contributions from students, off-site exams, issuing diplomas and certificates, and training courses.

Revenue from sales and services are recognized on the basis of the relevant accrual principles and are shown as net of returns, discounts, rebates and premiums.

Other revenues and income mainly concern grants related to university research projects and to ancillary services relating to the educational offerings of Pegaso and Mercatorum, and for 2020 the release of provisions for risks and charges as a result of the fact that the risk for which the provision was made in previous years no longer exists.

Costs of production

Operating costs comprise the direct and indirect costs attributable to our operations and mainly include the costs of services, costs for use of third party assets, personnel costs, other operating expenses and amortization, depreciation and write-downs.

Costs of services

The largest components of costs of services are advertising and contributions to guidance centers. Costs of services also include teaching, the corporate bodies compensation, technical and financial advisory fees, insurance, bank and postal charges, utilities, maintenance and other costs, and contribution to ELCPs.

Costs for use of third party assets

The cost for use of third party assets primarily relates to rental costs for the offices of the universities of the Multiversity Group and rental of cars and other equipment used in the operating activities of the Multiversity Group and for Pegaso, royalties for use of the Multiversity name and platform.

Personnel costs

The cost of personnel reflects all expenses for employees including wages and salaries, social security charges, the cost of unused holidays, legal provisions and collective agreements.

Other operating expenses

Other operating expenses mainly include costs for stamp duty, donations to organisations and associations, various taxes and duties and contingent liabilities.

Amortization, depreciation and write-downs

The most significant component of amortization, depreciation and write-downs is the amortization of intangible assets. This is mainly comprised of the amortization of goodwill and also contains the amortization of trademarks, platforms and other rights. Amortization, depreciation and write-downs also includes write-downs for bad debt, provisions, and depreciation of plant, property and equipment.

Depreciation and amortization are determined on a straight-line basis to the historical cost, including directly attributable accessory charges, of property, plant and equipment and intangible assets, respectively, with goodwill being depreciated over 20 years. Write-downs for impairment of property, plant and equipment and intangible assets is recognised when their recoverable value is lower than their book value. Write-downs of trade receivables are recognised to align their carrying amount to their presumed realisable value and in connection with losses incurred.

Financial income and expenses

Financial income and expenses include all the positive and negative components, respectively, of the results for the year connected with the financial activity of the Group and are recognised on the basis of the accrual principle. Financial income is largely comprised of the discounting of receivables and financial expenses is primarily comprised of interest expense on trade payables.

Income taxes

Current income taxes are allocated according to the accrual principle on the basis of the income tax charges resulting from the application of tax legislation in force and are reflected based on tax payables net of advances.

Deferred and prepaid taxes are determined based on the temporary differences between the value attributed to the tax assets and liabilities according to statutory criteria and the value attributed to the same assets and liabilities for current tax purposes.

Deferred tax liabilities are entered in the 'Provision for deferred taxes', recorded under liabilities among the provisions for risks and charges, while the deferred tax assets are recorded within the receivables from others under current assets.

Deferred tax assets are not recognised, in compliance with the prudence principle, if there is not reasonable certainty of the existence, in the fiscal years in which the relative temporary differences will be reversed, of a taxable income higher than the amount of the differences that will be cancelled. Liabilities for deferred taxes are recognised only if there is a reasonable certainty that they will reverse in the foreseeable future. Deferred tax assets and deferred tax liabilities are valued at the estimated tax rates applicable in the year in which the tax asset will be realised or the tax liability will be settled, based on the tax legislation established by the provisions in force at the reporting date.

Non-GAAP Financial Measures and other ratios

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

	Year ended December 31,		Six months ended June 30,		Twelve months ended June 30
	2019 (Combined)	2020 (Consolidated)	2020 (Consolidated)	2021 (Consolidated)	2021 (Consolidated)
	(Unaudited—In thousands of Euro, except percentages)				
EBIT	67,912	55,258	32,124	62,851	85,985
EBIT margin	49%	29%	33%	47%	38%
EBITDA	70,433	91,681	50,216	80,978	122,443
EBITDA margin	51%	48%	51%	61%	54%
Adjusted EBIT	67,912	88,612	51,068	77,261	114,805
Adjusted EBIT margin	49%	47%	52%	58%	51%
Adjusted EBITDA	74,756	102,252	57,425	84,664	129,491
Adjusted EBITDA margin	54%	54%	59%	63%	57%
Operating Free Cash Flow	47,588	84,134	43,818	59,812	100,128
Cash Conversion	68%	92%	87%	74%	82%
Adjusted Operating Free Cash Flow ...	51,911	94,705	51,027	63,498	107,176
Adjusted cash conversion	69%	93%	89%	75%	83%
Capex	(1,809)	(4,006)	(2,240)	(897)	(2,663)

	As of December 31,		As of June 30,
	2019 (Audited)	2020 (Audited)	2021 (Unaudited)
	(Unaudited—In thousands of Euro, except percentages)		
Net working capital	(16,918)	(43,874)	(50,951)
Net invested capital	619,220	563,406	547,938
Net financial indebtedness	(34,057)	(120,310)	(183,267)

Results of Operations

Six Months Ended June 30, 2021 and 2020

The table below sets out the results of operations of Multiversity Group for the six months ended June 30, 2020 and 2021.

	Six months ended June 30,				Change
	2020 (Consolidated, unaudited)	% on value of production	2021 (Consolidated, unaudited)	% on value of production	
	(in thousands of Euro)				(%)
A) Production value					
Revenues from sales and services	95,534	97%	132,964	99%	39%
Change in inventories of work in progress and finished products	20	0%	4	0%	-80%
<i>Other revenues and income, with separate indication of operating grants</i>					
Operating grants	360	0%	759	1%	>100%
Others	2,161	2%	70	0%	-97%
Total other revenues and income	2,521	3%	829	1%	-67%
Total value of production	98,075	100%	133,797	100%	36%
B) Costs of production					
Costs for raw and ancillary materials, consumables and goods	(300)	0%	(238)	0%	-21%
Costs for services	(30,471)	-31%	(36,252)	-27%	19%
Costs for use of third party assets	(2,083)	-2%	(2,179)	-2%	5%
Cost of personnel	(5,952)	-6%	(8,146)	-6%	37%
Amortization, depreciation and write-downs	(20,767)	-21%	(21,813)	-16%	5%
Change in inventories of raw and ancillary materials	(37)	0%	—	0%	-100%
Other operating expenses	(6,341)	-6%	(2,318)	-2%	-63%
Total production costs	(65,951)	-67%	(70,946)	-53%	8%
Difference between Value And Costs of production (A-B)	32,124	33%	62,851	47%	96%
C) Financial Income and Expenses					
Financial charges	(20)	0%	(8)	0%	-60%
Total financial income and expenses	(20)	0%	(8)	0%	-60%
Profit before tax (A-B+/-C+/-D)	32,104	33%	62,843	47%	96%
Income taxes					
Current income taxes for the period	(14,050)	-14%	(23,437)	-18%	67%
Prepaid and deferred taxes	(629)	-1%	9,011	7%	<100%
Taxes relating to previous periods	(2)	0%	(930)	-1%	>100%
Total income taxes for the period: current, deferred, prepaid	(14,681)	-15%	(15,356)	-11%	5%
Profit for the period	17,423	18%	47,487	35%	>100%
Attributable to:					
-the Group	16,544	17%	44,001	33%	>100%
- Minority interests	879	1%	3,486	3%	>100%

Value of production

The value of production increased by €35.7 million, or 36.4%, from €98.1 million for the six months ended June 30, 2020 to €133.8 million for the six months ended June 30, 2021. The increase was primarily driven by

the increase in revenues from sales and services attributable to an increase in the tuition and other fees together with the increase in the number of new students enrolled in degree courses.

Value of production also includes other revenues and income which decreased by €1.7 million, or 67.1%, from €2.5 million for the six months ended June 30, 2020 to €0.8 million for the six months ended June 30, 2021. The decrease was primarily driven by lower ordinary windfall profits made by Pegaso and other companies of Multiversity Group since the six-months ended June 30, 2020 included the release of provisions for risks and charges accrued in previous years, which was partially offset by an increase in operating grants.

Costs for services

Costs for services increased by €5.8 million, or 19.0%, from €30.5 million for the six months ended June 30, 2020 to €36.2 million for the six months ended June 30, 2021. The increase was the result of the growth of the business that occurred in the first half of the current year (mainly ELCPs, promotional activities carried out by the universities of the Group, bank charges and teachers' fees) which was partially offset by operational efficiencies such as utilities savings that are mostly due to the smart working activities that occurred in 2021. The percentage incidence of costs for services to the value of production decreased from 31% in the first half of 2020 to 27% in the first half of 2021, since the above described increases were less than proportionally compared to the increase the value of production, as well as the utilities savings.

Costs for use of third party assets

Cost for use of third party assets of Multiversity Group increased by €0.1 million, or 4.6%, from €2.1 million for the six months ended June 30, 2020 to €2.2 million for the six months ended June 30, 2021, primarily as a result of: (i) the rent of new office spaces for Pegaso in the Naples headquarter in connection with the development of the business; (ii) the relocation of some Mercatorum offices, in Rome, and (iii) opening some new Pegaso sites in Rome.

Cost of personnel

Personnel costs increased by €2.2 million, or 36.9%, from €5.9 million for the six months ended June 30, 2020 to €8.1 million for the six months ended June 30, 2021. The increase was primarily driven by the increase in the number of employees of the main universities of the Group, Pegaso and Mercatorum in line with revenue growth.

Amortization, depreciation and write-downs

	Six months ended June 30, 2020 (Consolidated, unaudited)	2021 (Consolidated, unaudited)	Change	Change (%)
				(in thousands of Euro)
Amortisation of intangible assets	17,625	17,636	11	0%
Amortisation of fixed assets	467	492	25	5%
Total amortisation and depreciation	18,092	18,128	36	0%
Write-downs of current receivables	2,675	3,685	1,010	38%
Total write-downs	2,675	3,685	1,010	38%
Total amortization, depreciation and write-downs	20,767	21,813	1,046	5%

Amortization and depreciation were steady at €18.1 million for the six months ended June 30, 2020 and the six months ended June 30, 2021. Write-downs increased by €1.0 million, or 37.8%, from €2.7 million for the six months ended June 30, 2020 to €3.7 million for the six months ended June 30, 2021 as a result of the increase in the outstanding receivables driven by the higher number of students.

Other operating expenses

Other operating expenses of Multiversity Group decreased by €4.0 million, or 63.4%, from €6.3 million for the six months ended June 30, 2020 to €2.3 million for the six months ended June 30, 2021. This decrease was the result of the payment of a settlement in 2020 with the main ELCPs, which provides for the consensual termination of the agreements in place.

EBITDA

EBITDA increased by €30.8 million, or 61.3%, from €50.2 million for the six months ended June 30, 2020 to €81.0 million for the six months ended June 30, 2021. The increase was primarily driven by our increase in

revenue as well as an improvement in margins driven by operating leverage in cost of services and a reduction in other operating expenses. For the reconciliation of EBITDA with financial statements see “*Presentation of Financial and Other Information.*”

Financial income and expenses

Financial income and expenses of Multiversity Group declined 60.0%, from an expense of €20 thousand for the six months ended June 30, 2020 to €8 thousand for the six months ended June 30, 2021.

Taxes for the period

Income taxes of Multiversity Group increased by €0.7 million, from €14.7 million for the six months ended June 30, 2020 to €15.4 million for the six months ended June 30, 2021. The increase was driven by higher current income taxes of €9.4 million due to a higher taxable base as a result of the expansion of the business, whose effect is partially offset by the release of deferred tax liabilities in connection with the exercise of the option to realign since January 1, 2021 the fiscal and accounting value of intangibles pursuant to art. 110 of the Italian Legislative Decree dated August 14, 2020. In connection with such realignment Multiversity paid a substitute tax of €0.9 million.

Years Ended December 31, 2020 and 2019

Multiversity Group

The following table sets out the results of operations of Multiversity Group for the years ended December 31, 2020 and 2019:

	Year ended December 31,				Change
	2019 (Combined, Unaudited)	% on value of production	2020 (Consolidated, audited)	% on value of production	
	(in thousands of Euro)				(%)
A) Production value					
Revenues from sales and services	135,929	98%	187,177	99%	38%
Change in inventories of work in progress and finished products	(4)	0%	50	0%	<100%
Total other revenues and income	2,918	2%	2,768	1%	-5%
Total value of production	138,843	100%	189,995	100%	37%
B) Costs of production					
Costs for raw and ancillary materials, consumables and goods	(649)	0%	(604)	0%	-7%
Costs for services	(45,476)	-33%	(65,074)	-34%	43%
Costs for use of third party assets	(5,246)	-4%	(4,630)	-2%	-12%
Cost of personnel	(9,277)	-7%	(13,683)	-7%	47%
Amortization, depreciation and write-downs	(6,844)	-5%	(42,460)	-22%	>100%
Change in inventories of raw and ancillary materials	41	0%	(39)	0%	<100%
Accruals to provisions for risks	(116)	0%	(100)	0%	-14%
Other operating expenses	(3,364)	-2%	(8,147)	-4%	>100%
Total production costs	(70,931)	-51%	(134,737)	-71%	90%
Difference between Value And Costs of production (A-B)	67,912	49%	55,258	29%	-19%
C) Financial Income and Expenses					
Financial income	1,106	1%	28	0%	-97%
Financial charges	(12)	0%	(140)	0%	>100%
Total financial income and expenses	1,094	1%	(112)	0%	<100%
D) Total Value adjustments of financial assets ...	—	0%	(98)	0%	n.a.
Profit before tax (A-B+/-C+/-D)	69,006	50%	55,048	29%	-20%
Income taxes	(17,497)	-13%	(25,310)	-13%	45%
Profit for the year	51,509	37%	29,738	16%	-42%
Attributable to:					
-the Group			28,374	15%	
- Minority interests	—	—	1,364	1%	

Value of production

The value of production of Multiversity Group increased by €51.2 million, or 36.8%, from €138.8 million for the year ended December 31, 2019 to €190.0 million for the year ended December 31, 2020. The increase was primarily attributable to revenue derived from the educational offerings of the Universities of the Multiversity Group, in particular Pegaso and Mercatorum, as well as the certification company, Certipass (historically controlled at 50% and included in the consolidated financial statements using the proportional method). Pegaso is the largest single contributor to Multiversity's results and accounted for 89% of Multiversity's revenues and 86% of Multiversity's Adjusted EBITDA for the financial year ended December 31, 2020. Mercatorum accounted for 9% of Multiversity's revenues and 6% of Multiversity's Adjusted EBITDA for the financial year ended December 31, 2020.

The increase was primarily driven by sustained undergraduate growth, which contribute a higher revenue per student (higher tuition-fee and ancillary services linked to them) and student duration, which completely offset the lower volumes in postgraduate linked to the seasonality of FIT (specific type of master's).

Pegaso

With regard to degree courses, during 2020, (i) Pegaso experienced a significant increase in the number of enrolments, and (ii) two new degree courses were accredited during the year, which have been well received by new students. The degree course with the highest growth in 2020 is the Sport Management and Sport Sciences course, which ranks fourth among the degree courses with the highest number of new students in Italy, with an increase in the number of students of 81.4% compared to the previous year. The Safety Engineering and Educational Sciences courses performed in line with the trends of Italian students and the degree courses in engineering and teaching were among the most popular in Italian universities.

Mercatorum

As for Mercatorum, the university recorded a strong increase in revenues due to: (i) the training offer which was significantly expanded in 2020 with the addition of 5 new study courses (3 three-year and 2 master's); (ii) strong growth in enrolled students, showing a CAGR in excess of 100% between the academic year 2019/2020 and the academic year 2020/2021.

The Professional Criminologist Advanced Training Course, is the most popular due to the highly topical nature of the subject (it also allows enrollment in the second year of the Legal Sciences Degree course). Moreover, the Higher Education and Specialization Courses constitute a significant growth asset for the University, becoming a strategic tool for building student loyalty.

The following table shows the number of students enrolled at each of Pegaso and Mercatorum for the academic years 2019/2020 and 2020/2021:

Institution	Academic Year		Growth y/y (%)
	2019/2020	2020/2021	
Pegaso	125,994	105,495	-16%
Mercatorum	8,461	23,131	173%
Total across Multiversity	134,455	128,626	-4%

In addition, the table below shows the breakdown of the total number of students of each of Pegaso and Mercatorum for each of the academic years 2019/2020 and 2020/2021 by type of academic course.

Course	Pegaso		Mercatorum		Total across Multiversity		Growth y/y (%)
	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	
Undergraduate Degree (BA)	52,678	69,635	7,337	19,496	60,015	89,131	48%
Postgraduate Courses	63,423	30,122	843	2,755	64,266	32,877	-49%
Individual Courses	9,893	5,738	281	880	10,174	6,618	-35%
Total	125,994	105,495	8,461	23,131	134,455	128,626	-4%

The absolute number of enrollments is not reflective of the weight on revenue of the courses. The evolution of the student base highlights a fast-growing trend in the undergraduate degree offering, which represents the largest contributor to revenue given the higher tuition fee and duration of the students' academic career (undergraduate degrees tend to have a duration spanning from three to five years, while postgraduate courses and individual courses mostly last one year), whilst showing a decline in enrollments in postgraduate individual courses. The

latter is due to the seasonality effect linked to public tenders (“*concorsi pubblici*”) for specific professions such as teachers. Such public tenders are usually carried out every two years by the public administration and therefore the decrease in enrollments for the 2020/2021 academic year is expected to be recovered once the tenders are announced once again in the coming year. Such expected recovery will be further positively affected by the expected increase in hirings in the public education sector in Italy.

Value of production include other revenues and income of Multiversity Group decreased by €0.1 million, or 5.1%, from €2.9 million for the year ended December 31, 2019 to €2.8 million for the year ended December 31, 2020 and were primarily associated with a reduction in contributions related to university research projects which was largely offset by the release of provisions for risks and charges, as a result of the fact that the risk for which the provision was made in previous years no longer exists, and other contingent assets.

Costs for services

Cost of services of Multiversity Group increased by €19.6 million, or 43.1%, from €45.5 million for the year ended December 31, 2019 to €65.1 million for the year ended December 31, 2020, mainly includes costs for contributions relating to university guidance centres for an amount of approximately €23.6 million, costs incurred for promotional activities for an amount equal to approximately €26.8 million, fees to the corporate bodies and the academic evaluation team equal to roughly €1.37 million, technical, legal and administrative consultancy for an amount of approximately €845 thousand, insurance and bank charges amounting to around €1.13 million and other services connected with the operational management of the various Group companies.

Regarding costs for services, Pegaso accounts for 86% and Mercatorum for 9%. The increase was primarily driven by higher costs incurred for promotional activities to support the Multiversity Group’s brands to drive further growth (which increase by more than 100% in both Pegaso and Mercatorum) and higher contributions paid to ELCPs in connection with the increase in the University’s activities (which increased by more than 100% in Mercatorum, while showing an increase of approximately 5% in Pegaso).

Costs for use of third party assets

Costs for use of third party assets of Multiversity Group decreased by €0.6 million, or 11.7%, from €5.2 million for the year ended December 31, 2019 to €4.6 million for the year ended December 31, 2020, due to rental costs for the numerous offices of the universities of the Multiversity Group, which amounted to approximately €3.2 million, while the remainder was mainly attributable to the rental of cars and other equipment necessary for the performance of the operating activities of the companies of the Group.

Cost of personnel

Personnel costs of Multiversity Group increased by €4.4 million, or 47.5%, from €9.3 million for the year ended December 31, 2019 to €13.7 million for the year ended December 31, 2020. The increase was primarily driven by the increase in the educational and administrative staff employed, as a result of revenue growth. The year 2020 was characterised by the consolidation of relations with the new shareholder represented by the CVC Capital Partners private equity fund and by the completion of the corporate reorganisation already launched in the previous year, to allow entry and integration into the capital of the Multiversity of the new financial partner.

Other operating expenses

Other operating expenses of Multiversity Group increased by €4.8 million, from €3.4 million for the year ended December 31, 2019 to €8.1 million for the year ended December 31, 2020. This increase was largely a result of a subsidiary Pegaso agreeing in March 2020 to a settlement with certain ELCPs, which provided for the consensual termination of the agreements in place effective from January 1, 2020, based on the payment of a total amount of €4.0 million, in the form of compensation, and a total consideration of approximately €16.6 thousand per month, plus VAT, for the entire five-year duration of a series of obligations undertaken by the relevant ELCPs, including the obligation of not undertaking activities in competition with those of the university. The transaction was entered into on the basis of the decision to bring in-house the main activities carried out by these ELCPs. This transaction was part of the reorganisation of the Multiversity Group’s structure aiming to optimise internal processes.

Amortization, depreciation and write-downs

	Year ended December 31,		Change	Change
	2019 (Combined, unaudited)	2020 (Consolidated, audited)		(%)
	(in thousands of Euro)			
Amortisation of intangible assets	1,565	35,349	33,784	>100%
Amortisation of fixed assets	955	1,074	118	12%
Total amortisation and depreciation	2,521	36,423	33,902	>100%
Write-downs of current receivables	4,323	6,037	1,714	40%
Total write-downs	4,323	6,037	1,714	40%
Total amortization, depreciation and write-downs	6,844	42,460	35,616	>100%

Amortization, depreciation and write-downs of Multiversity Group increased by €35.6 million, from €6.8 million for the year ended December 31, 2019 to €42.5 million for the year ended December 31, 2020. The increase was primarily attributable to the amortization of the Group's intangible fixed assets amounting to €35.3 million, which includes the amortisation of goodwill, calculated over an estimated useful life of 20 years and amounting to €28.5 million. The remainder mainly includes the amortisation of trademarks, platforms and rights owned by Multiversity S.r.l. and in use by the Multiversity Group's universities. The costs related to the write-down of receivables from students increased by €1.7 million, or 39.7%, from €4.3 million for the year ended December 31, 2019 to €6.0 million for the year ended December 31, 2020 as a result of the increase in trade receivables due to the higher student base.

EBITDA

EBITDA of Multiversity Group increased by €21.2 million, or 30.2%, from €70.4 million for the year ended December 31, 2019 to €91.7 million for the year ended December 31, 2020. The increase was primarily driven by an increase in revenues. The decline in EBITDA margin from 51% to 48% is due to the non-recurring effects of the period. The Adjusted EBITDA margin remains constant at 54%.

For the reconciliation of EBITDA to our financial statements see *Presentation of Financial and Other Information*.

Financial income and expenses

Net financial expenses of Multiversity Group amounted to €0.1 million for the year ended December 31, 2020 compared to net financial income of €1.1 million for the year ended December 31, 2019. Net financial income 2019 included the gain from securities investments dismissed at the end of 2019.

Income taxes

Income taxes of Multiversity Group increased by €7.8 million, or 44.7%, from €17.5 million for the year ended December 31, 2019 to €25.3 million for the year ended December 31, 2020. The increase is mainly due to the transformation of Pegaso into a joint-stock company and therefore into a taxable entity only since July 2019.

Years Ended December 31, 2019 and 2018

The following table sets out the results of operations of Pegaso for the years ended December 31, 2019 and 2018:

	Year ended December 31,				Change (%)
	2018	% on value of production (in thousands of Euro)	2019	% on value of production	
A) Production value					
Revenues from sales and services	102,185	84%	124,180	99%	22%
Other revenues and income	19,714	16%	1,584	1%	-92%
Total value of production	121,899	100%	125,764	100%	3%
B) Costs of production					
Costs for raw and ancillary materials, consumables and goods	(661)	-1%	(371)	0%	-44%
Costs for services	(34,640)	-28%	(40,560)	-32%	17%
Costs for use of third party assets	(9,363)	-8%	(10,839)	-9%	16%
Cost of personnel	(5,993)	-5%	(6,615)	-5%	10%
Amortization, depreciation and write-downs	(4,114)	-3%	(5,195)	-4%	26%
Accruals to provisions for risks	(208)	0%	(63)	0%	-70%
Accruals to other provisions	(497)	0%	—	0%	-100%
Other operating expenses	(1,726)	-1%	(2,461)	-2%	43%
Total production costs	(57,202)	-47%	(66,104)	-53%	16%
Difference between Value And Costs of production					
(A-B)	64,697	53%	59,660	47%	-8%
C) Financial Income and Expenses					
Financial income	324	0%	1,190	1%	>100%
Financial charges	(57,196)	-47%	(50,808)	-40%	-11%
Total financial income and expenses	(56,872)	-47%	(49,618)	-39%	-13%
D) Total Value adjustments of financial assets	(612)	-1%	(425)	0%	-31%
Profit before tax (A-B+/-C+/-D)	7,213	6%	9,617	8%	33%
Income taxes	(356)	0%	(3,413)	-3%	>100%
Profit for the year	6,857	6%	6,204	5%	-10%

Value of production

The value of production of Pegaso increased by €3.9 million, or 3.2%, from €121.9 million for the year ended December 31, 2018 to €125.8 million for the year ended December 31, 2019. Such increase is led by the increase in the value of production by 22%, whose effect was partially offset by the reduction in other revenues and income by 92% due to the positive not recurring effect of a provision release in profit and loss 2018.

During 2019, Pegaso saw a further increase in the number of students enrolled in the various degree courses. This increase, equal to over 13% for degree courses, confirms the validity of the strategic path undertaken, aimed at further educational and academic growth. Pegaso has always invested and continues to invest its educational and financial resources in postgraduate and post-diploma training offerings, always focusing on highly specialised courses suitable for a constantly evolving job market. Continuous growth is recorded for the three-year period from 2017 to 2019 for postgraduate and post-diploma courses and for individual courses.

Other revenues and income of Pegaso amounted to €1.6 million for the year ended December 31, 2019, a decrease of €18.1 million from the year ended December 31, 2018. Other revenues and income and primarily resulted from: (i) grants related to university research projects and to ancillary revenues relating to the educational offerings of the Group's universities of €1.5 million (€1.7 million in 2019) which decreased by €0.2 million, or 34%, compared to the previous year; and (ii) other sundry revenue of €0.1 million (€18.0 million in 2018), which decreased by €17.9 million, mainly due to the fact the in 2018 they included a release of provisions for risks and charges for €18.0 million as a result of the fact that the risk for which the provision was made in previous years no longer exists.

Costs for services

Costs for services of Pegaso increased by €5.9 million, or 17.1%, from €34.6 million for the year ended December 31, 2018 to €40.6 million for the year ended December 31, 2019, primarily as a result of: (i) higher costs and contributions to training partners and related to the increase in the University's activities (€23.5 million in 2019 compared to €18.6 million in 2018, with an increase of €4.9 million); and (ii) higher costs for editorial, promotional and marketing services incurred during the year (€11.9 million in 2019 compared to €10.5 million in 2018, with an increase of €1.4 million). Costs for services increased less than proportionally compared to the increase in revenues from sales and services.

Costs for use of third party assets

Cost for use of third party assets of Pegaso increased by €1.5 million, or 15.8%, from €9.4 million for the year ended December 31, 2018 to €10.8 million for the year ended December 31, 2019, primarily as a result of higher royalties payable to Multiversity in connection with the use of the Pegaso brand (there is a proportional correlation between royalties and revenue), as well as the entire software structure for distance learning activities, technology, specific know-how and functional platforms for online university training, and the University's teaching, management and administrative activities (€7.8 million in 2019 compared to €6.5 million in 2018, with an increase of €1.3 million); and (ii) opening of new operating offices in Italy (€3.0 million in 2019 compared to €2.9 million in 2018, with an increase of €0.1 million).

Personnel costs

Cost of personnel of Pegaso increased by €0.6 million, or 10.4%, from €6.0 million for the year ended December 31, 2018 to €6.6 million for the year ended December 31, 2019. The increase was primarily driven by the use of temporary workers, which increased significantly in 2019 with the gradual increase in the university's operations.

Other operating expenses

Other operating expenses of Pegaso increased by €0.7 million, or 42.6%, from €1.7 million for the year ended December 31, 2018 to €2.5 million for the year ended December 31, 2019. The increase was primarily driven by the contribution to the consortium Principe di Napoli for €0.6 million.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs of Pegaso increased by €1.1 million, or 26.3%, from €4.1 million for the year ended December 31, 2018 to €5.2 million for the year ended December 31, 2019. During the 2019, an accrual to the bad debts provision was set aside for a total amount of €4.0 million (against an accrual in the 2018 for a total amount of €2.9 million). The accrual to the bad debts provision was made by estimating the amounts of receivables accrued for academic years prior to 2019/2020 for which there is a risk of recoverability.

EBITDA

The following table sets forth the reconciliation between EBITDA and profit (loss) of Pegaso for the years ended December 31, 2019 and 2018.

	Year ended as of December 31,			
	2018	% on revenue	2019	% on revenue
	(in thousands of Euro)			
Profit for the year	6,857		6,204	
Income taxes	(356)		(3,413)	
Financial income and expenses	(56,872)		(49,618)	
Effects of investments using the equity method (financial)	(612)		(425)	
EBIT (A)	64,697		59,660	
EBIT Margin (operating result margin)		53%		47%
Depreciations and amortizations (B)	(1,169)		(1,227)	
EBITDA (A+B)	65,855		60,887	
EBITDA Margin		54%		48%

EBITDA of Pegaso decreased by €5.0 million, or 7.6%, from €65.9 million for the year ended December 31, 2018 to €60.9 million for the year ended December 31, 2019. The decrease occurred in 2019 was driven by non-recurring profit accounted for in 2018 in connection with the release of certain provisions.

The following table sets forth the reconciliation between EBIT of Pegaso and Adjusted EBIT, Adjusted EBIT margin, Adjusted EBITDA and Adjusted EBITDA margin for or the years ended December 31, 2019 and 2018.

	Year ended as of December 31,			
	2018	% on revenue	2019	% on revenue
	(in thousands of Euro)			
EBIT (A)	64,697		59,660	
Release of provisions (B)	18,149		—	
Adjusted EBIT (A-B)	46,548		59,660	
Adjusted EBIT margin		38%		47%
Depreciations and amortizations (C)	(1,169)		(1,227)	
Bad debt accrual (D)	(2,944)		(3,968)	
Adjusted EBITDA (A-B-D-E)	50,661		64,855	
Adjusted EBITDA margin		42%		52%

Adjusted EBITDA of Pegaso increased by €14.2 million, or 28.0%, from €50.7 million for the year ended December 31, 2018 to €64.9 million for the year ended December 31, 2019. The increase occurred in 2019 was driven the increase in the business activities carried out by Pegaso and the fact that the 2018 included non-recurring profit in connection with the release of certain provisions.

Financial income and expenses

Financial expenses, net of financial income of Pegaso amounted to €49.6 million for the year ended December 31, 2019 compared to €56.9 million for the year ended December 2018. The decrease was primarily driven by the lower charge between the University and the Promoter.

Income taxes

Income taxes of Pegaso increased by €3.1 million, from €0.3 million for the year ended December 31, 2018 to €3.4 million for the year ended December 31, 2019. The increase in income taxes is due to the different tax regime applicable to the University following the conversion into a joint stock company whose object is, for IRES purposes, the entire institutional activity of the period from June 25, 2019 to December 31, 2019 being subject to business income tax and, for IRAP purposes, the transition from the “remuneration” method of calculation pursuant to art. 10 of Italian Legislative Decree no.446/1997 to the method applicable to joint stock companies pursuant to art. 5 of Italian Legislative Decree no.446/1997.

Cash Flows

Six Months Ended June 30, 2021 and 2020

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

	Six months ended June 30,	
	2020	2021
	(in thousands of Euro)	
Cash flow from operating activities (A)	48,629	63,642
Cash flow from investing activities (B)	(4,336)	(932)
Cash flow from financing activities (C)	(20)	(8)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	44,273	62,702
Cash and cash equivalents at the beginning of the period	35,766	122,846
Cash and cash equivalents at the end of the period	80,039	185,548

Operating activities

Total cash flow from operating activities increased by €15.0 million, or 30.9%, from €48.6 million for the six months ended June 30, 2020 to €63.6 million for the six months ended June 30, 2021. The increase is the result of higher profit for the period (a profit of €47.5 million and €17.4 million in the period ended June 30, 2021 and

2020, respectively), which has been adjusted for non-cash expenses and income, namely (i) income taxes (€15.4 million for the six months ended June 30, 2021; €14.7 million for the six months ended June 30, 2020); (ii) depreciation and amortization of fixed assets (€18.1 million for six months ended June 30, 2021; €18.1 million for the six months ended June 30, 2020); (iii) write-downs of current receivables (€3.7 million for the six months ended June 30, 2021; €2.7 million for the six months ended June 30, 2020) that were made by estimating the amounts of credits accrued for which there is a risk of recoverability. Such effects were partially offset by an increase in net working capital due to: (i) a decrease in trade receivables as a result of the universities students payments tranche scheduling; (ii) a decrease in the negative balance of other current assets and liabilities, mainly as a result of the reduction of accrued liabilities and deferred income due to the turnover growth.

Investing activities

Total cash flow from investing activities decreased by €3.4 million, from €4.3 million outflow for the six months ended June 30, 2020 to €0.9 million outflow for the six months ended June 30, 2021. The change is mainly due to a decrease in intangible assets (€0.4 million for the six months ended June 30, 2021; €2.2 million for the six months ended June 30, 2020) and in financial fixed assets (€0.0 million for the six months ended June 30, 2021; €2.1 million for the six months ended June 30, 2020), due to the acquisition in 2020 of other securities that includes asset management for an amount equal to €2.0 million on deposit with a leading Italian bank.

Financing activities

Total cash flow from financing activities decreased by €0.1 thousand, from €0.2 thousand outflow for the six months ended June 30, 2020 to €0.1 thousand outflow for the six months ended June 30, 2021.

Years Ended December 31, 2020 and 2019

The following table sets forth a summary of cash flows of Multiversity Group for the periods indicated below.

	Year ended December 31,	
	2019 (Combined, unaudited)	2020 (Consolidated, audited)
	(in thousands of Euro)	
Cash flow from operating activities (A)	54,644	93,121
Cash flow from investing activities (B)	7,892	(6,081)
Cash flow from financing activities (C)	(565)	40
Increase (decrease) in cash and cash equivalents (A ± B ± C)	61,971	87,080
Cash and cash equivalents at the beginning of the year	68,629	35,766
Cash and cash equivalents at the end of the year	130,600*	122,846

* The difference between the combined closing balance of cash and cash equivalents as at December 31, 2019 and the consolidated opening balance of cash and cash equivalents as at January 1, 2020 is due to: dividend payment to Multiversity S.p.A. (€59.2 million); capital increase approved by Università Telematica Pegaso Srl (€22.5 million); financing provided to Group companies (€4.5 million), payment of royalties (€4.1 million) and adjustments to the result of the year for the eliminations deriving from intercompany transactions (€4.6 million).

Operating activities

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

	Year ended December 31,	
	2019 (Combined, unaudited)	2020 (Consolidated, audited)
	(in thousands of Euro)	
A. Cash flows from operating activities		
Profit for the year	51,509	29,738
Income taxes	17,497	25,310
Interest expense/(income)	(1,094)	112
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from sale in the net working capital	67,912	55,160
Adjustments for non-monetary not offset in net working capital		
Accruals to provisions for liabilities	—	1,880
Use of funds	—	(3,233)
Amortization and depreciation	2,521	36,423
Write-downs due to impairment	4,323	6,037
Payment of employee termination indemnities	—	87
Other increases/(decreases) for non-monetary items	924	308
Total adjustments for non-monetary items without a counter-entry in the net working capital	7,768	41,502
	75,680	96,662
2) Cash flow before changes in net working capital		
Changes in net working capital		
Change in receivables from customers	(36,602)	(32,904)
Change in payables to suppliers	724	2,285
Change in deferred revenue	15,223	27,090
Change in other assets and other liabilities	(381)	(12)
Total changes in net working capital	(21,036)	(3,541)
Cash flow from operating activities (A)	54,644	93,121

Total cash flow from operating activities of Multiversity Group increased by €38.5 million, from €54.6 million in the year ended December 31, 2019 to €93.1 million in the year ended December 31, 2020. The increase is primarily due to increase in EBITDA for the year and net working capital going from €21.0 million outflow in the year ended December 31, 2019 to €3.5 million outflow in the year ended December 31, 2020. This change in net working capital was the result of a decrease in the negative balance of other current assets and liabilities, mainly related to the reduction of payables to employees and to the tax authorities, partially offset by an increase in trade receivables due to higher sales during the course of the year.

Investing activities

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

	Year ended December 31,	
	2019 (Combined, unaudited)	2020 (Consolidated, audited)
	(in thousands of Euro)	
Investments in property, plant and equipment	(876)	(1,022)
Investments in intangible assets	(933)	(2,984)
Investments in non-current financial assets	(270)	(2,075)
Divestments from current financial assets	9,971	—
Cash flow from investing activities	7,892	(6,081)

Total cash flow from investing activities of Multiversity Group went from a €7.9 million inflow in the year ended December 31, 2019 to a €6.1 million outflow in the year ended December 31, 2020. The change is primarily due to the investments in fixed assets of approximately €6.1 million in the year ended December 31, 2020 (compared

with €2.1 million in the year ended December 31, 2019) as well as the divestments from current financial assets implemented in the year ended December 31, 2019, that mainly refer to the Asset management held by Pegaso in the 2018 under current assets and subject to divestment in 2019.

Financing activities

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

	Year ended December 31,	
	2019 (Combined, unaudited)	2020 (Consolidated, audited)
	(in thousands of Euro)	
Increase (decrease) in short-term payables to banks	(565)	40
Cash flow from financing activities	(565)	40

Total cash flow from financing activities of Multiversity Group went from a €565 thousand outflow in the year ended December 31, 2019 to a €4.0 thousand inflow in the year ended December 31, 2020. The change is primarily due to the credit obtained by Benecon S.c.a.r.l. during the 2020 from other lenders for an amount of €40 thousand.

Years Ended December 31, 2019 and 2018

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

	Year ended December 31,	
	2018	2019
	(in thousands of Euro)	
Cash flow from operating activities (A)	46,725	62,799
Cash flow from investing activities (B)	(5,946)	(18,303)
Cash flow from financing activities (C)	(23,739)	(69,360)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	17,040	(24,864)
Cash and cash equivalents at the beginning of the year	38,832	55,872
Cash and cash equivalents at the end of the year	55,872	31,008

Operating activities

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

	Year ended December 31,	
	2018	2019
	(in thousands of Euro)	
A. Cash flows from operating activities		
Profit for the year	6,857	6,204
Income taxes	356	3,413
Interest expense/(income)	57,196	50,808
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from sale in the net working capital	64,409	60,425
Adjustments for non-monetary not offset in net working capital		
Accruals to provisions for employee termination indemnity	169	169
Accruals to provisions for risks	705	63
Depreciation and amortisation of fixed assets	1,169	1,227
Value adjustments to financial assets and liabilities of derivative financial instruments that do not involve monetary movements	611	425
Receivables write-downs	2,944	3,968
Other increases/(decreases) for non-monetary items	(19,402)	—
Total adjustments for non-monetary items without a counter-entry in the net working capital	(13,804)	5,852
	50,605	66,277

	Year ended December 31,	
	2018	2019
	(in thousands of Euro)	
2) Cash flow before changes in net working capital		
Changes in net working capital		
Decrease/(Increase) in receivables from customers	(14,428)	(15,508)
Increase/(Decrease) in payables to suppliers	4,950	(276)
Increase/(Decrease) in payables to subsidiaries	495	373
Increase/(decrease) in payables to parent companies	911	(310)
Decrease/(increase) in accrued income and prepaid expenses	(194)	7
Increase/(decrease) in accrued expenses and deferred income	5,725	12,706
Decrease/(increase) of other receivables in current assets	(986)	255
Decrease/(increase) of other receivables in current liabilities	330	55
Decrease/(increase) in tax payables	(9)	28
Total changes in net working capital	(3,205)	(2,670)
Cash flow after changes in net working capital	47,400	63,607
Other Adjustments		
Collected/(paid) interests	(637)	(15)
(Income taxes paid)	—	(421)
(Use of provisions for risks)	—	(328)
Use of provisions for employee termination indemnity	(38)	(44)
Total other adjustments	(674)	(808)
Cash flow from operating activities (A)	(46,725)	62,799

Total cash flow from operating activities of Pegaso increased by €16.1 million, from €46.7 million in the year ended December 31, 2018 to €62.8 million in the year ended December 31, 2019 resulting from the €19.4 million decrease of non-monetary items that in 2018 are represented by the release of provisions for risks and charges for a value of approximately €18.0 million. Cash used for net working capital was €2.7 million in the year ended December 31, 2019 compared to €3.2 million in the year ended December 31, 2018, largely as a result of an increase in payables to suppliers in the year ended December 31, 2019 largely offsetting an increase in accrued expenses in the year ended December 31, 2019.

Investing activities

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

	Year ended December 31,	
	2018	2019
	(in thousands of Euro)	
B. Financial flows from investing activities		
Investments in property, plant and equipment	(453)	(508)
Investments in intangible assets	(126)	(83)
Investments in fixed financial assets	(9,706)	(29,366)
Divestments of fixed financial assets	3,813	1,932
Divestments of current financial assets	526	9,722
Cash flows from investing activities (B)	(5,946)	(18,303)

Total cash outflow from investing activities of Pegaso increased by €12.4 million, from €5.9 million in the year ended December 31, 2018 to €18.3 million in the year ended December 31, 2019. This is primarily due to higher investments in non-current financial assets of €21.6 million, whose effect is only partially offset by higher divestments in current financial assets of €9.2 million.

Financing activities

Total cash outflow from financing activities of Pegaso increased by €45.7 million, from €23.7 million outflow in the year ended December 31, 2018 to €69.4 million in the year ended December 31, 2019. These amounts represented dividend disbursements from Pegaso.

Capital Expenditures

Our capital expenditure is comprised of investments in property, plant and equipment, intangible assets and financial assets.

	Year ended as of December 31,		Six-month period ended June 30,	
	2019 (Combined, unaudited)	2020 (Consolidated, audited)	2020 (Consolidated, unaudited)	2021 (Consolidated, unaudited)
	(in thousands of Euro)			
Investments in property, plant and equipment	(876)	(1,022)	(41)	(469)
Investments in intangible assets	(933)	(2,984)	(2,199)	(428)
Investments in non-current financial assets	(270)	(2,075)	(2,096)	(35)
Capital expenditure	(2,079)	(6,081)	(4,336)	(932)

For the six months ended June 30, 2021, capital expenditures of Multiversity Group amounted to €0.9 million, of which €0.5 million related to property, plant and equipment and €0.4 million related to intangibles assets.

Investments in property, plant and equipment of Multiversity Group increased by €0.1 million from €0.9 million for the total year ended December 31, 2019 to €1.0 million for the year ended December 31, 2020 and were primarily related to additions of the period.

Investments in intangible assets of Multiversity Group increased by €2.1 million from €0.9 million for the total year ended December 31, 2019 to €3.0 million for the year ended December 31, 2020 and were primarily related to additions of the period.

Investments in financial assets of Multiversity Group increased by €1.8 million from €0.3 million for the year ended December 31, 2019 to €2.1 million for the year ended December 31, 2020 and were primarily related to other securities that include asset management for an amount equal to €2.0 million on deposit with a leading Italian bank.

Liquidity and Capital Resources

	As of December 31,		As of June 30,
	2019 (Audited)	2020 (Audited)	2021 (Unaudited)
	(in thousands of Euro)		
A. Cash	35,754	122,841	185,548
B. Cash Equivalent	12	4	—
C. Other current financial assets	773	839	869
D. Liquidity (A+B+C)	36,539	123,684	186,417
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt).	1,264	1,761	1,815
F. Current portion of non-current financial debt	—	—	—
G. Current financial indebtedness (E+F)	1,264	1,761	1,815
H. Net current financial indebtedness (G-D)	(35,275)	(121,923)	(184,602)
I. Non-current financial debt (excluding current portion and debt instruments)	—	773	651
J. Debt instruments	—	—	—
K. Non-current trade and other payables	1,218	840	684
L. Non-current financial indebtedness (I+J+K)	1,218	1,613	1,335
M. Total Financial Indebtedness (H+L)	(34,057)	(120,310)	(183,267)

As of June 30, 2021, Multiversity Group did not have indebtedness outstanding and showed a net financial liquidity of €183 million. Following the Acquisition, the Group will show a significant amount of outstanding debt with substantial debt service requirements. As of June 30, 2021, after giving *pro forma* effect to the Acquisition as described under “Risk Factors”, the principal amount of our total external debt would have been €806.7 million.

Net working capital

	As of December 31,		As of
	2019	2020	June 30,
	(Audited)	(Audited)	2021
	(in thousands of Euro)		
Inventory	114	125	130
Trade receivables	69,738	96,605	46,689
Trade payables	(16,978)	(20,091)	(22,080)
Other current assets and liabilities	(69,792)	(120,513)	(75,690)
Net Working Capital	(16,918)	(43,874)	(50,951)

Negative Net Working Capital amounted to €51.0 million for the period ended June 30, 2021 compared to €43.9 million for the year ended December 2020. The decrease was primarily driven by a decrease in trade receivables as result of the universities students' payments tranche scheduling, partially offset by a decrease in the negative balance of other current assets and liabilities, mainly related to the reduction of accrued liabilities and deferred income due to turnover growth.

Negative Net Working Capital amounted to €43.9 million for the year ended December 31, 2020 compared to €16.9 million for the year ended December 2019. The decrease was primarily driven by a decrease in the negative balance of other current assets and liabilities, mainly related to the reduction of payables to employees and to the tax authorities, partially offset by an increase in trade receivables due to higher sales in the year.

Contractual Obligations

The following table sets forth third-party fixed contractual cash obligations as of June 30, 2021, after giving *pro forma* effect to the Acquisition.

	Total	< 1 year	2-5 year	> 5 years
		(unaudited)		
		(in Euro millions)		
Super Senior Revolving Credit Facility ⁽²⁾	38.7	—	—	38.7
Notes offered hereby ⁽³⁾	765.0	—	—	765.0
Cash Bridge Facility ⁽⁴⁾	221.6	221.6	—	—
Long-term financial debt ⁽⁵⁾	1.3	—	1.3	—
Short-term financial debt ⁽⁶⁾	1.8	1.8	—	—
Total	1,028.4	223.4	1.3	803.7

(1) The amounts provided are undiscounted. In addition, they do not include income tax liabilities in respect of tax risks because it is not possible to make reasonably reliable estimate of the actual period of cash settlement. Figures assume that the Notes and Cash Bridge Facility are repaid at maturity, which may or may not reflect future events. Amounts reflect principal payments and do not include interest.

(2) Represents the €100.0 million Revolving Credit Facility. The amount of €38.7 million is expected to be drawn under Revolving Credit Facility at the Issue Date Expected to be undrawn at the Closing Date.

(3) Represents the aggregate principle amount of the Notes.

(4) Represents the principal amount of the Cash Bridge Facility used for the funding of the Acquisition. The Issuer will enter into the Bridge to Cash Facility to partially fund the Multiversity Investment that will be secured by the Cash Available held by Wviversity and MultiSpa, to the extent of the amount of the Cash Available and will be repaid from the Cash Available within two Business Days following the completion and effectiveness of the Post-Closing Reorganisation (as defined herein).

(5) Represents the non-current financial indebtedness of Multiversity Group as of June 30, 2021.

(6) Represents the current financial indebtedness of Multiversity Group as of June 30, 2021.

Off-Balance Sheet Arrangements

Multiversity has no off-balance sheet agreements other than those described below:

	June 30, 2021			
	Total	< 1 year	2-5 year	> 5 years
		(unaudited) (in Euro millions)		
Università Telematica Pegaso S.r.l.	8,531	2,524	5,187	820
Universitas Mercatorum (ente)	1,158	520	622	16
Total	9,689	3,044	5,809	836

The above data refer exclusively to the commitments undertaken by the Group with respect to the lease agreements.

Quantitative and Qualitative Disclosures about Market Risk

The Group activities expose it to a variety of financial risks including credit risk and liquidity risk. The risk management policy, which is managed centrally by the senior management, focuses on minimizing the potential adverse effects on our financial performance. The following section discusses the significant financial risks to which the Group is exposed. This discussion does not address any other risks to which it is exposed to in the normal course of business such as operational risks. See “*Risk Factors*.”

Interest rate risk

The Group will be subject to interest rate market risk in connection with its long-term debt. The Group’s principal interest rate exposure will relate to variable rate borrowings under the Notes and its Bridge to Cash Facility. To the extent that EURIBOR is in excess of the 0.00% floor rate, each one basis point change in interest rates would result in an approximately €102,530 change in annual interest expense on the funded indebtedness under the Notes, amounts drawn under the Revolving Credit Facility and the Bridge to Cash Facility.

Credit Risk

Following the credit monitoring activity carried out on a timely basis by the administrative offices of the group companies, overdue credit collection activities are constantly implemented. The value of the receivables is constantly monitored during the year, and if needed a provision for the estimated uncollectable receivable is accrued so that the amount expresses the presumed realisable value.

Liquidity Risk and Risk of Changes in Cash Flows

Our management body constantly monitors the trends in cash flows through an adequate financial planning system. After the transactions are executed, a certain portion of our cash flows will be absorbed by the repayment of principles and interests of the borrowings entering into in connection with the acquisition.

Tax risk

All Group companies constantly monitor their tax position and implement risk management associated with prudent tax policies. On November 20, 2019, a tax audit was conducted by the Revenue Agency (see “*Business—Litigation and legal, tax and administrative proceedings*”).

Critical Accounting Policies

The financial statements included elsewhere in this Offering Memorandum contain a description of certain significant accounting policies of Multiversity S.r.l. which require the Group to make estimates and assumptions that affect reported results and disclosures. The Group believes the following items are critical accounting policies. “Critical accounting policies” means policies that are both important to the portrayal of the Group’s financial performance and financial results, and that require critical management judgments and estimates in relation to matters that are inherently uncertain. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. The most critical accounting policies involving a higher degree of judgment and complexity in applying principles of valuation and for which changes in the assumptions and estimates could result in significantly different results than those recorded in the financial

statements included elsewhere in the Offering Memorandum. Although we believe that our discretionary judgments and estimates are appropriate, actual future results may differ from our estimates.

Write-downs for impairment of tangible and intangible assets

At each balance sheet date, the Group assesses whether there is any indicator to suggest a fixed asset may have suffered impairment. If these indicators were to exist, the Group would estimate the recoverable value of the asset by making a write-down only if the latter were lower than the corresponding net book value. In the absence of indicators of potential impairment, the recoverable value is not determined.

When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.

The recoverable value of an asset is the greater of the fair value less costs to sell and its value in use determined as the present value of estimated future cash flows.

An impairment is recognised if the recoverable value is lower than the book value. When, subsequently, a loss on assets, other than goodwill, ceases or is reduced, the book value of the asset or the cash-generating unit is increased up to the new estimate of the recoverable value without exceeding the value that would have been determined if no loss had been detected.

Receivables

Receivables originating from revenues for the sale of goods or the provision of services are recognised under current assets on the basis of the accrual principle when the conditions for the recognition of the related revenues are met.

The revenue recognition policy is set out below.

Most of the revenues are deferred on the basis of the academic year which starts on August 1 and ends on July 31 of the following year, calculating the actual days.

Revenues deriving from “OLD” students (students already enrolled in the previous year) are accounted for at the beginning of the new academic year (August 1) and deferred for the entire period (until July 31).

Revenues deriving from “NEW” students (new students enrolled) are accounted for at the time of registration to the university, which can take place at any time during the academic year, and are deferred for the remaining period (until July 31, end of the academic year).

FIT revenues are not deferred on the basis of the academic years but according to the following percentages: 50% / 25% / 25% respectively in the accounting month and in the following 2 months.

The other types of revenue are directly accounted for in the billing month and therefore are not deferred (as for EIPASS revenues).

Receivables originating for different reasons are recognised if there is a ‘title’ to the receivable and therefore when they actually represent a third-party obligation to the company; if of a financial nature they are classified under financial fixed assets, with an indication of the portion due within the next fiscal year.

Receivables are valued in the financial statements at amortized cost, taking into account the time factor, and within the limits of their presumed realisable value and, therefore, are shown in the balance sheet net of the related bad debt provision deemed adequate to cover losses due to reasonably foreseeable non-collectability.

If the interest rate of the transaction is not significantly different from the market rate, the receivable is initially recorded at a value equal to the nominal value net of all premiums, discounts, rebates and inclusive of any costs directly attributable to the transaction, which generated the receivable. These transaction costs, any commission income and expense and any difference between the initial value and the nominal value at maturity are spread over the duration of the loan using the effective interest criterion.

On the other hand, when the interest rate of the transaction inferable from the contractual conditions is significantly different from the market rate, the receivable (and the corresponding revenue in the case of commercial transactions) is initially recorded at a value equal to the present value of future cash flows plus any transaction costs. The rate used to discount future flows is the market rate.

In the case of receivables arising from commercial transactions, the difference between the initial recognition value of the receivable thus determined and the forward value is recognised in the income statement as financial income over the duration of the receivable using the effective interest rate criterion.

In the case of financial receivables, the difference between the cash and cash equivalents disbursed and the present value of future cash flows, determined using the market interest rate, is recognised under financial income or expense in the income statement at the time of initial recognition, unless the substance of the transaction or contract leads to the attribution of a different nature to this component. Subsequently, the interest income accruing on the transaction is calculated at the effective interest rate and charged to the income statement with the value of the receivable as a contra entry.

The value of the receivables is subsequently reduced by the amounts received, both by way of principal and interest, as well as for any write-downs to bring the receivables back to their presumed realisable value or for losses.

The Group assumes that the effects deriving from the application of the amortized cost and the discounting back are not relevant when the maturity of the receivables is within 12 months, also taking into account all the contractual and substantial considerations in place on recognition of the receivable, and the transaction costs and any difference between the initial value and the nominal value at maturity is of an insignificant amount. In this case, discounting was omitted, the interest was calculated at nominal value and the transaction costs were entered among deferrals and amortized on a straight-line basis over the duration of the receivable to adjust the nominal interest income.

Provisions for risks and charges

They are set aside to cover losses or debts of certain or probable existence, whose amount or date of occurrence could not be determined at the end of the year.

In the measurement of these provisions, the general criteria of prudence and accrual accounting are respected, and no provision was made for generic risks without economic justification.

Contingent liabilities are recognised in the financial statements and booked under provisions when they are likely to materialise and when the amount of the related charge can be reasonably estimated.

Any risks for which the occurrence of a liability is only possible or for which no objective forecast of the resulting charge is possible are indicated in the explanatory notes of the financial statements without allocating provisions for risks and charges.

Risks whose probability of occurrence appears remote are not taken into account.

Income taxes—Current, Prepaid and Deferred

Current income taxes are allocated according to the accrual principle on the basis of the tax charges resulting from the application of the tax legislation in force and are entered among tax payables net of advances.

Deferred and prepaid taxes are determined on the temporary differences between the value attributed to the assets and liabilities according to statutory criteria and the value attributed to the same assets and liabilities for tax purposes.

Deferred taxes are entered in the ‘Provision for deferred taxes’, recorded under liabilities among the provisions for risks and charges, while the prepaid taxes are recorded in the receivables from others under current assets.

Assets deriving from prepaid taxes are not recognised, in compliance with the prudence principle, if there is no reasonable certainty of the existence, in the fiscal years in which the relative temporary differences will be reversed, of a taxable income higher than the amount of the differences that will be cancelled. Liabilities for deferred taxes are recognised only if there is a reasonable certainty that they will reverse in the foreseeable future. Deferred tax assets and deferred tax liabilities are valued at the estimated tax rates applicable in the year in which the tax asset will be realised or the tax liability will be settled, based on the tax legislation established by the provisions in force at the reporting date.

Accruals and deferrals

The portions of costs and income common to two or more fiscal years, according to the matching and accrual principle, are recorded in these items. Based on this criterion, accruals or deferrals are recognised when the following conditions are met:

- the contract begins in one fiscal year and ends in a subsequent one;
- the consideration for the services is contractually due in advance or in arrears with respect to services common to two or more consecutive years;
- the amount of accruals and deferrals varies with the passage of time.

Income and charges that have accrued in full in the fiscal year to which the financial statements refer or in subsequent ones are not included among accruals and deferrals.

INDUSTRY

Certain of the information set forth in this section has been derived from external sources, including information from reputable international firms. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but some of the information may have been derived from estimates or subjective judgments or may have been subject to limited audit or validation and there is no guarantee, representation or warranty (either expressly or implied) of the accuracy or completeness of such data or changes to such data following publication thereof. Third party sources explicitly disclaim any liability for any loss or damage, howsoever caused, arising from any errors, omissions or reliance on any information or views contained in their reports. While we believe these market data and other information are accurate and correct, we have not independently verified them. Furthermore, such estimates or judgments, particularly as they relate to expectations about our market and industry, involve risks and uncertainties and are subject to change based on various factors, including those discussed under “Risk Factors” and “Information Regarding Forward-Looking Statements” elsewhere in this Offering Memorandum. These projections and other forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See “Presentation of Financial and Other Information—Industry and Market Information”, “Risk Factors” and “Information Regarding Forward-Looking Statements.”

The Italian higher education market is predominantly composed of traditional physical universities, most of which are public, with online (private only) universities emerging over the last decades

The Italian higher education market is broad and developed, home of some of the oldest universities ever established. In Italy there are 68 public universities mostly located in major urban areas. These do not have admission tests, with the exception of specific courses (such as medicine and architecture) and have annual tuition in the range of approximately €350—€3,000 per annum, depending on students’ wealth. There are 19 private traditional universities, with higher average tuition fees (approximately €3,000—€15,000) and mostly with some sort of admission test or criteria based on the students’ academic performance in high school. Online universities, which are solely private, represent a smaller segment of 11 universities, with no admission test (also driven by the fact that there are no limitations associated with physical space availability) and with average annual tuition between approximately €750—€5,000.

The Italian university market, initially closed to online universities, was officially opened to online competition in 2003 (but only started operating in 2006). On April 17, 2003, the Italian University Education and Research Ministry, together with the Minister for Innovation and Technology, opened the higher education market to online universities with courses delivered for the first time in 2006, in an effort to increase the number of people holding a higher education degree and offer a more flexible path to students.

Since the opening of the online Italian higher education market in 2003, 11 online private universities were established (including Pegaso and Mercatorum) and today they enroll approximately 190,000 students (academic year 2019/2020)⁴³. There are no public online universities and the online university market is structurally closed to new entrants, as no further licenses are currently expected to be issued. In particular, the ban for the establishment of online universities in Italy is usually extended every three years, with the publication of the Ministerial Decree governing Italian universities’ academic planning. The latest Ministerial Decree published in March 2021 (Decree n. 289 of 25 March 2021) confirmed the ban until 2023.

Despite improvements in the recent years, Italy still remains the developed country with the lowest tertiary education penetration and a considerably high drop-out rate, coupled with one of the lowest online penetrations in Europe

Despite improvements in the recent years, Italy still remains the developed country with the lowest tertiary education penetration among its population aged 25-34 years old (27.7% in 2019) with significant gaps compared to the OECD average of 44.9% and some of the most penetrated countries worldwide (UK of 51.8%, US of 50.4%, France of 48.1%, and Spain of 46.5%)⁴⁴.

The Italian higher education market is quite different when compared to other European markets. Aside for the low graduate penetration, Italy also has a considerably high drop-out rate for upper secondary and tertiary education and training with a sizeable gap compared with the EU average. The Italian market, while improving its drop-out rate in the past ten years, still displayed an approximately 13% drop-out rate in 2020 (of the population aged 18-24 leaving early from their education), when compared to the approximately 10% EU average and the goal to reach 9% at European level in 2030. When focusing on Italian tertiary education courses, the highest drop-out rate is displayed among Bachelor’s degrees, with a 12.2% drop-out rate for the 2015/2016 cohort (in the first year) according to the National Agency for the Evaluation of Universities and Research

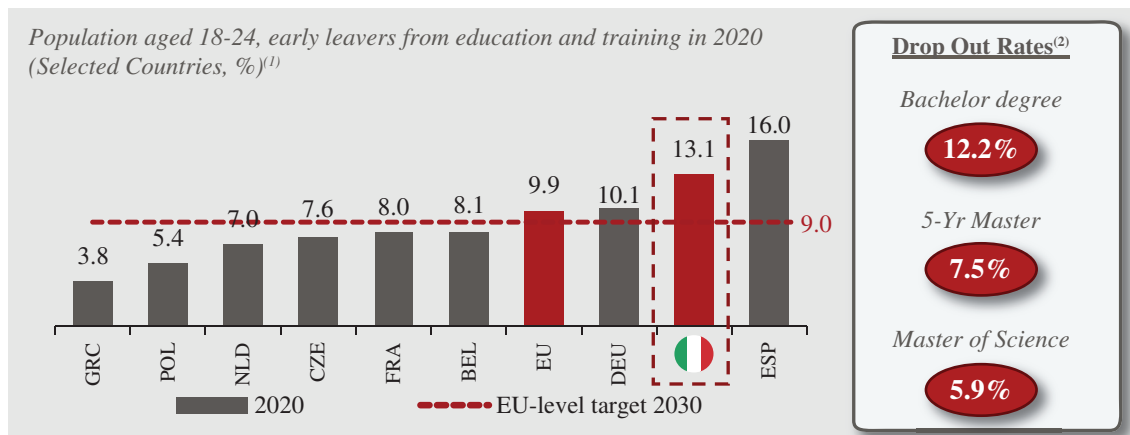
⁴³ Third Party Commercial Advisor, commercial due diligence (2021), Third Party Commercial Advisor analysis on MIUR data

⁴⁴ OECD (2021), Population aged 25-34 year-olds with tertiary education as of 2019.

Institutes⁴⁵, followed by 5-year Master's degrees at 7.5% and, finally, Master's of Science with 5.9% (vs. 16.3%, 10.0%, and 7.7% respectively in 2007).

This is also due to structural factors, including a relatively wide territory with peripheral areas distant from urban centres and therefore rendering university attendance more expensive (due to travel and accommodation costs) as well as complicated for those students working at the same time.

Early leavers from education and training, 2010 and 2020⁴⁶ 47



(1) Eurostat (June 2021), Early leavers from education (incl. upper secondary education and tertiary education) and training, % of population aged 18-24.

(2) Drop-out rate between the first and second year of studies, by type of course, for academic year of 2015/2016; Source: National Agency for the Evaluation of Universities and Research Institutes (2018).

Aside for the high drop-out rate, Italy has one of the lowest online penetrations in Europe and lacks robust infrastructure to support critical digital developments in various sectors. The lack of sufficient digital coverage has historically represented a major obstacle to the adoption of online education, especially for rural areas, where access to traditional universities is often limited by logistical (long distance from university centres) and financial (more expensive due to travel and accommodation costs) complexities. Furthermore, the career path for a student in Italy tends to be longer and less flexible than those of many other EU countries, due to a focus on theoretical subjects (for which exams take a longer time to prepare for, given their theoretical nature), a large proportion of Italian universities only offering single exam dates per year (i.e. only one chance per year) and a higher population living in peripheral or non-urban areas.

The student base is overall resilient over time, with the traditional segment currently enrolling the majority of students and the online segment growing and taking share from traditional education and unlocking additional unmet demand

The overall Italian student population enrolled in higher education has reached approximately 1.9 million students as of academic year 2019/2020⁴⁸, of which 95% are in the undergraduate market and 5% in the postgraduate master's. The population increased by approximately 130,000 students between academic year 2015/2016 and academic year 2019/2020, but while over these years the traditional university channel has remained substantially flat in terms of enrolled students, the online one has materially increased its relevance and accounted for the vast majority of the aforementioned growth. Today students enrolled in online universities represent approximately 10% of the total market, a significant improvement since academic year 2015/2016 when it accounted for approximately 5% only.

Among the existing 11 online universities, a handful of players captured approximately 90%⁴⁹ and the top two approximately 76% of the postgraduate students enrolled, respectively (academic year 2019/2020) and these players drove the vast majority of the above mentioned growth in the past years.

Multiversity Group, owning the fastest growing players Pegaso and Mercatorum, is the market leader and has contributed alone to over 55% of the growth of the online market since academic year 2015/2016 and it is expected to continue to be the main contributor and beneficiary of the market future evolution.

⁴⁵ National Agency for the Evaluation of Universities and Research Institutes (2018), Biennial report on the state of the university system and research, processing of national student registry data.

⁴⁶ Eurostat (June 2021), Early leavers from education (incl. upper secondary education and tertiary education) and training, 2010 and 2020, % of population aged 18-24.

⁴⁷ Drop-out rate between the first and second year of studies, by type of course, for academic year of 2015/2016; Source: National Agency for the Evaluation of Universities and Research Institutes (2018).

⁴⁸ Third Party Commercial Advisor, commercial due diligence (2021), Third Party Commercial Advisor analysis on MIUR data for historicals, forecasts based on Third Party Commercial Advisor estimates

⁴⁹ Third Party Commercial Advisor, commercial due diligence (2021), Source MIUR data (extraction @6/2019) and Pegaso internal data; Third Party Commercial Advisor analysis

Italian higher education student enrolled base: recent growth mostly driven by online universities

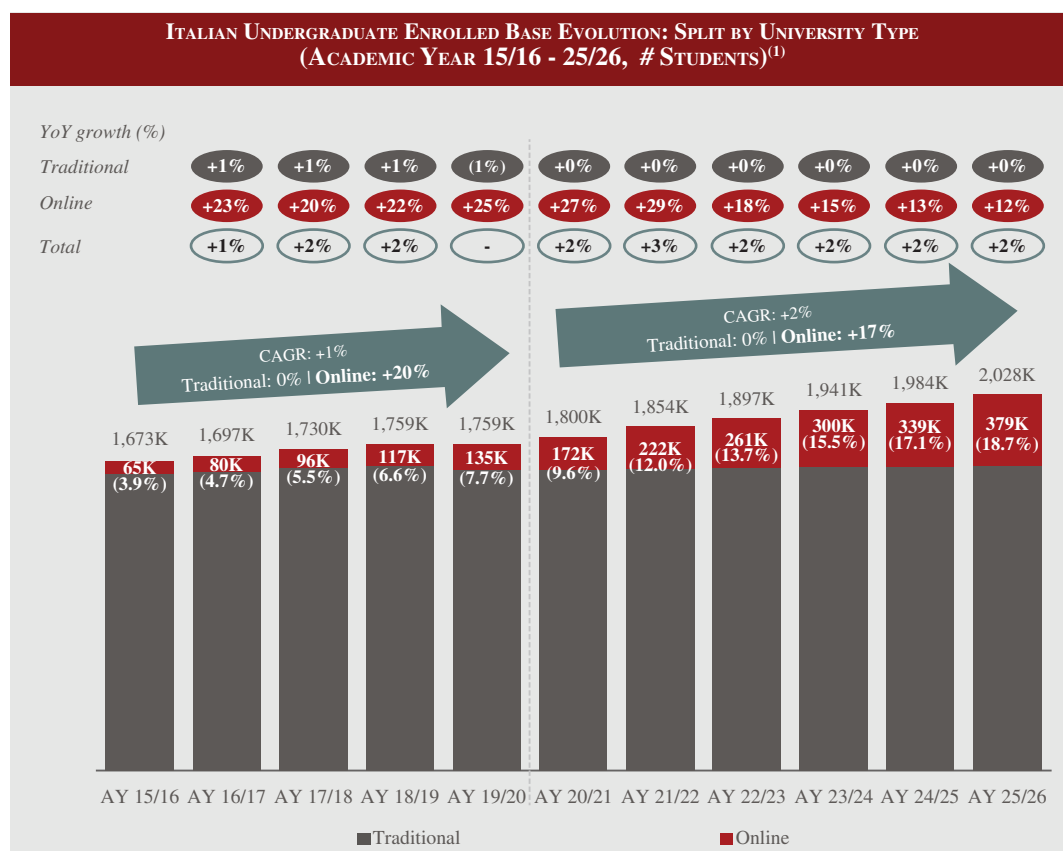
Undergraduate

Undergraduate education refers to university courses catering to students who have completed a high school diploma and include 3-year Bachelor's degrees ("triennale"), 2-year Master's degrees ("specialistica") and 5-year degrees ("ciclo unico" or "magistrale", for law students). The Italian population enrolled in the undergraduate market, currently representing 95%⁵⁰ of the total higher education base, has grown in the past 5 years at a 1% annual rate and reached 1.8 million students in academic year 2019/2020, with online universities growing at 20% per annum over the same timeframe. This trend is also expected to continue in the future and, on the back of an expected 19% annual growth rate for online universities, the total number of undergraduate students is expected to exceed 2.0 million by academic year 2025/2026.

Online universities significantly increased their relevance in the market, representing 7.7% of the total undergraduate population with approximately 135,000 enrolled students in academic year 2019/2020, a significant improvement from 3.9% in academic year 2015/2016 and even more remarkable when considering that this channel did not exist prior to 2006. On the back of favorable tailwinds, online penetration is expected to further accelerate reaching 18.7% of the total market by academic year 2025/2026, adding over 240,000 online students to current levels and reaching a total of approximately 379,000 students. COVID-19 serves as an accelerator of growth, helping overcome potential scepticism around validity and efficacy of online education and this is reflected in the strong market growth expected over the next two academic years (28% and 29% in academic year 2020/2021 and 2021/2022 respectively). The new investments in digitalization aimed at covering the significant white spaces across the country represent a further accelerator to reach an additional portion of the population whose needs are currently unaddressed.

Multiversity, as a clear market leader in the undergraduate market thanks to Pegaso and Mercatorum, is set to drive and benefit from such positive market momentum, on the back of its unique educational offer (both in terms of quantity and quality), its best in class proprietary platform and user experience and an established brand name.

Italian undergraduate enrolled base evolution: split by university type (academic year 15/16–25/26, number of students)⁵¹



⁵⁰ Third Party Commercial Advisor, commercial due diligence (2021), Third Party Commercial Advisor analysis on MIUR data for historicals, forecasts based on Third Party Commercial Advisor estimates

⁵¹ Source: Third Party Commercial Advisor analysis on MIUR data. Note: Undergraduate education refers to university courses catering to students who have completed a high school diploma and include 3 years of Bachelor degrees, and / or 2 years Master's degree ("triennale + specialistica") and 5 years degree ("ciclo unico or magistrale", for law students)

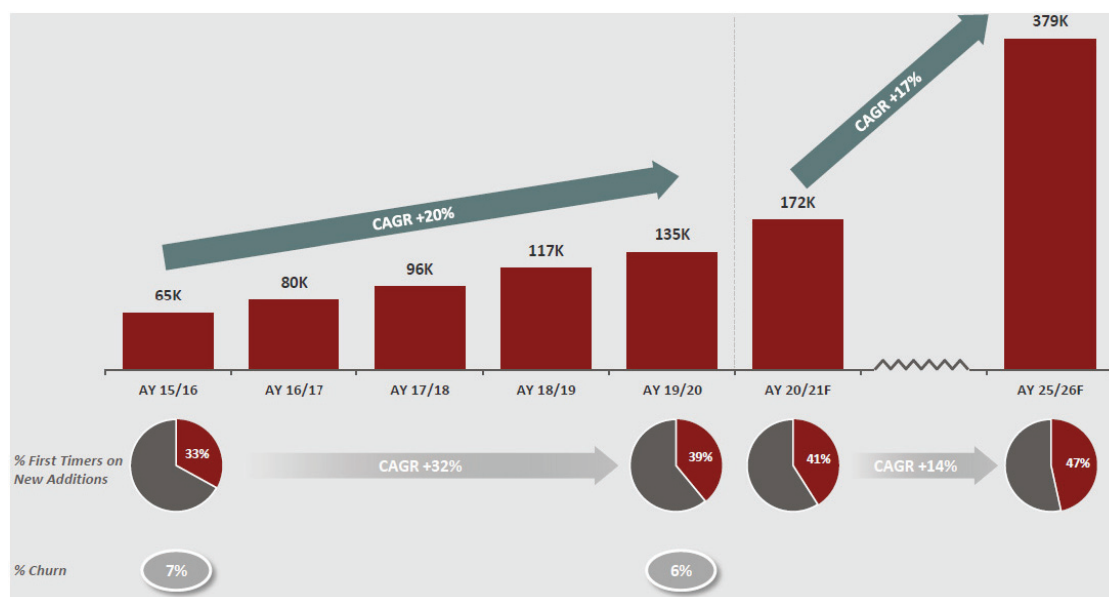
The underlying growth of the student base can be assessed from multiple angles, and a starting point is the students' profile:

Students' profile	Description	Impact on total students' enrolled base
First-timers	New university students, who have never been enrolled in university programs (e.g. freshman)	+
Returning drop-outs	Students who abandoned the university system at some point of their academic career and re-enroll into the system switching at a later stage	+
Transfers	Students currently enrolled in a university who decide to transfer in between their academic career to another university, continuing their academic path (transferring credits achieved so far)	+
Graduates	Students who graduate at the end of their academic career, with a portion of these who continue their studies into master's or other specialization courses	-
Churn	Drop-out students leaving studies without achieving graduation	-

In the undergraduate market, first timers currently represent the largest source of total new additions for online universities⁵² (approximately 39% of the total), followed by returning drop-outs and transfers from traditional universities. Attractiveness of online universities is further sustained by the fact that first timers will be the main driver of growth (47% of new additions in academic year 2025/2026—according to forecasts). Increasing relevance of first-timers will be positive for online universities as it will enhance revenue stability due to longer duration of the student's term.

With opposite effect to the student base, drop-outs in online universities have historically been a high single-digit percentage⁶ (between 6% and 7% churn on average in the past 5 academic years) of the total enrolled student base at the beginning of the year, a figure which is expected to stabilize around 6% going forward (the level reached in academic year 2019/2020). Multiversity today already has a churn below the one expected for the market, standing at a remarkable approximately 5%, which is evidence of the quality of the business offering and student base.

Italian online undergrads enrolled base⁵³



⁵² Third Party Commercial Advisor, commercial due diligence (2021), Third Party Commercial Advisor analysis

⁵³ Source: Third Party Commercial Advisor Analysis. Churn based on students at the beginning of the year

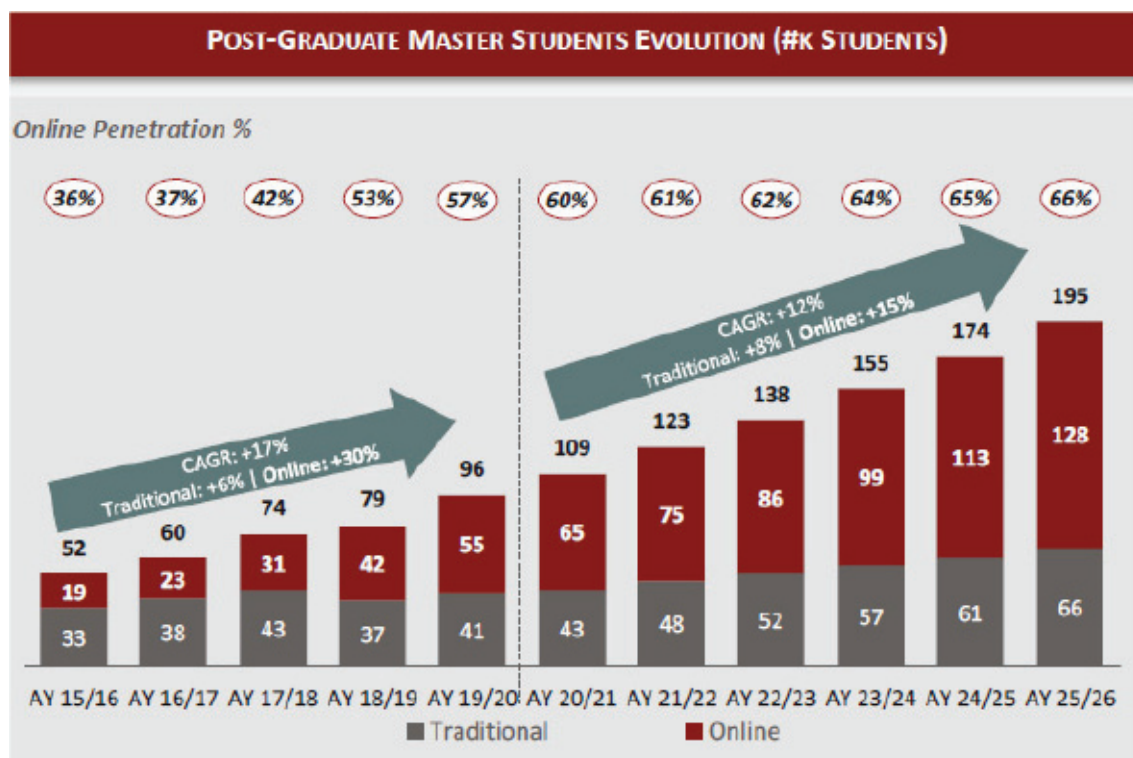
Postgraduate master's

Postgraduate education includes 2nd level master's (either 1-year or 2-year long) for students who have completed an undergraduate degree (either an undergraduate master's degree ("specialistica") or a 5-year degree ("Ciclo unico" or "magistrale", for law students). The Italian population enrolled in the postgraduate master's segment, currently representing 5%⁵⁴ of the total higher education market, has displayed a stronger historical growth than the undergraduate market, increasing from 52,000 students in academic year 2015/2016 to 96,000 in academic year 2019/2020, representing a 17% annual growth rate. Online universities experienced a remarkable 39% annual growth rate in their student population, over six times faster than traditional universities (whose annual growth rate stood at 6%). The total number of students in the postgraduate master's market is expected to continue to grow at double digit annual growth rate, more than doubling from current levels, reaching 195,000 students by academic year 2025/2026.

Online universities currently attract more students than traditional ones; online penetration in the academic year 2019/2020 stood at 57% of the total population (vs. approximately 36% in academic year 2015/2016). This penetration of online universities is expected to further grow, reaching 66% in academic year 2025/2026. By then, 128,000 master's students are expected to be enrolled in online universities, a pool of students larger than the current total for the postgraduate master's market.

Multiversity is set to benefit from this postgraduate master's market growth. Focusing on that segment in particular has seen strong growth and this trend is expected to continue. Quality of the education offering and flexibility of the business model (especially for workers) are the main reasons for choosing Multiversity's master's programs. In addition, Multiversity, through its two universities, is able to offer contents which are aligned with the Italian job market's needs.

Postgraduate master students' evolution (thousands of students)⁵⁵



⁵⁴ Third Party Commercial Advisor, commercial due diligence (2021), Third Party Commercial Advisor analysis on MIUR data for historicals, forecasts based on Third Party Commercial Advisor estimates

⁵⁵ Source: Third Party Commercial Advisor analysis. Note: Postgraduate education includes 1 year Masters courses mainly for workers who already have at least a Bachelor degree, and single courses mainly for workers who have a high school or university degree, and who are pursuing learning improvements (voluntary or required by regulators or employers)

Postgraduate courses

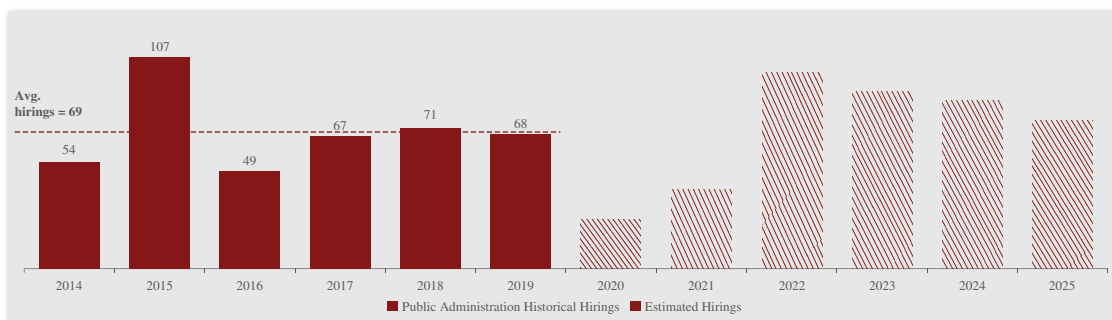
Multiversity also derives a high percentage of its postgraduate revenues from single courses (FIT + FORM + Single Courses) which are highly connected with public administration hiring trends through “Concorso Pubblico” (i.e. public hiring tenders that require a specific exam). These hiring trends were severely affected by the COVID-19 pandemic, reducing public tenders by 60/70%⁵⁶ compared to previous years, but a rebound is expected as these tend to be recurring hiring tenders over the years. Until 2025, Unioncamere expects the need to hire 740,000 new employees in the public administration either to replace workers who are retiring (93% of total) or for new positions (7% of total). Hires are expected to remain below historical averages for 2021 (approximately 30-50 thousand new employees) given the pandemic, but a significant bounce back is expected from 2022, with Multiversity set to positively benefit from this due to its market position.

Total employment in the public administration has overall been flat in the last five years (approximately 3.2m employees), with yearly hires showing, historically, a fluctuating trend, with an average inflow of approximately 70,000 units per annum (excluding healthcare hires, mainly out of Pegaso FORM, FIT and Single Courses offering). In the medium term, the number of hires from the public administration is estimated to bounce back from 2022 (highest inflow, at approximately 90,000—110,000) until 2025 (approximately 65,000—85,000) driven by:

- (i) approximately 70,000 baseline hires to re-align to historical trends for total public administration employees, with a larger impact in the initial years as the market “recovers from the lost ground” (approximately 60,000—90.000 less employments) created by “Concorsi Pubblici” postponements in 2020-21; and
- (ii) a substantial boost to the economy and, subsequently, hiring levels through the Recovery Fund.

Multiversity, deriving the majority of its postgraduate revenues from these single courses, is perfectly positioned to benefit from the re-acceleration of “Concorsi Pubblici” from 2022 onwards.

Public Administration hiring evolution: Pegaso main perimeter (2014-2025 | thousands of hirings)⁵⁷



⁵⁶ Third Party Commercial Advisor, commercial due diligence (2021), source MEF, Third Party Commercial Advisor analysis

⁵⁷ Source: Third Party Commercial Advisor analysis

BUSINESS

Overview

General

Multiversity is the market leader in Italy in the e-learning market by number of enrolled students with a 40% market share of the Italian online undergraduate higher education market for the 2019/2020 academic year capturing approximately 3% of the total Italian undergraduate market.⁵⁸ It operates two private online universities, Pegaso and Mercatorum, a certification entity, Certipass and a number of academies as well as an international lifelong learning higher education institution based in Malta. It delivers its services through a proprietary online platform that carries out the e-learning contents produced in-house.

Università Telematica Pegaso S.p.A., held by Multiversity, is the promoter and supporter of Pegaso, Multiversity's primary education institution. Approximately 105,000 students were enrolled in one of Pegaso's online courses for the 2020-2021 academic year. Pegaso offers a range of both undergraduate and postgraduate courses, and in particular, seven undergraduate bachelor's degrees, five specialist master's degrees, one single cycle five-year degree and 139 postgraduate master's courses as well as a number of higher education and specialization courses for professionals and high school graduates. Pegaso also offers six individual certifications and gives students the possibility to undertake single examinations for each course module upon payment of a fee without having to complete the full course.

Multiversity's other key institution, Mercatorum, is held indirectly by Multiversity through its 66.66% stake in the share capital of Unimerctorum S.r.l. as the promoter and supporter of Mercatorum, with the remaining 33.33% stake in Unimerctorum S.r.l. is held indirectly by Unioncamere. Unioncamere, the Italian Union of Chambers of Commerce, Industry, Crafts and Agriculture, is the public body that unites and institutionally represents the Italian system of chambers of commerce. Approximately 23,000 students were enrolled in Mercatorum for the 2020-2021 academic year. Mercatorum's core offering currently consists of 14 undergraduate bachelor's degrees (two of which are newly accredited and are therefore being offered for the first time in the 2021/2022 academic year), four specialist master's degrees, one Ph.D. and 11 postgraduate master's courses. Like Pegaso, it also allows students to undertake single examinations for any course module offered within its curricula.

Other assets of Multiversity include Certipass, as provider of international certifications for digital competences and IT skills, and an ever-growing number of academies established through collaboration agreements between Pegaso and Mercatorum and their respective commercial partners, covering a wide range of specialist subjects such as marketing, communications and media and teaching. In addition, Principe di Napoli S.c.a.r.l. ("**Principe di Napoli**") was established in February 2019 by Pegaso in partnership with Mercatorum (holding 90% and 10% stakes, respectively) as a center for higher education and specialization in the sectors of gastronomy and tourism. Apart from the Postgraduate School in Legal Professions (as further described below), Principe di Napoli is one of the few institution within Multiversity to hold on premise courses.

Multiversity also operates a publishing entity and companies dedicated to research, which are mostly ancillary and in support of the two universities. Almost the entirety of its operations are located in Italy, with some limited operations in Malta. It also has collaboration agreements with several partners in Italy for the development and delivery of specialized courses in a multitude of subjects, made available through its two universities.

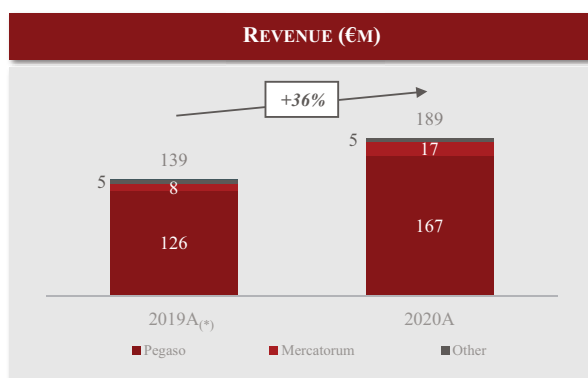
Multiversity's revenues for the financial year ended December 31, 2020 amounted to €188.7 million, as compared to €138.8 million⁵⁹ for the prior financial year (an increase of 36%), while Multiversity's revenues for the six months ended June 30, 2021 were €133.8 million, as compared to €98.1 million in the same period of the prior financial year (an increase of 36%). Undergraduate enrolled students increased by approximately 50% in the 2020/2021 academic year with respect to the previous academic year. In addition, Adjusted EBITDA generated for the year ended December 31, 2020 was €102.3 million as compared to €74.8 million for the year ended December 31, 2019 (an increase of 37%), while Adjusted EBITDA for the six months ended June 30, 2021 was equal to €84.7 million, as compared to €57.4 million in the same period of the prior financial year.

Approximately 98% of Multiversity's revenues for the year ended December 31, 2020 were generated by Pegaso (which accounted for 89% of Multiversity's revenues) and Mercatorum (which accounted for 9% of

⁵⁸ In terms of number of enrolled students (source: Third Party Commercial Advisor, commercial due diligence (2021), source MIUR data (extraction @6/2019), Third Party Commercial Advisor).

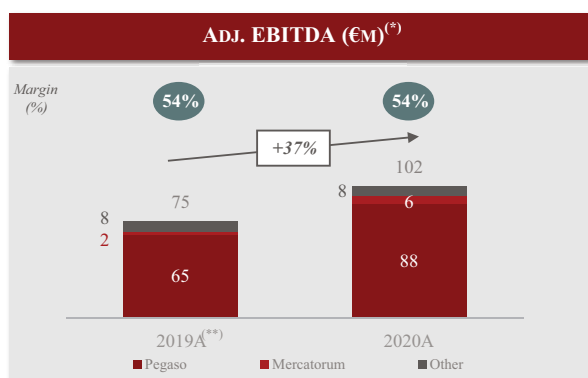
⁵⁹ Unaudited combined figure

Multiversity's revenues). By comparison, approximately 98% of Multiversity's revenues for the six months ended June 30, 2021 were generated by Pegaso (which accounted for 81% of Multiversity's revenues) and Mercatorum (which accounted for 17% of Multiversity's revenues). The below diagram charts the growth in revenues of Pegaso, Mercatorum and Multiversity's other assets for the years ended December 31, 2019 and 2020:



(*) 2019 figures are combined unaudited.

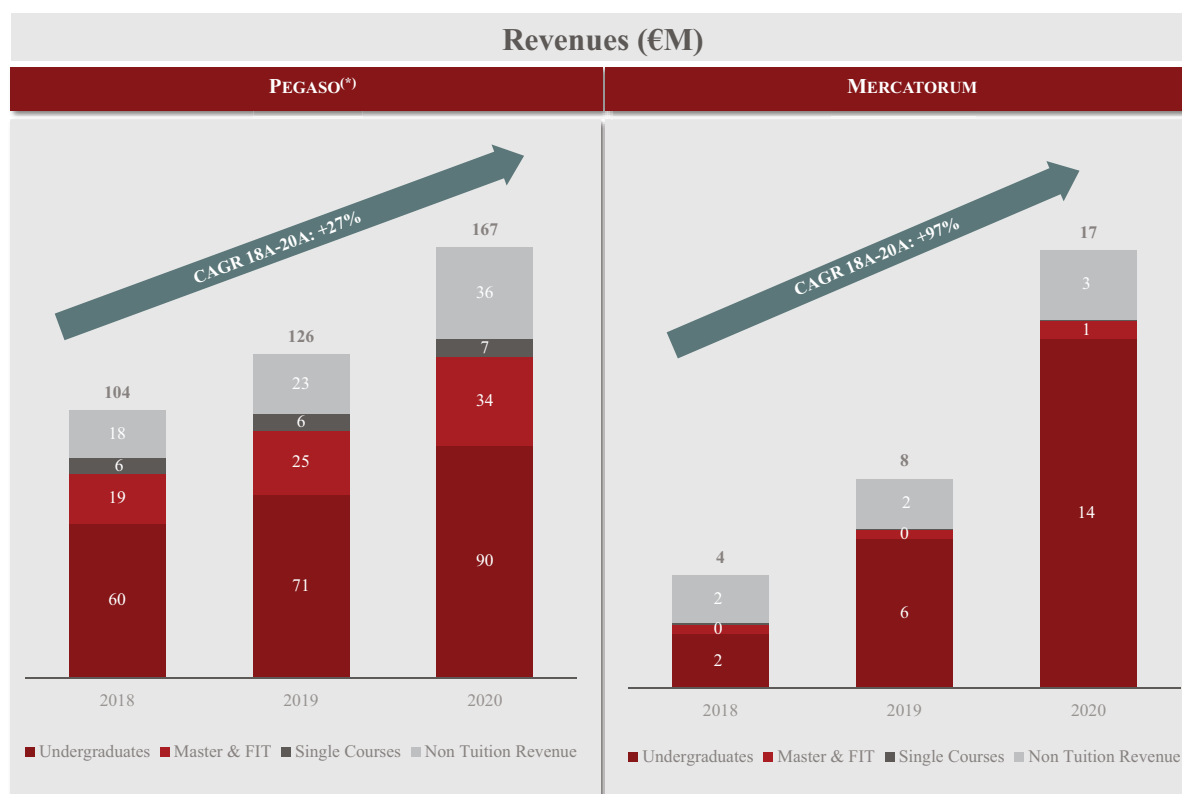
In addition, the following diagram shows the progression of Multiversity's Adjusted EBITDA with reference to each of Pegaso, Mercatorum and Multiversity's other assets for the years ended December 31, 2019 and 2020:



(*) EBITDA adjusted excluding non recurring items and bad debt accruals. Adj. EBITDA of Pegaso and Mercatorum include intercompany royalties paid to Multiversity; Other includes royalties income received by Multiversity.

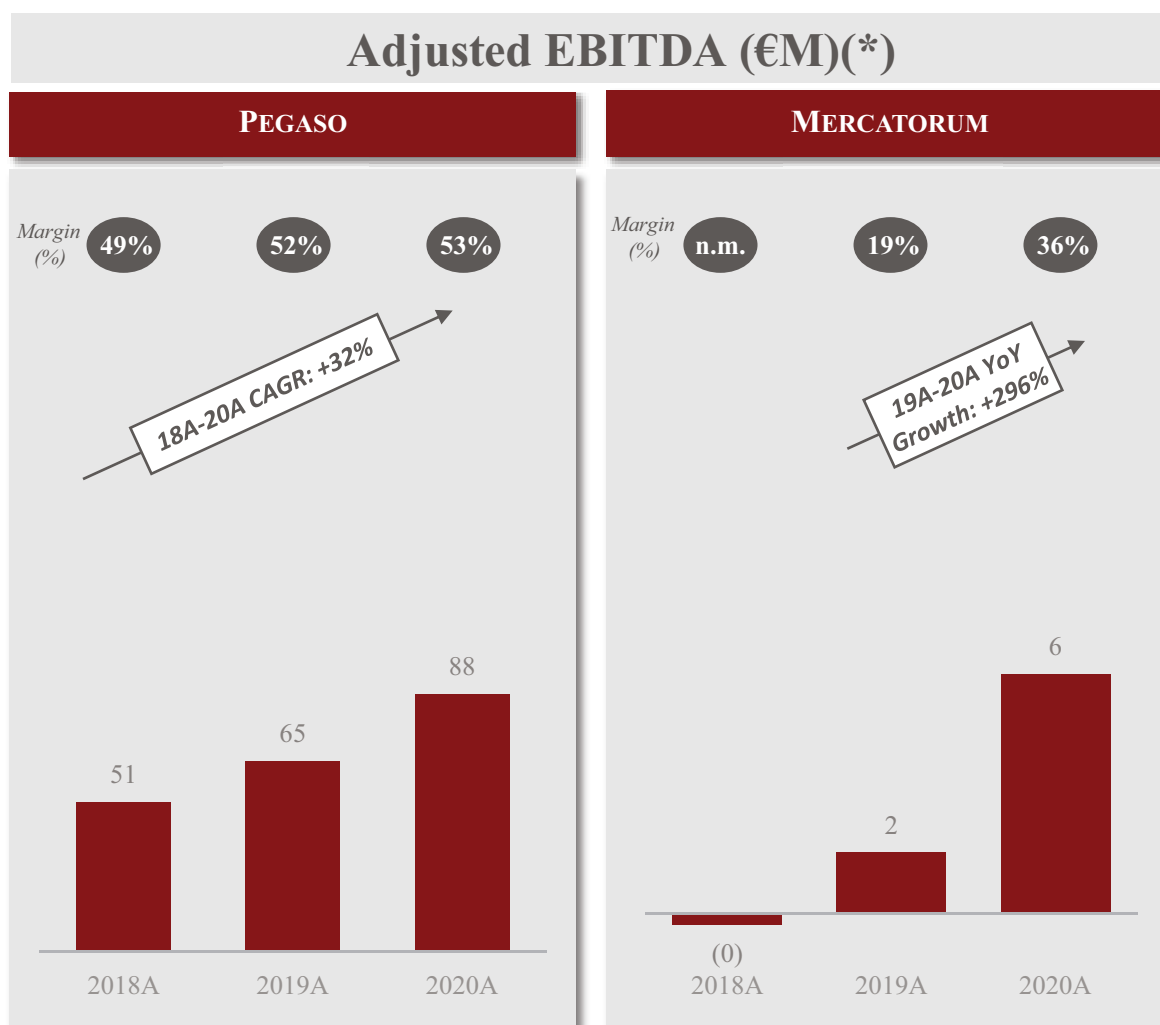
(**) 2019 figures are combined unaudited.

In terms of growth generated through undergraduates, master's and FIT (teacher training courses), single exams or non-tuition revenue, the below diagrams chart the revenue growth of Pegaso for the years ended December 31, 2018, 2019 and 2020 and of Mercatorum for the years ended December 31, 2019 and 2020:



(*) Net of fund release (non recurring item) amounting to c. €18m in 2018 and c. €1m in 2020

The below diagram charts the Adjusted EBITDA progression in respect of Pegaso (for the years ended December 31, 2018, 2019 and 2020) and Mercatorum (for the years ended December 31, 2019 and 2020):



(*) EBITDA adjusted excluding non recurring items and bad debt accruals, and including intercompany royalties paid to Multiversity.

In order to support their online offering, Multiversity’s institutions have an extensive network of approximately 3,000⁶⁰ e-learning center points as at September 30, 2021 across each of Pegaso (the “**ELCP Points**”), Mercatorum (the “**Ei-Points**”) and Certipass (the “**EIPASS Points**” and, together with ELCP Points and Ei-Points, the “**ELCPs**”). The ELCPs provide information to prospective and current students about the various institutions, and in particular, Pegaso and Mercatorum’s ELCP Points and the Ei-Points, among other things, serve as orientation centers for new students throughout the entire duration of the course they undertake. The ELCP Points and the Ei-Points performed orientation activities for approximately 60% of Multiversity’s institution’s new students, however the relevant institution retains the direct relationship with student as it manages the enrollment process and tuition fee payments directly with the student⁶¹. As regards Certipass’ EIPASS Points, these purchase EIPASS cards from Certipass and on-sell them to customers who wish to obtain an EIPASS certification. All ELCPs are managed by external third parties that have entered into specific accreditation agreements with Pegaso, Mercatorum or Certipass (in some cases, more than one institution has entered into an accreditation agreement with the same ELCP). See “*Material Contracts—Accreditation Agreements for ELCPs*” below.

⁶⁰ Some entities perform services for, and have entered into accreditation agreements with, more than one of Pegaso, Mercatorum and Certipass.

⁶¹ With reference to the 2021/2022 academic year

Business Model

Multiversity's business model is based on a student-centric offering of a flexible learning experience and access to teaching content through our proprietary and technologically advanced e-learning platform. Both Pegaso and Mercatorum address a specific unmet demand in the market for a flexible path to an undergraduate degree, whilst catering to specific professions for postgraduate continuous learning.

Revenues are mainly driven by tuition fees paid by students to Pegaso and Mercatorum, which contributed to 77%⁶² of Multiversity's revenues. The levels of tuition fees in turn depend on the number of students, the nature or class of degree undertaken, the year of enrollment, the type of course and the student's selected enrollment channel, amongst other factors. Undergraduate degrees, which are multi-year courses (three year bachelor's degree plus a two year specialist master's degree, or a single-cycle five year degree), are a recurring multi-year revenue stream for the term of the program (consisting of both the tuition fees and any other ancillary fees), which has an average course length of 2.8 years. Approximately 40% of graduates from Pegaso and Mercatorum who have completed three year undergraduate degree courses wish to continue their education and apply to enroll in two year specialist master's degree and master's degree courses with the same institution. Undergraduate tuition fees accounted for 54% of Pegaso's revenues and 80% of Mercatorum's revenues in the financial year ended December 31, 2020, and 62% of Pegaso's revenues and 85% of Mercatorum's revenues for the six months ended June 30, 2021.

On the other hand, one-year postgraduate master's courses (i.e. second level master's which may be undertaken by students who have already completed a three year undergraduate bachelor's degree plus a two year specialist master's degree or a single-cycle five year degree) together with Multiversity's FIT offering (i.e. teacher training courses) provide a one-off tuition fee payment per student, accounting for 20% of Pegaso's revenues and 4% of Mercatorum's revenues for the financial year ended December 31, 2020 and 12% of Pegaso's revenues and 6% of Mercatorum's revenues for the six months ended June 30, 2021. Various other services offered to students provide additional revenue such as fees payable in order to take examinations in an alternative location, and certificates—such additional services accounted for approximately 20% of Pegaso's revenues and 8% of Mercatorum's revenues, in each case for the financial year ended December 31, 2020 and 26% of Pegaso's revenues and 11% of Mercatorum's revenues for the six months ended June 30, 2021. Single exams contributed to 4% of Pegaso's revenues for the year ended December 31, 2020 as compared with 3% for the six months ended June 30, 2021 (whereas single exams generally contribute less than 1% towards Mercatorum's revenues).

Multiversity's growth strategy is based on expanding volumes by increasing market penetration within the population, whilst selectively increasing its course offering, its brand awareness, digital marketing practices and *ad hoc* orientation services to prospective students as well as by entering into commercial agreements and partnerships falling into two main categories:

- agreements with corporations, law enforcement, governmental bodies and public administration authorities providing for the application of lower corporate rates to their employees (and, in certain instances, their family members) and, in some cases, for the creation and implementation of employee training programs, thereby incentivizing such employees to attend courses in order to accelerate their career paths or to comply with the ongoing professional development requirements set up by regulators or employers; and
- partnerships with private companies and public entities aimed at the development of specialized courses using the partners' know-how and branding, coupled with Multiversity's online e-learning platform, teaching know-how and, in certain instances, its academic staff. These agreements give rise, for example, to the specialist academies forming part of Pegaso and Mercatorum's higher education offering, as further described below.

Multiversity has established a nation-wide presence, with Pegaso's approximately 100 exam venues located in prestigious or historical buildings, Mercatorum's leveraging of the system of the Italian chambers of commerce and the institutions' network of approximately 3,000 ELCPs, along with a strong online social community and proprietary technology platforms for online classes, exams and tutoring.

The main objective underpinning Multiversity's business strategy is to consolidate its market position and become the leading entirely online education group in the Italian markets, employing both Business-to-Consumer and Business-to-Business marketing strategies in order to target an ever-wider audience of students. See further “—Key Strengths” and “—Strategies” below.

⁶² Excluding any fees payable by students for ancillary services, such as supplemental tuition fee or the alternative exam location fee, in each case described under “—Offering—Ancillary Fees and Services” below

History

The Italian inter-Ministerial Decree (issued jointly by the MIUR and the Italian Ministry of Technological Innovation) of April 17, 2003 paved the way for the establishment of private online universities in Italy. The decree was aimed at increasing the percentage of Italians holding a bachelor's degree (at the time, amongst the lowest in Europe). Pegaso was founded in 2006 as a non-commercial entity, having been licensed by the Ministerial Decree of April 20, 2006 of the MIUR, and launched its first two degree programs, one being a three year bachelor's degree and the other a single-cycle five year degree.

By 2015, Pegaso had over 65 examination centers in Italy. Pegaso further expanded its offering by the acquisition of the majority stake in Mercatorum as it was complementary to its existing business and founded Pegaso International Ltd. based in Malta. By 2019, Multiversity's institutions had over 100,000 enrolled students.

In 2019, CVC acquired 50% of the share capital of Multiversity from the founder, Danilo Iervolino, and Pegaso transformed into a private corporation in the form of a limited liability company (see "*Regulation—Transformation of Pegaso into a private corporation*"). The Principe di Napoli campus was also launched in the same year.

In 2020, Multiversity continued to expand its international business by opening an orientation center based in Turkey.

In the 2020/2021 academic year, Multiversity had approximately 130,000 enrolled students and launched its new student e-learning platform in order to accommodate its enrolled students across its educational institutions offering new interactive and effective functionalities based on its experience in education and artificial intelligence technology spanning over ten years.

Competitive Strengths

Education and training is a large, resilient, underpenetrated market with strong fundamentals, particularly in online segment

Global education and training is a large market, currently valued at over \$5.0 trillion⁶³, and it is expected to grow steadily across the whole spectrum, given significant white space and the need for re-skilling of a significant portion of global population, mainly due to the digital evolution and the new competencies required ("Lifelong Learning").

Online education still represents a relatively small portion overall of the larger global education market, with an estimated global online penetration of 3.6%⁶⁴ in 2020. However, the online education segment has and is expected to continue to show strong growth, having outpaced traditional physical education growth in recent years whilst progressively gaining market share and unlocking unaddressed areas of demand. This growth is expected to continue, and in particular subcategories such as higher education, supplemental business-to-consumer ("B2C") and corporate training are expected to accelerate on the back of COVID-19, which has hastened the adoption of online learning and resulted in an acceleration of online academic offerings.

The global education market as a whole has historically grown at a slow but steady pace and has proven resilient⁶⁵ through economic cycles, including the financial crisis. Future growth in this market is expected to be supported by several strong structural trends, including: (i) continued student population growth globally and economic expansion; (ii) a growing professional class willing to supplement formal education; (iii) rising levels of participation in education; (iv) the need for employee re-skilling and (v) global investments to further advance education and digitalization.

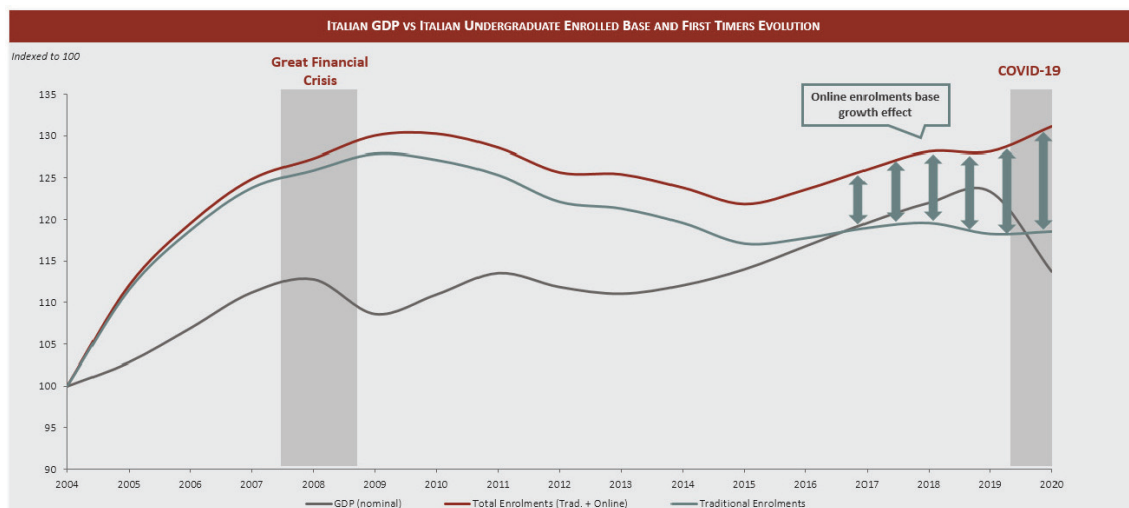
Undergraduate enrollment in Italy has proven resilient over time, displaying a counter cyclical correlation with economic cycles and historically experiencing an increase in enrollments during economic downturns.⁶⁶

⁶³ HolonIQ (Jan 2021). Online penetration defined as education technology digital spend vs. non digital spend

⁶⁴ HolonIQ (Jan 2021). Online penetration defined as education technology digital spend vs. non digital spend

⁶⁵ Third Party Commercial Advisor, commercial due diligence (2021), source MIUR data, Third Party Commercial Advisor analysis

⁶⁶ Third Party Commercial Advisor elaboration on MIUR and ISTAT Data.



Online universities have been the main contributor to the growth in undergraduate enrollment since they began operating in the Italian market in 2006. More recently, the number of Italian first-timers (new university students who have never been enrolled in university programs) and total students enrolled both maintained their growth⁶⁷, in spite of the adverse impact to Italian GDP as a result of the COVID-19 pandemic.

In Italy, the overall undergraduate market—encompassing both traditional and online programs—grew steadily at a 1% CAGR⁶⁸ over the past four years, reaching a total of 1.8 million students in the 2019-2020 academic year, with enrolment expected to surpass the 2.0 million mark by the 2025-2026 academic year. The primary beneficiary and driver of this growth in the undergraduate population was the online segment, which showcased a 20% annual growth rate between the 2015/2016 and 2019/2020 academic years, while the number of students enrolled in traditional universities has remained substantially flat over the same period. Similar trends are expected to continue, with the online segment anticipated to grow at an annual growth rate of 19% from the 2019/2020 through the 2025/2026 academic years, driving overall market growth even as enrolment at traditional universities is expected to remain flat.

A lower percentage of degree holders and a gap in digital skills versus other industrialized peers means that Italy has the potential to benefit disproportionately from these trends as it seeks to close the gap—both in terms of education and digitalization—versus its European peers. Italy stands at 27.7%⁶⁹ (vs. 44.9% for OECD) in terms of average population holding a degree and ranks fourth to last versus other developed countries in the DESI digitalization index⁷⁰. The higher education and skills gaps vis-à-vis populations in peer nations represent a significant growth opportunity for online education in Italy, and in particular those programs specializing in digital skills training.

Due to its aging workforce, Italy is also expected to require a large number of graduates across multiple disciplines in the next five years, totalling nearly 900,000 in expected new hires according to *Unioncamere*⁷¹. Specifically with respect to the disciplines in which Multiversity focuses, the expected need over this period is for approximately 120,000 graduates in Economics & Business Administration, 120,000 in Engineering, 105,000 in Teaching and Training and 90,000 in Law.

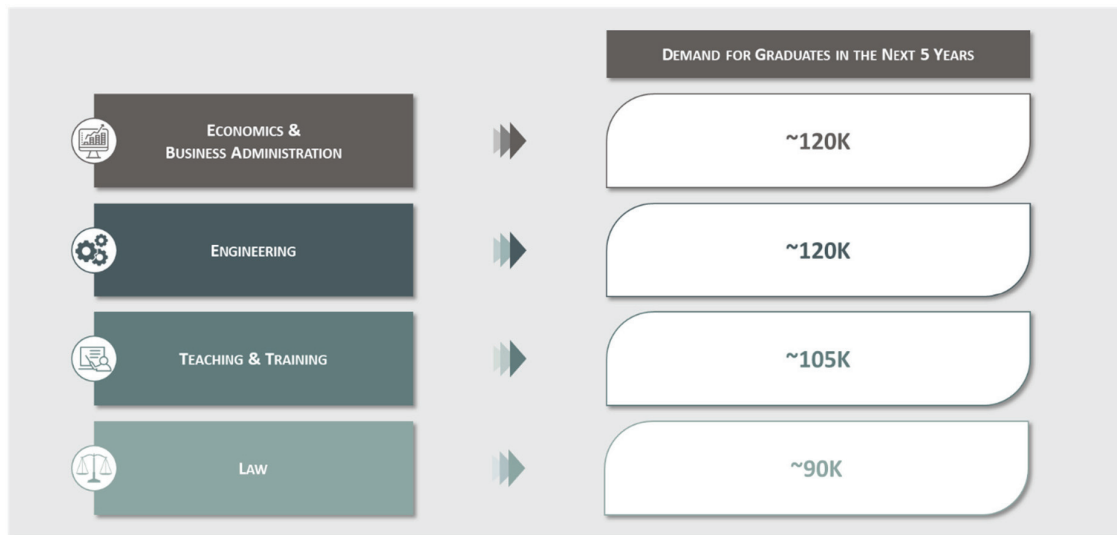
⁶⁷ Third Party Commercial Advisor, commercial due diligence (2021),

⁶⁸ Third Party Commercial Advisor, commercial due diligence (2021), Third Party Commercial Advisor analysis on MIUR data for historicals, forecasts based on Third Party Commercial Advisor estimates

⁶⁹ Percentage of population between 25 and 34 with university education in 2018

⁷⁰ Weighed digitalization score (DESI report)

⁷¹ Unioncamere report 2021 “Previsioni dei Fabbisogni Occupazionali e Professionali in Italia a medio termine”



The postgraduate market has grown even faster than the undergraduate market, experiencing a CAGR of 17% from the 2015/2016 to the 2019/2020 academic years and reaching 96,000 students in the 2019/2020 academic year. Over the same period, growth in online postgraduate enrollment, which already exceeds that of traditional channels, was a CAGR of 30%. Postgraduate growth is expected to continue at a double-digit CAGR through the 2025/2026 academic year, driven primarily by the continued increase in the adoption of online education.

In addition to these secular long-term trends, growth in the online undergraduate and postgraduate education markets, which comprise the Multiversity Group's core addressable markets, has been buoyed by recent short-term catalysts, including the COVID-19 pandemic which accelerated adoption of online channels, as well as improving sentiment regarding online universities among prospective students. COVID-19 has boosted overall internet penetration to levels significantly exceeding pre-crisis (e-commerce, e-health, e-learning), also including the demand for online education. This has resulted in a pronounced short-term spike in expected growth which, over the 2020/2021 and 2021/2022 academic years, is expected to be more than double the annualized growth rate expected from 2022/2023 to 2025/2026 (projected 28% over 2020/2021-2021/2022 academic years as compared to 14% over 2022/2023-2025/2026 academic years, annual growth rates for the Italian online undergraduate enrolled base). Students' improving perception of online universities has been a key factor in recent growth, as illustrated by the 83% of students⁷² currently enrolled in online universities who think that the quality of teaching they receive is on par, if not better, than that of traditional universities. This favorable impression is also validated by employability statistics that put online universities slightly above mid-sized physical universities among top employers selecting applicants⁷³ (over a period of 12 months, 8.6% of students from online universities went to one of the top 50 employers in Italy, vs. 8.5% for mid-sized universities).

A rising proportion of Italian high school students is expected to be interested in attending an online university, on the back of increasing perceived strength of their online education offerings. The proportion of first-timers (new university students coming from high school who have never enrolled in university) is expected to increase to 47% of new students in the 2025/2026⁷⁴ academic year as compared to 39% today in 2019/2020 and 33% in 2015/2016. Students are attracted to a model that they feel better suits their needs thanks to inherent flexibility, more friendly study experience and better support, alongside lower costs (especially when considering costs ancillary to education such as accommodation and travel).

⁷² Third Party Commercial Advisor, commercial due diligence (2021), source survey @ January 2021, percentage of students enrolled in online universities (n=800) "From a teaching and learning perspective, how do you consider online universities versus the following panel of traditional universities?"

⁷³ Third Party Commercial Advisor, commercial due diligence (2021), source Linkedin Recruiter (January 2021), Third Party Commercial Advisor analysis.

⁷⁴ Third Party Commercial Advisor, commercial due diligence (2021), Third Party Commercial Advisor analysis

Structural tailwinds

The education market has demonstrated steady and resilient growth on the back of various structural tailwinds:

- **Historical population growth and economic expansion:** increasing population globally and economic growth will naturally expand the addressable market with an increasing number of people willing to get a formal education;
- **Emerging middle class willing to supplement formal education:** the middle class in particular sees education as an enabler of personal growth and wealth, thus making it likely to supplement formal, basic education with additional courses;
- **Rising levels of participation in education:** overall participation in education is rising, reflecting a need for skilled workforce globally due to trends in industrialization and modernization that have automated many of the processes that previously employed unskilled workers;
- **“Lifelong learning”:** even a skilled and educated labor force is likely to require additional skills training due to the speed of digital evolution and the implied new competencies required. Recently, due to the COVID-19 pandemic, these programs have largely been restricted to online channels;
- **Government investments to increase levels of education:** recognizing higher education as an indicator of citizens’ wealth, governments globally are investing in increased access to education in an effort to meet the Sustainable Development Goals (“SDG”) 2030 Agenda: (i) ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all and (ii) promoting continuous, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Online education also benefits from the specific tailwinds inherent to a delivery model that provides access to people that could not otherwise participate full time or afford to attend a traditional, physical university. Online-specific tailwinds in education include:

- **Increasing online penetration reaching new potential students:** online education unlocks an addressable market by reaching previously underrepresented parts of the population, either due to economic or logistical reasons;
- **Government investments in digitalization:** focus on digitalization efforts with dedicated funds (i.e. €49.2 billion for Italy alone in the latest European Recovery Fund focused on digitalization of public administration and of the industrial sector⁷⁵);
- **Younger generations’ desire for higher education:** new generations value both quality education and flexible career paths, which online universities offer, thanks a better-suited consumption model, especially for part-time students;
- **Lower overall costs:** not requiring costs for attending physical lessons (e.g. housing, transport, cost of living), online education is generally more affordable than traditional one and accordingly appeals to a growing share of the population that desires an education but could not otherwise afford to attend a traditional university;
- **Tapping unmet demand:** online education offers to people who historically have not been able to obtain a university degree, or are currently working, programs addressing their demand for a more flexible path to a degree;
- **Highly Scalable Supply:** constrained by the practical limits of in-person education, traditional universities will struggle to meet increasing demand for graduates globally, while online universities’ business model is highly scalable and can increase capacity as needed, leveraging existing platform without additional required large investments in infrastructures.

Current sentiment for online universities

A market study conducted by a third-party commercial advisor (the “**Third Party Commercial Advisor**”)⁷⁶ highlighted an overall very positive market sentiment towards online universities, which it found were considered highly comparable to traditional ones from a teaching perspective. Of the respondents currently

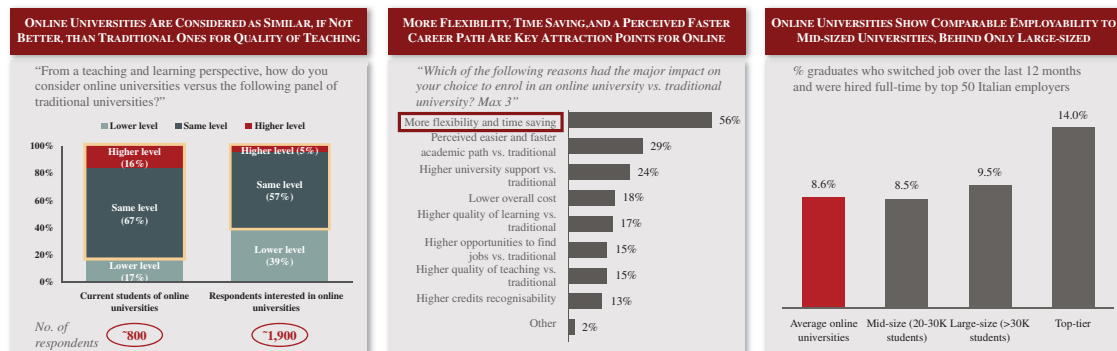
⁷⁵ Source Presidency of the Council of Ministers – Italian Government https://www.governo.it/sites/governo.it/files/PNRR_3.pdf

⁷⁶ Third Party Commercial Advisor, commercial due diligence (2021), source Survey @January 2021, Third Party Commercial Advisor analysis

enrolled in online universities, 83% consider teaching from online universities to be on par with, if not better, than traditional universities, and this view is shared by 62% of respondents interested in online universities.⁷⁷

A key differentiating point for enrollment in online universities is the perceived increased flexibility and time saving according to 56% of enrolled students, with a faster academic path, higher university support and lower overall cost being other key factors. The study also illustrates how the online education platform offered by online universities is perceived of higher quality due to its “native” nature vs. online/ hybrid education models offered by traditional channels.

Employability of online university graduates is on average in line with the levels registered in mid-size or large-size traditional universities: among graduates who switched jobs in the 12 months between January 2020 and January 2021, 8.6% were hired full time by the top 50 Italian employers⁷⁸ from online universities, compared to 8.5% for graduates from mid-sized traditional universities and 9.5% for graduates from large-sized traditional universities in the same time frame.



Leading positioning in a highly regulated and concentrated segment of the education market, with high barriers to entry

Multiversity enjoys a strong leadership position in the Italian online university market due to its combination of strong operational expertise, a solid and difficult to replicate business model and a comprehensive and complementary academic offering catering to the different needs of a large pool of students delivered through a superior technological platform.

Pegaso, the largest and most widely known of Multiversity’s online universities, has the broadest academic reach (with seven undergraduate degrees, five specialist master’s degrees, one single-cycle five-year degree and over 250 higher education / specialization and postgraduate master’s courses), offering courses across a variety of disciplines including law, engineering, economics and literature, among others. Mercatorum, while smaller than Pegaso, is best placed to capture emerging educational trends in fields such as design, food, big data and sustainable mobility on the back of its strong ties to the territory and business communities, leveraging the partnership with the Italian Chamber of Commerce (owner of a 33% stake in Mercatorum) and a highly tailored offering (14 undergraduate degrees, four specialist master’s degrees and one PhD programme⁷⁹). Finally, other assets, such as Certipass (international certifications for digital competencies and IT skills), Principe di Napoli and the academies, complement the breadth of the Multiversity portfolio and support the increasing diversification of the business with no overlapping of educational contents between the two online universities.

The effectiveness of Multiversity’s business model also resides in its distribution platform, which allows it to retain full and direct contact with students over the course of their enrollment through the control of distribution and quality of education content. Students can be oriented directly by the universities or by the E-learning Center Points (“ELCPs”). The ELCPs network of approximately 3.000⁸⁰ local affiliates guarantees Multiversity a capillary presence all over the country, offering (in the case of Pegaso and Mercatorum) information and orientation assistance and (in the case of Certipass) EIPASS Certifications and related services to new potential students with a variety of different academic profiles, interests and backgrounds. This local presence throughout Italy allows flexibility of strategy to adapt to future market changes as well as proximity to students. All ELCPs are managed by external third parties that have entered into accreditation agreements with Multiversity’s institutions. See “Business—Material Contracts—Accreditation Agreements for ELCPs.”

⁷⁷ Third Party Commercial Advisor, commercial due diligence (2021), source survey @ January 2021, percentage of students enrolled in online universities (n=800) “From a teaching and learning perspective, how do you consider online universities versus the following panel of traditional universities?”

⁷⁸ Third Party Commercial Advisor, commercial due diligence (2021), source LinkedIn Recruiter (January 2021), Third Party Commercial Advisor analysis.

⁷⁹ In partnership with Pegaso

⁸⁰ Certain ELCPs are accredited by more than one Multiversity institution

A) Undergraduate market

Multiversity enjoys a strong leadership position in the online undergraduate market, with a market share of circa 40%⁸¹ as of academic year 2019/2020, more than two times bigger than the number two player in the online undergraduate education universe. Leveraging on its ability to address a broad market with a unique quality offer, year over year Multiversity has consistently gained market share in the undergraduate education segment, becoming leader in the academic year 2017/2018 and, since then, consolidating its prominent position. Multiversity's share of this market has grown by 19.2% over the past four years, and has captured an estimated over 55% of total market growth from academic year 2015/2016 to academic year 2019/2020.

The online undergraduate market is concentrated around the top five players, which represented ~90% of the combined student population in academic year 2019/2020 and captured the majority of recent growth.

The landscape of key online universities active in the Italian undergraduate market includes:

- **Multiversity**, through its two universities Pegaso and Mercatorum, has a leading market share in the online Italian market, with a combined market share of approximately 40% in the academic year 2019/2020 (Pegaso: 34.7%, Mercatorum: 5.2%). Multiversity Group's market share has increased since academic year 2015/2016 by 14.4% for Pegaso and 4.8% for Mercatorum. Pegaso has by far the most extensive capillary network in the market and charges average annual tuition fees of €1,800⁸²;
- **Università Niccolò Cusano ("Cusano")** is the second-largest player, with a market share of 18.6% in academic year 2019/2020, representing a decline in market share of 10.1% since academic year 2015/2016. Cusano charges average annual tuition fees of approximately €3,000⁸²;
- **E-Campus Università ("e-Campus")** is the third-largest market player with a market share of 15.0% in academic year 2019/2020, representing a market share gain of 2.8% since academic year 2015/2016. E-Campus charges average annual tuition fees of approximately €3,200⁸²;
- **Università Telematica Internazionale Uninettuno ("Uninettuno")** is the fourth-largest market player with a market share of 11.2% in academic year 2019/2020, representing a decline in market share of 4.1% since academic year 2015/2016. Uninettuno charges average annual tuition fees of approximately €1,600.
- **Guglielmo Marconi ("Marconi")** is the fifth-largest market player with a market share of 7.5% in academic year 2019/2020, representing a decline in market share of 7.5% since academic year 2015/2016. Marconi charges average annual tuition fees of approximately €1,760⁸².

B) Postgraduate master's market

The postgraduate master's market accounts for approximately 5% of the total higher education market, as opposed to 95% for the undergraduate market (95.0% in academic year 2019/2020). The online postgraduate market is concentrated but is similarly concentrated around five top players collectively representing almost 90% of the combined student population in academic year 2019/2020 and who have gained 21.6% in market share from all other competitors in the past 4 years. Furthermore, the top two players, Multiversity and e-Campus, together account for around 76% of the market, with e-Campus gaining the leading position over the last three years.

The landscape of key online universities active in the postgraduate master's market includes:

- **e-Campus** is the market leader, with a market share of 45.1% in academic year 2019/2020, a significant increase over the past three years considering that in academic year 2016/2017 it only had a market share of 2.3%;
- **Multiversity** is the second-largest player with a combined market share of approximately 31% in academic year 2019/2020 (Pegaso 29.4%, Mercatorum 1.6%). While doubling its enrolment in absolute terms over the past four years, Pegaso, like all other key players aside from Mercatorum, experienced a decline in market share since academic year 2015/2016 due to the strong growth of e-Campus (Multiversity Group's combined market share declined by 13.2% over this period). Multiversity benefits from a unique partnership with the public sector thanks to the direct participation of the Italian Chamber of Commerce, which holds a circa 33% stake in Mercatorum;
- **Cusano** is the third-largest player with 9.8% market share in academic year 2019/2020, having conceded 6.2% in market share since academic year 2015/2016;

⁸¹ Third Party Commercial Advisor, commercial due diligence (2021), source MIUR data (extraction @6/2019), Third Party Commercial Advisor analysis

⁸² Average discounted yearly tuition for undergraduate courses excluding regional taxes; un-weighted average discount shown

- **Uninettuno** is the fourth-largest player with a market share of 2.3% in the academic year 2019/2020, but has almost halved its market share since academic year 2015/2016.
- **Guglielmo Marconi** is the fifth-largest player with a market share of 1.2% in the academic year 2019/2020, but has lost 0.6% in market share since academic year 2015/2016.

The Italian university market, initially closed to online universities, was officially opened to online competition in 2003 with a ministry decree in an effort to improve the percentage of Italian population with a higher education degree (one of the lowest of Europe). Since the opening of the online Italian higher education market in 2003, 11 private online universities were established, with online universities enrolling their first students in 2006. There are no public online universities and the online university market is structurally closed to new entrants, as no further licenses are currently expected to be issued. In particular, the restriction for the establishment of online universities in Italy is usually extended every 3 years, with the publication of the Ministerial Decree governing Italian universities' academic planning. The latest Ministerial Decree published in March 2021 (Decree n. 289 of 25 March 2021) confirmed the restriction until the academic year 2023/2024.

As a result of the restriction on the establishment of new online universities, barriers to entry are particularly high for any potential new entrant, whether domestic or from abroad. Even if the restriction were to be lifted, prospective market entrants would face significant upfront investments, in terms of time and resources, to catch up with established online players, like Multiversity, that has already established a nation-wide presence, superior technological platform, well-recognized brand and significant scale.

Traditional universities have historically limited their focus and investments in online education platforms as a result of various factors:

- **Structural complexity of a hybrid education model:** arising from the coexistence of traditional and online learning for the courses being offered and organizational complexity and teaching methodology change not easy to replicate. There might also be resistance to change from academics, which tend to favour traditional university teaching compared to online methods;
- **Infrastructural gaps and investments required:** given the geographic concentration of university facilities (generally in a single city, sometimes even a single campus/building) they lack the nationwide exam venues/network reach of online universities. Furthermore, the need for IT investments to adapt the business models is significant, both in terms of economic resources, as well as time and technical capabilities. Decisions over these matters typically take longer times in traditional universities, in particular for public-owned universities, given strategic agendas which do not prioritize online education and budget constraints;
- **Perceived risks around potential brand dilution:** for some of the most prominent names in the traditional education space, given the different offer and target markets.

During the COVID-19 pandemic, traditional universities were forced by the circumstances to offer online classes, but this is seen as only a temporary solution, with some already returning to forms of traditional education in the academic year 2021/2022. Most importantly, traditional universities cannot offer a permanent online solution without Ministry approval.

Compelling customer proposition, with capillary presence across the country and iconic venues

Online universities offer a value proposition capable of meeting the needs of a growing population seeking higher education but dissatisfied with a traditional university learning experience and service delivery. The key elements characterizing online universities' value proposition are: (i) a "student-centric" learning experience; (ii) convenience; (iii) equivalent legal value of degree (in most cases at a lower cost); (iv) extensive physical network and iconic venues in city centers; (v) effective commercial strategy and (vi) credibility and employability with employers.

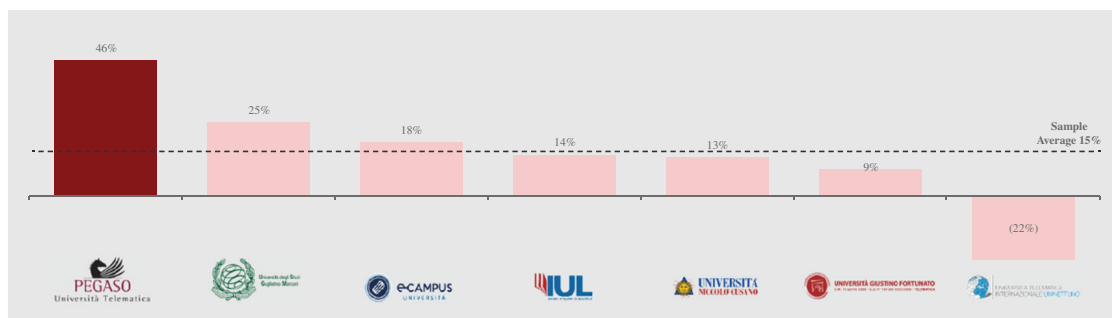
Flexibility and convenience are the most important differentiating factors for students, chosen by 56% of respondents as the main reason for preferring online versus traditional universities based on a survey of 800 current students of online universities. Another key reason, growing in importance, is the lower overall cost, as distance learning removes a prominent barrier for many prospective students: the need to move to a different location to attend university (thereby saving travel and accommodation costs).

These attributes have allowed online universities, like Multiversity, to unlock a market otherwise inaccessible via traditional channels, catering to students that require flexibility (such as, for example, full-time workers) or that considered university inaccessible due to costs (such as travel and accommodation costs).

The superior quality of Multiversity's business model is evidenced by Pegaso's "Net Promoter Score," a grade delivered by actual students for the quality of its online deliver. Pegaso's NPS is the highest in the market, with

46%⁸³ of respondents happy to recommend Pegaso to a friend. This NPS favorably compares to 25% for the number two player, and an overall average of 15% for all other online universities.

Online Universities Net Promoter Score by Current Students Respondents⁸⁴



Student Centric Learning Experience

A key element distinguishing online universities from traditional universities is the high degree of flexibility. Not only can students follow courses online from anywhere; they can also choose to attend their exams in multiple venues across Italy, in up to 12 different exam sessions per year. Traditional universities, on the other hand, only offer exams in one primary location, in up to 4 exam sessions per year.

Online universities also offer a more student-friendly study experience. Lessons can be followed from anywhere via the online platform, with video-recorded classes lasting c. 25-30 minutes each, available 24/7 to students. Study packs are provided for each lesson, as well as numerous online mock exams. The offering is complemented by flexible additional services, such as dedicated tutors, online chat client and specific forums for both students and professors. Traditional universities, by contrast, generally only offer lessons on campus, with fixed schedules lasting 1-2 hours, and classes are usually not recorded. Specific textbooks are required, while the supporting materials and mock exams are often limited. Office hours are fixed and must be booked in advance, making communication between students and professors more difficult.

Beyond encompassing all of the key advantages common to online universities, Multiversity's offering in particular overperforms competitors thanks to its unique physical presence across Italy, including approximately 100 iconic exam locations, and a superior proprietary technological platform and contents.

More convenient alternative

Online education platforms offer students significantly decreased all-in costs of education versus traditional universities. Tuition fees are aligned to those of competing public traditional universities, however since courses can be attended remotely there is no need for students to acquire or rent accommodation to be close to the university (that is often one of the most sizeable and prohibitive implicit costs of university attendance) or pay for transit. Moreover, students can realize significant savings on course materials, given that all study materials are made available online and are included in the tuition fee. In traditional universities, by contrast, the primary source of information used in courses is physical textbooks, which students often need to purchase at significant cost.

Multiversity's pricing is highly competitive, both among other online universities and, to an even higher extent, when compared to traditional universities. Pegaso, for example, offers an average undergraduate preferential tuition fee per year of circa €1,800, compared to circa €3,000 per year for Cusano and e-Campus.

Officially recognized degree and equivalent legal value university degree

The degrees are accredited, have the same legal value and are verified in the same way as public and private universities degrees in Italy by the MIUR.

The Italian national agency for the evaluation of university and research systems (*Agenzia Nazionale di Valutazione del Sistema Universitario e della Ricerca* or "ANVUR") periodically inspects online and traditional universities to evaluate their services and provide them with an official accreditation. Pegaso and Mercatorum received top marks among online competitors in their latest accreditation visits in 2017.

⁸³ Third Party Commercial Advisor, commercial due diligence (2021), source Survey @January 2021, Third Party Commercial Advisor analysis

⁸⁴ Source: Survey at January 2021, Third Party Commercial Advisor analysis. Respondents include current students of online universities or recently graduated; number of respondents dependent by university.

Multiversity's wide and robust quality offering is continuously innovated through new courses (such as Big Data approved for Mercatorum) to adapt to changing trends and needs. Multiversity's reputation and brand awareness has benefited from the experience and breadth of its academic staff, which includes 76 full and associate professors (university professor holding a chair hired indefinitely), 155 extraordinary professors (experts on the specific research development sector), 479 contract professors (discipline expert with renewable annual assignment), 16 researchers (scholar of specific research fields) and 88 tutors developing cutting-edge proprietary content. Among its speakers and guests, Multiversity has hosted a breadth of personalities including former ministers, general secretary of the largest Italian labor union and award-winning film directors and screenwriters.

Capillary Physical Network and Iconic Venues

Proximity and ease of access to local infrastructure are key determinants for students when choosing between traditional forms of higher education and online and, within the latter, selecting one university over another.

Multiversity enjoys a unique presence in Italy thanks to Pegaso's approximately 100 iconic exam locations in the most important Italian cities and a difficult to replicate network of approximately 820 Pegaso and 800 Mercatorum ELCPs located throughout the country.

The numerous locations across Italy allow students to sit for exams close to their home cities. The use of iconic buildings as exam centers is also a contributor to establishing strong brand recognition with a unique positioning and brand awareness, not only among the students' population, but also among all the members of academic staff.

The large E-learning Center network of affiliates guarantees Multiversity a capillary presence across the country, offering orientation services and information to new potential students with a variety of different academic profiles, interests and backgrounds. This local presence throughout Italy allows flexibility of strategy to adapt to future market changes and proximity to students.

Effective commercial approach across traditional and online channels

Unlike their traditional counterparts, online universities generally display a more committed approach towards marketing and advertising, engaging with potential and existing students both online and via traditional channels such as billboards, television and radio. Multiversity has developed a particularly strong position across the spectrum, thanks to a well-developed multi-channel marketing strategy coupled with its capillary nationwide network.

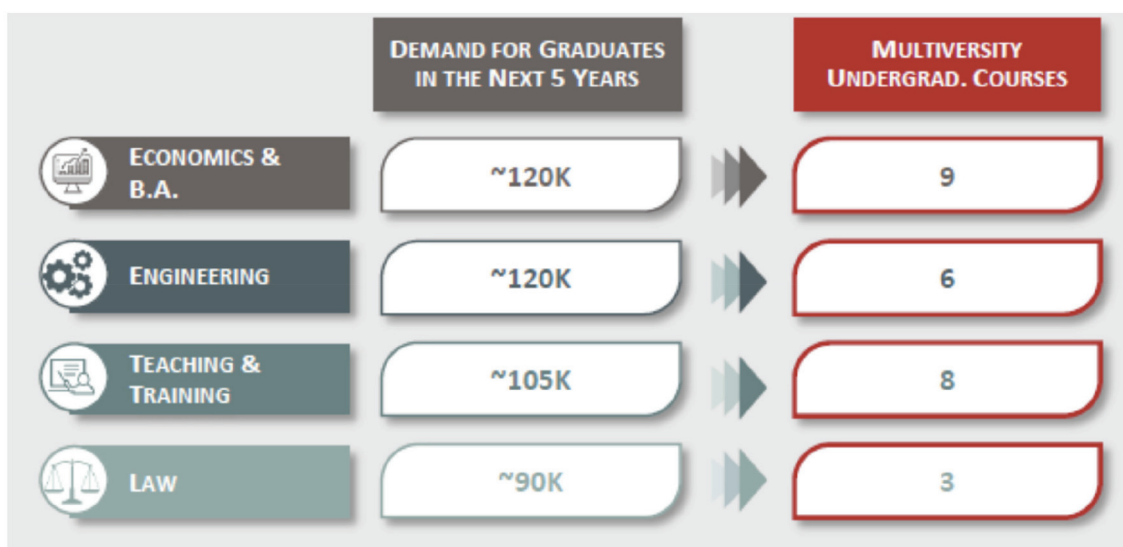
Pegaso shows a higher social media following than most of online and traditional competitors, on the back of strong student engagement. This level of interaction was aided in part by targeted advertising with exclusive partners, such as a co-branding campaign with the movie Spider-man: Homecoming in 2017, and by airing TV spots during peak times, for example during widely-followed shows in Italy.

The effectiveness of Multiversity online marketing strategy is particularly relevant when considering the increasing penetration of first time students in the Italian online higher education channel, with such category—by nature, given the younger age - being more receptive and used to online forms of advertising vs. traditional ones.

Additionally, Pegaso and Mercatorum have established and consistently grown their unique network via framework agreements with more than 1,500 associations including public bodies, trade unions, the Chamber of Commerce, municipalities, cultural associations, private companies and sports associations. This network is over six times larger than any of the key competitors' and continues to grow, with approximately 350 new agreements concluded by Pegaso in the last year alone, 1.6 times the number of total agreements that the second player in the market had in 2020. These framework agreements are fundamental to Multiversity's business model, as they increase the possibility to secure a captive customer base.

Credible and Valid Access to Top Quality Employers

Multiversity's strong link with the Italian Chamber of Commerce (through its stake in Mercatorum) allow Multiversity's students to be best positioned to meet Italy's future employment needs. Multiversity's offering is tailored to respond to the future demands of the Italian job market. The latest estimates by *Unioncamere* relating to employment needs between 2020 and 2024 predict that almost 900,000 graduates will find a job between 2020 and 2024. Specifically, in the fields in which Multiversity offers degree and other programs, the expected need will be circa 120,000 graduates in Economics & Business Administration, circa 120,000 in Engineering, circa 105,000 in Teaching and Training and circa 90,000 in Law, collectively accounting for approximately 50% of the total projected demand.



Multiversity single courses, including FIT (courses related to anthropo-psycho-pedagogical disciplines for students striving to become 2nd grade teachers), FORM, and Single Courses, are aligned with Public Administration hiring trends through “*Concorso Pubblico*” (i.e. public hiring tenders that require a specific exam). These hiring trends were severely affected by the COVID-19 pandemic, reducing public tenders by 60-70%⁸⁶ compared to previous years, but a rebound is expected as these tend to be recurring hiring tenders over the years. Through 2025, *Unioncamere* expects the need to hire 740,000 new employees into public administration, either to replace workers who are retiring (93%) or for new positions (7%).

When assessing post-degree job opportunities, Multiversity benefits from both online sector and company-specific trends.

An analysis by a Third Party Commercial Advisor among the top 50 Italian employers shows similar employability rates among online and traditional university graduates. Specifically, the percentage of online university graduates that switched jobs over the last 12 months and were hired full-time by one of the top 50 Italian employers was on average 8.6%⁸⁷ as of June 2021. This is 0.1% higher than graduates of mid-sized universities and only 0.9% lower than large universities. The comparable employment rate among online university graduates supports the credibility and validity of online education as an alternative higher education offer, which is expected to increase its overall appeal and spur demand across different segments of online universities’ overall addressable market.

Compared to other online universities, Pegaso had the largest overall market share among online universities, equal to 33% of graduates hired in the past 12 months by the top 50 employers in Italy. According to a survey of 1,000 respondents⁸⁸, Pegaso’s graduates find jobs in: (i) Public Administration (20% of total alumni); (ii) top 50 Italian employers and large companies (16%); (iii) as independent professionals (17%) and (iv) small/medium enterprises (47%). In addition, Multiversity is the market leader in terms of its graduates being hired in the energy and utilities, financial services and industrial sectors⁸⁹.

Proprietary technological platform and content with superior user experience

The technological platform developed by Multiversity over the years differentiates it versus competitors and constitutes a high barrier to entry for any prospective new player. User experience has been at the center of the

⁸⁵ Undergraduate courses include 3-year Bachelor degrees, 2-year Master’s degree and 5-year degree (“ciclo unico or magistrale”) for law students. “Economics & Business Administration” includes Tourism Sciences (x2), Business Administration (x2), Sport Management, Economic Science, Management, Languages and Markets, International Relations for the Economic Development and Management Engineering (x2). “Engineering” includes Civil Engineering, Safety Engineering, Computer Engineering and Infrastructure Engineering for Sustainable Mobility. “Teaching” Includes Sport Science, Educational Science, Literature, Humanities and Educational Science, Philosophy and Ethics, Pedagogical Science and Modern Languages. “Law” includes Law and Legal Science.

⁸⁶ Third Party Commercial Advisor, commercial due diligence (2021), source MEF, Third Party Commercial Advisor analysis

⁸⁷ Third Party Commercial Advisor, commercial due diligence (2021), source LinkedIn Recruiter (January 2021), Third Party Commercial Advisor analysis.

⁸⁸ Alumni Pegaso (i.e. with a Pegaso degree both Undergraduate and Master) on LinkedIn.

⁸⁹ Market leader in industrial in ex-equio with Università Cusano.

development of this cutting-edge IT platform, hosting approximately 130,000 students over the 2020/2021 academic year, which was digital from its inception (versus traditional universities that are playing catch up with online platforms). Students are able to access all video lessons, class materials and mock exams; interact via video conference with professors and tutors; and even attend exams online, all through user-friendly Pegaso and Mercatorum websites or mobile apps (first launched in 2018). Superior user experience is also at heart when Multiversity creates its content for these platforms: while professors create the content, they are supported throughout by Multiversity IT staff who ensure that materials produced are optimized to be deployed across all its channels. Multiversity is currently serving one of the largest online student communities in Italy and has a broad social network presence to further engage with its students.

The company has developed its platform mostly in-house or by personalizing open-source software, achieving a strong back-end able to deliver seamlessly across all platforms and devices. Multiversity has also fully transitioned its business to cloud-based servers provided by Amazon Web Services' ("AWS") cloud datacenters, and currently hosts 150 terabyte/month of data storage and relies on a multi-server system, with a load balancer to manage user traffic overload. This cloud structure adds an additional disaster recovery horizontal layer (through AWS) to the existing redundant copy stored in the company's Multimedia Centre in Naples. Multiversity's platform, in addition to leveraging the latest technology available such as facial recognition to confirm student identity, offers advanced proprietary features such as a suggestion tool for its students (enabled by artificial intelligence and machine learning) that prompts highly relevant content to each individual based on their career path, grades and progress.

Quality of the IT platform is recognized by students compared to peers and traditional universities, demonstrating students are highly satisfied with the technological tools at their disposal.

Attractive financial profile, with visible revenue, a scalable business model and high cash-flow conversion

Multiversity, benefiting from the positive structural tailwinds described above, was able to outpace its reference market (thanks to the specific strengths of its business model), with Pegaso in particular growing its revenue at a CAGR of 27% from 2018 to 2020. In the academic years 2018/2019-2019/2020, the number of students grew by 22% for the overall online market.

This growth was embedded with a certain amount visibility, as undergraduates (whose courses have a longer duration) and freshmen (the vast majority of which stay with Multiversity up to completion of their degrees) had a significant incidence on overall figures. In particular, undergraduate courses at Multiversity have an average duration of 2.8 years and a strong conversion rate (40% of graduates from 3-year degree programs apply for 1- or 2-year master's degrees). In addition, with Multiversity Group churn rates below those of the broader online market (approximately 5% vs. 6%⁹⁰), the potential negative impact on the overall student base from early exits is limited, granting additional stability. The average backlog for Pegaso in academic years 2017/2018-2020/2021 was approximately 55%.

These dynamics are of particular relevance given that approximately 55% of the Group's 2020 revenues were generated from undergraduate programs, thus allowing valuable visibility on future top-line evolution.

Operating leverage is high, on the back of a significant business model scalability. In particular, the variable component of our cost base is only related to the contributions recognized to the E-learning Centre Points, which grow as the business grows. For instance, during the year ended December 31, 2020, contributions recognized to the E-learning Centre Points accounted for 13% of our total revenues (and 26% of our total cost base), whereas the advertising costs represented 14%, educational and didactic personnel costs were 4%, headquarters and non-didactic personnel costs were 6%, rental costs were 2% and we recorded 9% of our total revenues for other expenses. As such, and given the asset-light nature of our business—with investments concentrated around IT platform—as our business grows, profitability and cash-flow based metrics are expected to grow more than proportionally.

Significant opportunity to grow beyond the existing perimeter, without significant investments

Given Multiversity's existing leadership position in online higher education, we expect to continue benefitting from the sector's structural tailwinds. Not only is the market expected to be larger in absolute size (reaching 379,000 undergraduate students in academic year 2025/2026⁹¹ out of a total addressable base of approximately 1,000,000 individuals, vs. 135,000 as of academic year 2019/2020); it will also benefit from a different mix in terms of levers of growth, both from a geographic and student profile perspective.

⁹⁰ Third Party Commercial Advisor, commercial due diligence (2021), Third Party Commercial Advisor analysis

⁹¹ Third Party Commercial Advisor, commercial due diligence (2021), Third Party Commercial Advisor analysis on MIUR data for historicals, forecasts based on Third Party Commercial Advisor estimates

In particular, there is significant geographic white space to be addressed, especially in the Italian Northern regions. While originally Southern Italy has seen the largest number of undergraduate students, strong growth in the online undergraduate market will come from the Italian Northern regions, increasing from circa 27% of the total undergraduate online student base to circa 34% in academic year 2025/2026, adding circa 60,000 new students and doubling the current absolute number.

In addition, first-timers—which have been the highest growth category over 2015/2016—2019/2020 academic years, with a 32% CAGR—will continue to increase their relative incidence versus overall undergraduate student base, moving from 33% in academic year 2015/2016 to 47% expected by academic year 2025/2026.

Multiversity in-house skills and know-how allow the Group to benefit from several opportunities for additional growth beyond its existing perimeter without the need for significant investments. These opportunities include B2B and continuous learning, becoming a technology provider and international expansion.

B2B and continuous learning

There are significant opportunities to put the technological platform at the service of a number of prospective clients for a variety of potential needs. In particular, the pandemic forced many companies to implement distance learning initiatives for their employees.

Multiversity is already equipped to tap this opportunity through its proprietary technology platform and in-house content. Leveraging our technological capabilities and the know-how and capabilities of our academic staff, Multiversity could offer customized platforms, content and innovative learning programs for companies or specific industries, coupled with our nationwide capillary presence through which we can also offer in-person lessons.

Technological platform—“White Label”

Multiversity’s proprietary platform and in-house technological capabilities could also be exploited as a product to be sold to third parties. In order to avoid potential conflicts of interests or providing competitors with our technology, this offering could be tailored to K-12 or traditional universities addressing distinct student populations.

International expansion

Although organic international expansion is rendered difficult by divergent regulatory environments and requirements which reduce our ability to replicate or scale our model, there are potential opportunities in selected international markets where Italian degrees are relevant and attractive. In particular, we are currently developing an offering in Turkey, and will selectively expand to other countries by leveraging the same content and platform to international students seeking an Italian degree recognized across the European Union.

Strong and Aligned Management team

Multiversity has a highly experienced and committed management team, with deep education know-how and rich external professional experience, under the strategic vision of Danilo Iervolino founder of Multiversity and pioneer in the industry.

The management team is composed of a corporate headquarter and independent academic departments, which allow the optimal mix between the strategic vision, planning and control, and academic requirements.

Danilo Iervolino—Founder and Chairman of Multiversity

Mr. Iervolino is the founder and Chairman of Multiversity. He holds several other institutional roles, including member of the Steering Committee of Aprom⁹², adviser of Svimez, and has been part of the council of Confindustria Campania. Born in Naples (Italy) in 1978, Mr. Iervolino holds a degree in Business Management at Parthenope University of Naples.

Fabio Vaccarone—Incoming CEO of Multiversity

Mr. Vaccarone will become the CEO of Multiversity Group following the completion of the Acquisition and has been serving on the Board of Directors of Multiversity since January 2020. Prior to his current role, he served as Vice President of Google and Managing Director of Google Italy, and as a Member of Google EMEA Management Board. He previously held top executive positions as CEO/Managing Director within Rcs MediaGroup, at Il Sole 24 Ore, and at GEDI Group. Mr. Vaccarone holds a degree in Economics, a Bocconi MBA, and has started his career in Bain&Company.

⁹² Association for the progress and industrial development of Southern Italy

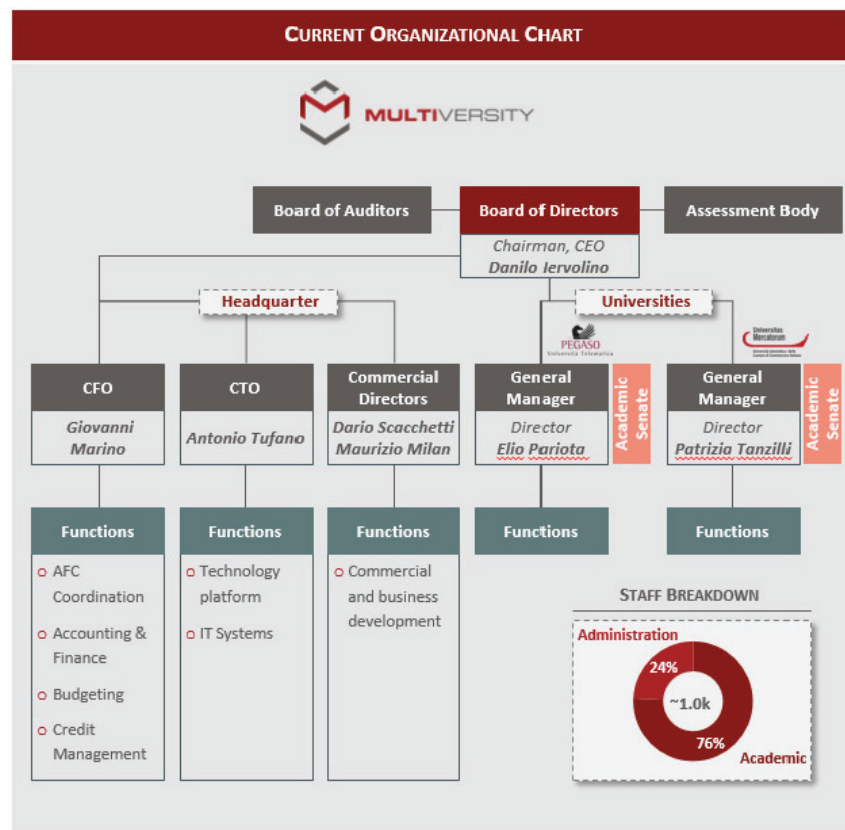
Giovanni Marino—Multiversity Group CFO

Mr. Marino joined Multiversity Group as CFO since April 2020. Prior to his current role, he served as the Group CFO and Investor Relations Manager of Triboo Group, Italian listed company offering digital services since 2017. Mr. Marino started his career in the retail business line of Deutsche Bank, and spent 13 years in EY as a Chartered Accountant and Auditor. Mr. Marino holds a degree in Economics at Carlo Cattaneo University.

Antonio Tufano—Multiversity Group CTO

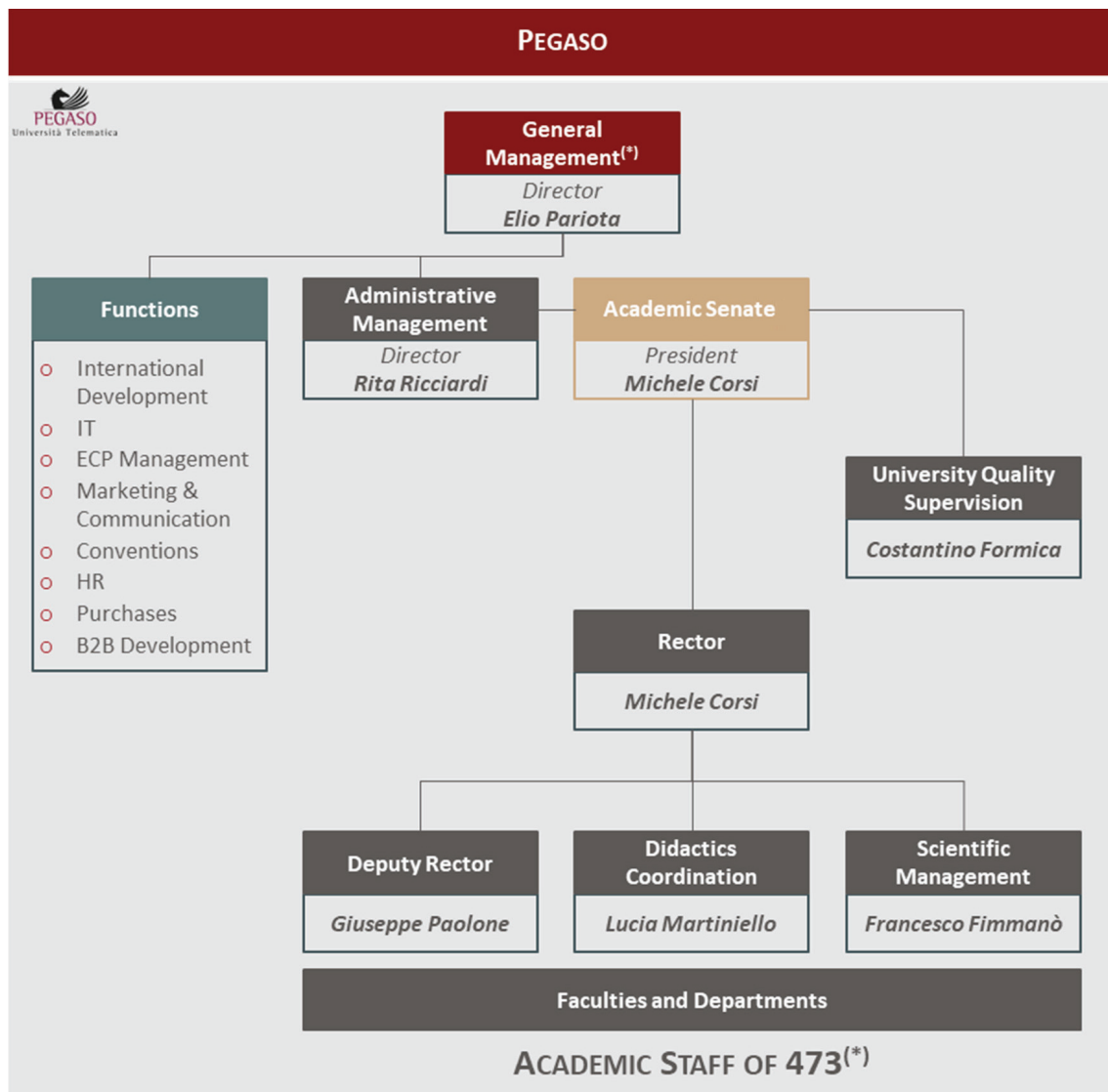
Mr. Tufano started his career in Multiversity in 2010, where he has held various positions of increasing responsibility. Mr Tufano holds a degree in Engineering at Federico II University of Naples.

Below is the current organisational chart of the Multiversity Group.



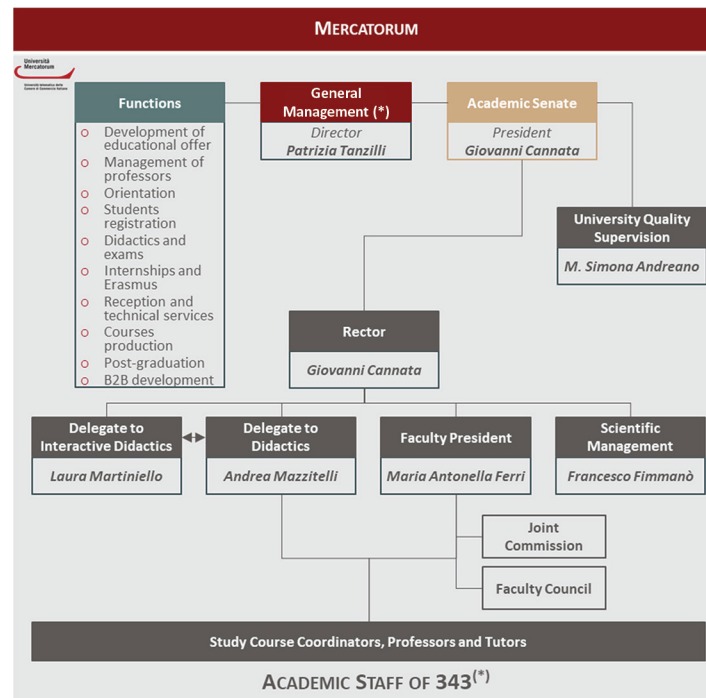
The quality and integrity of the educational offering is ensured by the independence of the two separate Academic Senates of Pegaso and Mercatorum. These are the highest academic authorities of the institutions and effectively drive the academic and scientific policy.

Pegaso faculty - simplified organizational chart:



* Also reports to the Board of Directors. Academic staff includes staff overlapping among entities and Rector.

Mercatorum faculty—simplified organizational chart:



* General Management also reports to the Board of Directors, Academic staff includes staff overlapping among entities and the Rector, the Joint Commission also includes the General Management

Business Strategy

We consistently focus on the following elements of our strategy to maintain and strengthen our position as one of the leading Italian online technology focussed educational groups.

We continue to deliver accessible education to students, addressing their needs and contributing to democratising higher education learning

We believe our commitment to the provision of a high quality online educational experience to our students is the foundation of our operating performance and growth.

We will continue to offer our students flexibility and constant support throughout their academic careers, an excellent educational path and a cutting-edge platform, all with a compelling economic proposition. All of this is possible as we recruit and retain experienced and highly qualified teachers and constantly refresh proprietary content, with the aim of best positioning our students to respond to the future demands of the job market. Furthermore, we remain committed to the development of a tailored educational offering and will continue to implement innovative courses and approaches to education.

We intend to continue our strategy by attracting, retaining and investing in teaching professionals and prominent Italian experts across various disciplines, all while delivering superior content. In this context, we believe research plays a key role; our goal is to support our staff with the means and tools to continue to produce updated content and publications.

We will allocate adequate financial resources to further enhance our tech platform, particularly in cybersecurity, to support the protection of remote students while maintaining a high standard of service.

In line with the 2030 Agenda for the Sustainable Development Goals (“SDGs”), we remain loyal to our commitment to ensure an inclusive and fair quality education, to promote opportunities of continuous learning for everyone and sustainable and inclusive economic growth, facilitating access to honorable job opportunities for everyone.

Continue to deliver educational content through a superior user experience and technology platform, investing in improving academic quality and maintaining brand awareness

Providing our students with a superior experience is at the core of our operations.

To achieve this goal, we will leverage our cutting-edge technological platform and continue improving our web and mobile applications, with the aim of delivering educational content in the most streamlined, intuitive and efficient manner as possible. Our IT staff will support our professors to ensure that all content is optimised for deployment across our various delivery channels and guaranteeing the best possible online academic experience to our students.

We also intend to continue investing in the back-end of our technological platform to ensure the highest quality of service. We plan to further improve our cybersecurity operations, as protecting our remote students from potential risks remains a key priority for us. We intend to continue our roll-out of the most up-to-date technologies, including facial recognition and artificial intelligence software.

In addition to further developing our technology, we also remain committed to constantly improving the quality of our academic offering and adapting it to market demand.

We believe that the constant improvement of our digital-born platform and academic offering, coupled with our commitment to ensuring flawless delivery across all channels, will contribute to maintaining and reinforcing our brand awareness.

Increase enrollment by focusing on segments with unmet demand

On the basis of our leadership position and the quality of our offering, we believe we are best positioned to tap the significant white space in the Italian market, especially in the undergraduate segment. In an effort to address the widest possible audience with our unique proposition, we will focus on optimizing our marketing and advertising initiatives (including our presence on digital and traditional channels), strengthening our ELCPs network and expanding our commercial partnerships.

A high level of student satisfaction is key for us and something we are highly committed to, as it translates into higher retention rates and, consequently, a higher number of years students spend at Multiversity. We are strongly convinced in the evolution of the market towards a “continuous learning” model; the more we are able to retain our students and address their needs, the greater the chance that they will return to Multiversity for their future educational needs.

Maximizing operating and financial performance

We continuously monitor and evaluate our operational performance to identify opportunities for enhancement and to capitalize on embedded growth.

We continue to place significant emphasis on managing our costs efficiently, benefiting from higher operating leverage and maintaining operational flexibility.

We also seek to consistently generate tuition fee growth above cost inflation—supported by the growing demand for online education, our strong reputation and the quality of our educational offer—in order to grow our revenue and expand our margins.

Pursue opportunity to grow selectively beyond the existing perimeter, leveraging existing in-house capabilities

We will continue to assess and develop opportunity beyond the existing perimeter, such as B2B and continuous learning, becoming a technology provider, and international expansion.

Recent Developments

Trading Update

Based on our unaudited preliminary management accounts for the YTD period ended August 31, 2021, Multiversity Group revenue amounted to €181.7 million and increased by 35% compared to the same period ended August 31, 2020. EBITDA margin YTD period ended August 31, 2021 is generally in line with EBITDA margin for the YTD period ended June 30, 2021. These results were driven by the increase of new enrollments for the period and undergraduates students enrolled during previous academic years.

The preliminary results and estimates presented above have not been audited, are derived from internal management accounts, are the responsibility of management and are subject to our financial closing procedures. These procedures have not yet been completed. 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. This information may not be indicative of the remainder of the period ended August 31, 2021 or any future period. See “Forward-Looking Statements”, “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Offering Memorandum for a more complete discussion of certain of the factors that could affect our future performance.

Online Universities

Università Telematica Pegaso

Pegaso is the largest online university in Italy by enrollment,⁹³ with approximately 105,000 students enrolled for the 2020/2021 academic year. It is the largest single contributor to Multiversity's results and accounted for 89% (€167 million) of Multiversity's revenues and 86% (€88 million) of Multiversity's Adjusted EBITDA for the year ended December 31, 2020, as compared to 81% (€108 million) of Multiversity's revenues and 76% (€64 million) of Multiversity's Adjusted EBITDA for the six months ended June 30, 2021.

Pegaso is physically present throughout Italy through its 96 exam centers located in city centers and a network of approximately 820⁹⁴ ELCs. Pegaso does not require students to pass any admission tests in order to be admitted to its courses, and does not have any restrictions in terms of the number of students it can accommodate given its online nature (without the logistical constraints of classrooms and campus facilities) and scalable model.

Pegaso uses IT and online technologies and maintains a proprietary platform capable of managing and making high quality online university courses accessible to its students. The teaching support specialists who work alongside teaching staff (tutors, mentors and coaches) assist the student throughout their course of study. Advanced technological and interactive tools, TV learning and an inclusive online student community are all tools employed by Pegaso to offer students a distinctive educational experience, bridging the gap between distance learning and a traditional university experience. Academic qualifications awarded at the end of study courses have the same legal value as qualifications issued by traditional universities. Pegaso's online undergraduate courses, postgraduate master's courses and training courses represent a one of a kind educational offer in Italy. Pegaso allows students to study anywhere with a high degree of flexibility (lessons are recorded and accessible 24/7) and to take exams in one of its 96 examination centers throughout Italy or, recently, due to the COVID-19 pandemic, online. It is not yet determined whether online examinations will be a permanent offering or whether this option will be made available to students only during the COVID-19 pandemic. Under the legislation governing the current state of emergency, academic institutions in Italy have the option to carry out online examinations until December 31, 2021. Pegaso intends to appeal to the Council of State within the required timeframe against a decision of the Administrative Court (TAR) of the Lazio region which upheld the MIUR's rejection of Pegaso's proposed amendment to its internal procedures in order to permanently offer online examinations to its students. See "*—Litigation and legal, tax and administrative proceedings*" below.

Pegaso has strengthened its international presence through a network of partners worldwide ("**POU centers**"), in order to foster the development of its courses and study areas. The POU centers are responsible for conducting student orientation activities and assistance, as well as providing support to meet local education needs and facilitate contact with local academic institutions. Approximately six POUs are currently active. The POU based in Turkey is the most active to date.

Universitas Mercatorum

Mercatorum accounted for 9% (€17 million) of Multiversity's revenues and 6% (€6 million) of its Adjusted EBITDA for the year ended December 31, 2020, as compared to 17% (€23 million) of revenues and 16.8% (€14 million) of Adjusted EBITDA for the six months ended June 30, 2021. It had approximately 23,000 students enrolled for the 2020/2021 academic year.

Mercatorum is a non-commercial entity and the first public-private jointly owned university institution in Italy - Unioncamere indirectly owns 33.33%. Mercatorum was established with the objective of becoming a market leader in business training, with a direct linkage to the job market and Italian corporations. As with Pegaso, Mercatorum does not require students to pass any admission tests in order to be admitted to its courses.

Similarly to Pegaso, Mercatorum also has a strong physical presence throughout Italy, with approximately 800⁹⁵ ELCs and 56 exam centers (through the Italian chambers of commerce network).

Pegaso International

Pegaso International Ltd. ("**Pegaso International**"), headquartered in Malta, is a lifelong learning higher education institution accredited by the Malta Further & Higher Education Authority. It accounted for less than 1% of Multiversity's revenues and Adjusted EBITDA for the financial year ended December 31, 2020 and for

⁹³ Internal company and third party sources

⁹⁴ As at September 30, 2021

⁹⁵ As at September 30, 2021

the six months ended June 30, 2021. It provides online courses and other training activities in English and Italian, and has formed an international network of public and private academic institutions, organizations, companies, research institutes and foundations globally aimed at facilitating access to study.

Thanks to its political, cultural and strategic location in southern Europe, Pegaso International aims at building and spreading a platform of knowledge in a global perspective. More specifically, Pegaso International aims to promote the development of the geographical area in which it is located (i.e. southern Europe and the Mediterranean region) through lifelong learning, by providing international students worldwide with flexible, inclusive and accessible education.

Pegaso International is currently being subjected to a routine evaluation by an external commission appointed by the Malta Further & Higher Education Authority (“MFHEA”) in order to obtain the renewal of its license as a Maltese higher education institution, which expires in January 2022. The on-site visits and other components of the evaluation are expected to be completed in early 2022.

Certifications

Certipass

Certipass accounted for 1.7% (€3.2 million) of Multiversity’s revenues as of December 31, 2020 and 1.7% (€2.2 million) for the six months ended June 30, 2021.⁹⁶ Over 678,977 users have purchased EIPASS digital services since 2009.

Certipass is a provider of international certifications for digital and IT skills known as “EIPASS”. EIPASS, the European Informatics Passport, is a program for the certification of digital competences in line with European standards, recognized throughout Europe. All EIPASS certificates are devised with common standards at international level, which is necessary for the recognition of the digital certificate in different countries and is of significant use to companies requiring qualified personnel.

Certipass users have the choice from a wide spectrum of qualifications, depending on their learning level (basic/intermediate/advanced). Certipass offers 19 different EIPASS certifications.

Certipass is recognized and accredited by the MIUR both in Italy and the rest of the EU. Preparation for exams takes place through DIDASKO, a 3.0 online classroom proprietary platform, internally developed by Certipass, which includes all the necessary teaching material in e-book format as well as assessment simulations, interactive channels through which to communicate with customer service or an EIPASS trainer or EIPASS Study Center. Certipass is also active through approximately 1,300 EIPASS Points which on-sell EIPASS certifications to customers and has 3,400 EIPASS trainers.⁹⁷

The Certipass certification has an addressable market of its own, but is also highly complementary as an add-on for students of Pegaso and Mercatorum that are pursuing an undergraduate or postgraduate degree.

Language Certifications

Through its language center, Pegaso offers a number of language certifications, most prominently the English Lion Certification (“ELC”). The ELC is a B2 level language certification created and delivered exclusively by Pegaso, inspired by the principles set forth by the Common European Framework of Reference for Languages (CEFR). Pegaso is the first online university in Italy to have created its own language certification. The ELC is an officially recognized certification under the Italian education framework, pursuant to Ministerial Decree no. 353 of May 23, 2014.

Academies

Pegaso and Mercatorum have established a number of specialized academies in collaboration with its business partners, as summarised below. Multiversity is also developing further partnerships and academies as part of its strategy to form close relationships with employers with the aim of developing skills in various vertical sectors through its unique teaching methods.

⁹⁶ As at December 31, 2020 and June 30, 2021, Certipass was consolidated by Multiversity using the proportional method, in relation to its shareholding of 50%. The data shown is therefore reflective of the shareholding of Multiversity.

⁹⁷ As at September 30, 2021

Partnerships with Pegaso

Panorama Academy

Pegaso's Panorama Academy is the result of the collaboration with the Italian contemporary magazine, *Panorama*, and it offers online courses in the core artistic, cultural and tourist business sectors that are captured in the concept of "Made in Italy".

RCS Academy

A partnership between Pegaso and RCS Mediagroup S.p.A., RCS Academy offers an innovative and qualified educational offering in classroom and online courses for young people, managers and professionals through full-time master's (in particular, two master's courses are offered: Communication, creative writing and Human Resources and New Organizations).

TeamSystem Academy

The TeamSystem Academy is established by Pegaso in partnership with TeamSystem S.p.A., a company leader in the software-development sector in Italy. The target students of TeamSystem Academy are practicing accountants, bookkeepers and accountants employees of companies who wish to gain further knowledge of their field, or alternatively to become freelancers or set up their own businesses. Students who attend TeamSystem Academy acquire skills in the field of, among others, accounting, business economics and taxation also using a demo of the accounting software developed and owned by TeamSystem for the duration of the course. Students who have completed the course acquire the right to purchase TeamSystem software licenses at a discount.

Paralympic Sports Academy

The Paralympic Sport Academy is the outcome of Pegaso's collaboration with the Italian Paralympic Committee ("CIP"), with the primary purpose of facilitating direct access to training and work for those who find themselves affected by motor, intellectual, relational or sensory disabilities. It is aimed at students and sportsmen belonging to Paralympic federations and promotion bodies, as well as other associations recognized by the CIP.

Accademia Forense (Forensic Academy)

The Forensic Academy offers specialization courses to legal professionals. The school also organizes face-to-face meetings and seminars for continuing legal training accredited by the Italian National Forensic Council.

Class Academy

Class Academy is a collaboration between Pegaso and Class Editori and offers courses in management, marketing and corporate communication, with a particular focus on digital, finance and venture capital, business internationalization, logistics and supply chain, human resources, sports management and public and social communication strategy.

Harvard Business Review Academy Italia ("HBR")

Established by Pegaso in collaboration with the Harvard Business Review, HBR offers five master's courses in the areas of cybersecurity management, corporate marketing, fintech, green economy and industrial processes. The courses aim to give students insights into the continuous technological transformations and progressive application of digital systems to the various stages of their professional life and business.

Scuola di Musica di Fiesole

A collaboration between Pegaso and Scuola di Musica di Fiesole ("**Fiesole Music School**") introduced the "Music EduAction" master's course, for experts in inclusive music education and social rehabilitation. The course brings together the scientific research carried out by the Fiesole Music School and the technological support provided by Pegaso. The master's course held by the music school is focused on providing professional further development to music teachers. Furthermore, the course aims to develop the necessary skills for the organisation and management of orchestras and children's choirs. Lessons take place online (through Pegaso's e-learning platform) and in person, and the course is led by a team of first-rate teachers, including members of the Fiesole Music School's scientific committee.

Italia Oggi Academy

The academy offers courses in finance journalism and business and is a result of the collaboration between Pegaso and the financial, legal and political publication *Italia Oggi*.

Milano Finanza Academy

The academy offers courses in financial risk management, the digital economy and financial consulting and is a result of the collaboration between Pegaso and *Milano Finanza*, an online financial publication.

Forbes Academy

The academy offers higher education courses in social mobility management, start-ups and innovation, personal branding and reputation and smart mobility and is a result of the collaboration between Blue Financial Communication S.p.A. (BFC Media), a leading company in Italy in the media and digital sector for business and financial information, as well as the publisher of Forbes for Italy and Pegaso.

I-Talent Factory

The academy consists of a web portal created by Pegaso and I-Talent Factory S.r.l., and is sponsored by Italian producer Pietro Valsecchi. I-Talent Factory is an innovative academic project with courses in directing, screenwriting, production, acting and master classes in various subjects with master's of cinema such as Paolo Sorrentino, Marco Bellocchio and Carlo Verdone as professors, aimed mainly at professionals working or who wish to work in television, theatre and/or cinema.

Collaborations with Mercatorum

Crisis Management Academy

The institution of the Crisis Management Academy is the first in Italy to offer courses in security management, brought together by a collaboration between Mercatorum and the *Protezione Civile Gruppo Lucano* (the Italian civil defense organization). The courses target a variety of users, such as volunteers, freelancers and employees of local authorities.

Artribune University

Artribune University is the first initiative that offers undergraduate and postgraduate training programs for those working in the fields of art, culture and creativity. The project stems from the collaboration between Mercatorum and Artribune, a well-known contents and services platform dedicated to art and contemporary culture. The objective of Artribune University is to offer high-level training courses for the creation of professional figures in the cultural sectors and to facilitate professional development.

Gambero Rosso University

Gambero Rosso University is an academy aimed at offering online bachelor's degree, master's degree and higher education courses in management, tourism and the food and beverage sectors. The new e-learning platform is aimed at companies, professionals and enthusiasts of the sector who want to improve their skills using distance learning and personalized consulting. The project stems from a collaboration between Gambero Rosso, the leading platform for content, training, promotion and consulting in the Italian wine, travel and food sector, and Mercatorum.

Confassociazioni University

Confassociazioni University is the result of the collaboration between Mercatorum and Confassociazioni. It provides a dedicated range of distance learning training services with a high social and economic impact, aimed at enhancing the personal and professional growth of entrepreneurs, self-employed workers, managers and professionals associated with the Confassociazioni system, as well as their children, in order to ensure effective business continuity.

UGL Academy

Mercatorum and UGL (the Italian General Union of Labor) have joined forces to offer their members a catalogue of courses designed to support workers who are looking to take advantage of new opportunities in the labor market.

ENBIC Academy

Stemming from the collaboration between Mercatorum and ENBIC, a not-for-profit organization that acts as intermediary for various workers' unions, the ENBIC Academy makes available to ENBIC member companies a dedicated range of training services with a high social and labor impact. The training offer is comprised of ten different short courses. Each course will have a corresponding *Credito Formativo Universitario* (University Formative Credit, "CFU") that will be counted towards Mercatorum's degree courses, shortening the course of study of those who intend to continue or begin university studies. One CFU is obtained after attending six lessons.

Confcommercio Business School

Confcommercio, the Italian General Confederation of Enterprises, Professions and Self-Employment has, in collaboration with Mercatorum, created a platform to support the professional growth of entrepreneurs, self-employed workers and professionals in the world of commerce, services, tourism, transport and SMEs.

Tourism and Gastronomy

Principe di Napoli

Principe di Napoli was established in February 2019 as a partnership between Pegaso (90%) and Mercatorum (10%). As a consortium company, Principe di Napoli facilitates coordination among the shareholders in connection with the concession agreement entered into on June 20, 2019 with the Municipality of Agerola in the Campania region. The agreement governs the management and use of the property *Colonia Montana Principe di Napoli* as a center for higher education and postgraduate studies in the gastronomy and tourism sectors. The center was designated as such by the Municipality of Agerola following a public tender awarded pursuant to decision no. 105 of the Municipal Council (*Giunta Comunale*) of Agerola dated September 14, 2018 and by the subsequent authorization no. 140 granted on September 19, 2018 by the Public Works and Environmental Unit of the Municipality of Agerola.

Principe di Napoli is led by Heinz Beck (three Michelin star chef) as scientific director and offers, through Pegaso and Mercatorum, three degree courses, three vocational training courses and five amateur courses, with the possibility of interning at one of Heinz Beck's restaurants.

Since Principe di Napoli offers in-person courses on its premises, the courses are currently suspended due to the COVID-19 pandemic and the current state of emergency.

Postgraduate School in Legal Professions

The Postgraduate School in Legal Professions, offered in partnership between Pegaso and Mercatorum, offers skills training to Italian magistrates, lawyers and notaries, including practical legal training through the use of role play. Courses take place at Pegaso's and Mercatorum's offices in Naples and Rome, as well as in e-learning modules. The in-person teaching is divided into intensive training sessions, so as to facilitate study alongside other professional activities.

Digital Learning for Schools

LAF School

LAF School S.r.l. ("**LAF School**"), of which Multiversity owns a 51% majority stake, deals with the development, production, promotion and marketing of digital school platforms aimed at implementing online learning activities for schools and managing schools' online information systems.

Publishing

Giapeto Editore

Giapeto Editore is a publishing house operating in the scientific, social and cultural sectors. It helps promote the ideas of Multiversity's students, researchers and professors.

Research

Benecon

Benecon S.c.a.r.l. ("**Benecon**") is a UNESCO-sponsored consortium of five Italian universities (University of Campania 'Luigi Vanvitelli', University of Naples 'Federico II', Pegaso, University of Salerno and University of

Sannio), of which Pegaso owns a 63% stake as of 2020 (increased from 20.27% in 2019). Multiversity's decision to increase its stake was driven by the need to centralize its research activities, with a particular focus on environmental sustainability matters.

Benecon is responsible for carrying out analysis and territorial redevelopment, through the recovery and maintenance of landscape, archaeological and urban settings. In addition, it engages in the design and construction of 'green companies' and eco-museum structures.

Offering

Multiversity's core offerings, which make up its largest revenue share and student base, are its undergraduate bachelor's degree courses in the areas of economics and business administration (nine courses), engineering (six courses), teaching and training (eight courses) and law and legal services (three course) offered across Multiversity's institutions and are the courses that are expected to be the most in demand over the next five years. However, one of the strengths of Multiversity's offering is its large and diversified portfolio of courses, designed to appeal to a broad demographic.

The following table shows the current course offering, course duration and tuition fee range on a per-course basis or per category of courses (as applicable), as well as the number of students enrolled at Pegaso for the academic year 2020/2021:

Università Telematica Pegaso

Qualification	No. of courses	Course duration	Discipline	Tuition Fee ⁹⁸	Total Students enrolled A/Y 20/21
		(years)		(annual)	
Undergraduate Bachelor's Degrees	7	3	Educational Sciences	€3,000	11,147
			Civil Engineering	€3,000	3,693
			Tourism	€3,000	1,071
			Business Administration	€3,000	14,902
			Sport Sciences	€3,000	13,671
			Literature and Humanities	€3,000	850
			Philosophy and Ethics ⁹⁹	€3,000	N/A
Specialist Master's Degree	5	2	Pedagogical Sciences	€3,000	4,420
			Sports Management	€3,000	4,518
			Economics	€3,000	4,815
			Safety Engineering	€3,000	1,824
			Modern Linguistics	€3,000	1,451
Single Cycle Degree ¹⁰⁰	1	5	Law	€3,000	7,273
		(hours)		(per course basis)	
Postgraduate Master's Courses	139 ¹⁰¹	From 1,500 to 2,000 hours	Wide ranging, including scientific, humanistic, economic, marketing, communications, eno-gastronomical, business, legal, security, biomedical, artistic and psycho-pedagogical subjects. Postgraduate Master's are divided into <i>Master di Primo Livello</i> (specialist degrees) and <i>Master di Secondo Livello</i> (post-specialist degrees).	From €450 to €3,000	30,122

⁹⁸ Full fee, without the application of any reductions/discounts.

⁹⁹ Newly accredited, offered from academic year 2021/2022

¹⁰⁰ *Laurea Magistrale*, i.e. five year single cycle degree

¹⁰¹ Of which 115 first level master's courses and 24 second level master's courses

Qualification	No. of courses	Course duration (years)	Discipline	Tuition Fee (annual)	Total Students enrolled A/Y 20/21
Higher Education Courses	109	From 500 to 1,500 hours	Courses for students in possession of a high school diploma or higher qualification. Wide ranging subjects, including marketing, business planning, legal training, healthcare and cybersecurity. ¹⁰²	From €450 to €1,200	
Specialization Courses	12	From 500 to 3,000 hours	Courses focused on teacher training and ongoing professional development for teaching staff. ¹⁰³	€450	
Certifications	6	N/A	ELC, ESB, EF Education First, Trinity Certification, CELI Immigrati and CELI Standard	from €15.75 to €600	
Single exams	159	N/A	Any exam relating to a teaching module of a course offered by Pegaso can be undertaken by a student on a standalone basis without having completed the relevant course if the student is in possession of the required CFUs	€120 fixed fee plus €50 per number of CFU applicable to relevant course	5,738
Total students enrolled a/y 20/21					105,495

Universitas Mercatorum

The following table shows the current course offering, course duration and tuition fee range on a per-course basis or per category of courses (as applicable), as well as the number of students enrolled at Mercatorum for the academic year 2020/2021:

Qualification	No. of courses	Course duration (years)	Discipline	Tuition Fee ¹⁰⁴ (annual)	Total Students enrolled A/Y 20/21
Undergraduate Bachelor's Degree	14	3	Sciences and Technologies of Arts, Entertainment and Cinema	€4,000 annual fee	278
			Product and Fashion Design	€4,000 annual fee	320
			Infrastructure Engineering for Sustainable Mobility ¹⁰⁵	€3,000 annual fee	N/A
			Computer Engineering	€3,000 annual fee	1,627
			Management Engineering	€3,000 annual fee	1,400
			Languages and Markets	€3,000 annual fee	1,094
			Legal Sciences	€3,000 annual fee	3,763
			Business Management	€3,000 annual fee	3,013
			Communication and Multimedia	€3,000 annual fee	750
			Psychological Sciences and Techniques	€3,000 annual fee	3,328
			Political Sciences and International Relations	€3,000 annual fee	657
			Sociology of Innovation	€3,000 annual fee	177
			Statistics and Big Data ¹⁰⁶	€3,000 annual fee	N/A
			Gastronomy, Hospitality and Territories	€4,000 annual fee	501

¹⁰² There is some overlap with the modules offered in the context of the postgraduate master's courses

¹⁰³ Courses aimed at teaching professionals who are entitled by law to a €500 training annuity paid by the State

¹⁰⁴ Full price, excluding any applicable discounted rates/scholarships

¹⁰⁵ Newly accredited, offered from academic year 2021/2022

¹⁰⁶ Newly accredited, offered from academic year 2021/2022

Qualification	No. of courses	Course duration (years)	Discipline	Tuition Fee (annual)	Total Students enrolled A/Y 20/21
Specialist Master's Degree	4	2	Management Engineering Work and Organizational Psychology International Relations for Economic Development	€3,000 annual fee €3,000 annual fee €3,000 annual fee	335 843 157
Ph.D. ¹⁰⁷	1	3	Management The Working Welfare of the person between Law, Education and Social Development	€3,000 annual fee N/A ¹⁰⁸	1,029 N/A
Postgraduate Master's courses	11	(hours) 1,500 hours	Work and Organizational Psychology Business Management Management and Business Administration International Policy and Economics Real Estate, Property and Building Management Master in Coaching—Innovation Coach Business and Corporate Training For Trainers—Blended Master In Coaching—Blended CTU and CTP: Technical Consultant of the courts and third party claims, court auxiliaries Financial Mediation Occupational Safety Technicians—Expert HSE Manager	(per course basis) From €1,500 to €4,500 on a per course basis	2,755
Single Exams	86	N/A	Any exam relating to a teaching module of a course offered by Mercatorum can be undertaken by a student on a standalone basis without having completed the relevant course if the student is in possession of the required CFUs	€120 fixed fee plus €50 per number of CFU	880
Total students enrolled a/y 20/21					23,131¹⁰⁹

Pegaso International

Pegaso International offers four bachelor's degrees, EQF/MQF Level 6, in Italian and English, in the areas of Business Administration, Civil Engineering, Education Sciences, and Exercise Science.

It offers a bachelor's degree, EQF/MQF Level 7, delivered in English, in Informatics, with a duration of one year. It also offers a newly accredited, English-language PhD, EQF/MQF Level 8, in Sustainable Development, for which course content is in development.

In addition to the accredited courses, Pegaso International offers some courses held accredited by Pegaso such as a three-year bachelor's degree in Tourism Sciences, a master's degree in Economics and a five-year single-cycle degree (laurea magistrale) in Law, and a PhD in Law, Education and Development.

Pegaso International's annual tuition fee for the degree courses is €3,000 euros. Some agreements with certain commercial partners have been entered into providing for the application of preferential rates equal to €2,000 per academic year.

¹⁰⁷ In partnership with Pegaso.

¹⁰⁸ No fee is payable by successful Ph.D. candidates, who receive a grant from the university to conduct research for the duration of the Ph.D.

¹⁰⁹ Total number of enrolled students includes an additional 224 students enrolled in the undergraduate degree course Tourism Sciences, which has been discontinued as of the 21/22 academic year

The cost of the PhD is €7,500 for the terms of the three year course (if paid as one lump sum, upon enrollment, the student will be entitled to a preferential rate totalling €6,000).

For the 2020/2021 academic year, 715 students were enrolled in Pegaso International (90 undergraduate courses and 625 in postgraduate and language courses).

Ancillary Fees and Services

Various other services are offered to the students Pegaso and, where indicated, Mercatorum for additional fees, representing additional revenue streams, such as:

Undergraduate ancillary fees and services:

- Alternative exam location fee (equal to €150): this service, applicable to students of Pegaso and Mercatorum and payable on an annual basis, enables the student to attend the exam sessions in alternative examination centers outside of the default location in Naples (as regards Pegaso) or Rome (as regards Mercatorum). Paying such fee allows the student to attend examinations at any of the other exam centers amongst Pegaso's 96 or Mercatorum's 56 locations across Italy;
- Supplemental tuition fee (equal to €282¹¹⁰): payable by default by each student of Pegaso in the first year of undergraduate enrollment;
- Certificate fee (€50 per certificate): payable in order to obtain official transcripts or other official university documents from either of Pegaso or Mercatorum; and
- Supplemental diploma fee (equal to €70): payable by students in order to obtain an additional copy supplementing the official qualification obtained at the end of a course of study. The supplemental diploma provides a description of the nature, level, context, content and status of the studies carried out and completed by the student according to a standard eight point model, developed at the initiative of the European Commission, the Council of Europe and UNESCO, and is in Italian and English.

Postgraduate ancillary fees and services:

- Supplemental tuition fee (equal to €116¹¹¹): payable by default by each student of Pegaso upon postgraduate enrollment;
- Certificate fee (equal to €50 per certificate): payable in order to obtain official transcripts or other official university certifications from either Pegaso or Mercatorum.

Learning Method

Multiversity's e-learning institutions' educational methods involve setting learning objectives (units of learning content) that are to be achieved through a multitude of tools, materials and services. For each video class, these are:

- the written core text of the lecture, with bibliographical references and notes;
- slides (supplemented with text, tables, images, graphs) with audio commentary by the lecturer;
- video recordings of the lessons, available to view in either real-time or subsequently at any other time on the online platform; and
- self-assessment exercises to evaluate the student's progress.

Final examinations take place at Multiversity's examination centers throughout Italy (or, in the case of Pegaso International, Malta) and are overseen by a commission appointed by the rector and chaired by a university professor. During the COVID-19 pandemic, due to emergency measures adopted by the government, exams have been taking place online through the platform.

In order to complete a specific course, students are required to:

- carry out a number of interim assessments (on-line tests to verify learning stages, development of papers, any laboratory activities, etc.);
- view at least 80% of the online lessons available on the platform; and
- pass the final examination, to be taken in person at the university facilities (or, for so long as emergency measures are in place due to the COVID-19 pandemic, online).

¹¹⁰ Previously €172 until February 2020

¹¹¹ Previously €50 until February 2020

Within each course, students are subject, for each discipline, to interim assessments which are compulsory but not a prerequisite to qualify for the final examination, in order to constantly monitor learning levels. The assessments may consist of tests (closed-answer, open-answer, multiple-choice, etc.), exercises, simulations or group projects.

Credit and qualification frameworks

Pegaso and Mercatorum's undergraduate courses confer the qualifications provided for under the Italian Qualifications Framework, as established by the Italian Ministry of Education in accordance with the Qualifications Framework for the European Higher Education Area.

The European Credit Transfer System ("ECTS"), an EU-wide education metric aimed at making studies and courses more transparent, applies to the courses offered at Multiversity's core institutions. This allows students to move between countries to obtain their academic qualifications and study periods abroad which are recognized by allowing credits taken at one higher educational institution to be counted towards a qualification acquired at another educational institution. One CFU is equivalent to one ECTS credit and students must cover approximately one third of studies online in order to meet the requirements to pass the examinations

Pegaso International's courses provide qualifications recognised under the ECTS system, applied within the European Qualification Framework ("EQF"). The EQF is an eight-level learning outcomes-based framework for all types of qualifications that serves as a harmonisation tool between different national qualifications frameworks. This framework helps improve transparency, comparability and portability of qualifications and makes it possible to compare qualifications from different countries and institutions. The EQF covers all types and all levels of qualifications and the use of learning outcomes to acknowledge the actual skills and qualifications of individuals. The level increases according to the level of proficiency, level 1 being the lowest and level 8 the highest. Courses offered by Pegaso International are EQF level 6 or level 7. The EQF is closely linked to national qualifications frameworks, thereby providing a comprehensive map of all types and levels of qualifications in Europe, which are increasingly accessible through qualification databases.

Amount of content available and frequency of refresh

The course content is typically refreshed every three years. However, some courses that by their very nature are subject to more frequent updates, such as law or legal studies, are updated as required on a rolling basis (usually every six months) by academic staff. Each professor is required to confirm on an annual basis that the teaching materials relating to their courses are up-to-date.

Quality assurance

In order to ensure the professionalism and quality of degree courses, the MIUR conducts quality assessments through the Agenzia Nazionale di Valutazione Del Sistema Universitario e della Ricerca (the Agency for the Evaluation of the University and Research System or "ANVUR"), which is vested with the authority to, among other things, evaluate procedures, results and outputs of institutions' management, teaching, research and technological transfer activities, and conduct the rankings of merit and prestige of both traditional and online universities. The assignment of such rankings is a legal requirement for the operation of (i) universities offering at least 30% of courses as distance learning courses or (ii) online universities, which are both scored on a scale from A-tel (very positive) to E-tel (unsatisfactory), with the consequential closure of the online delivery platform in the event of a negative outcome.

In its most recent research quality evaluation, the commission of experts appointed by ANVUR assigned a Level C-tel score to both Pegaso and Mercatorum (respectively the second and third highest scores with respect to the other Italian online universities in 2017),¹¹² corresponding to a satisfactory grade in accordance with applicable Italian regulations.

The periodic accreditation assessments are processed following on-site visits to the universities by the commission appointed by ANVUR. The periodic accreditation visits are carried out in three phases: (i) a remote examination of the documentation made available by the university to the commission, (ii) the actual on-site visit in order to examine the degree programs and the departments selected by ANVUR for each university and (iii) the drafting of a report by the commission. See "*Regulation*" below.

Pegaso International, as a provider authorized to deliver courses of study with MFHEA (formerly NCFHE) License n.2006-001, is required to ensure compliance with the ten standards of quality assurance established by the MFHEA in the performance of its internal administrative and teaching procedures. The MFHEA conducts periodic audits of providers to determine compliance with QA requirements and the subsequent renewal of the license.

¹¹² <https://www.anvur.it/attivita/ava/accreditamento-periodico/rapporti-anvur-di-accreditamento-periodico/>

Pegaso International is periodically evaluated by an external commission appointed by the MFHEA in order to obtain the renewal of its license as a Higher Education Institution, which is due to be evaluated in February 2022.

In view of the audit, all operational procedures have been drawn up in an internal quality assurance manual and evaluated through a self-assessment process whose results, reported in a self-assessment report, have been presented to the panel of Auditors.

The assessment of the submitted documentation will be followed by an on-location visit and interviews with faculty, students, staff and management, and will be completed in early 2022.

For further information on the quality assurance framework to which the universities of Multiversity are subject. See “*Regulation*” below.

Performance monitoring systems for academic staff

Although there is no requirement under the applicable Italian legislative framework to monitor the performance of academic staff in private universities, Pegaso and Mercatorum have both established the respective procedures, as indicated in the “Quality Assurance” section of their respective websites. There are also models for evaluation of professors by students (required by ANVUR) which are carried out periodically. The performance of university professors is also evaluated on the number of academic papers published by them (i.e. on the basis of their personal research track record).

Professors are contractually required to ensure their course materials remain up to date and the majority of the materials are updated on a rolling basis, while a full content update is required every three years.

See “—*Employment—Faculty training and development*” below.

Awards/Accolades

In the most recent research quality evaluation carried out by ANVUR in 2017, Mercatorum’s business law course was ranked first in Italy among small universities.

Research

General

In line with the general principles set out in its articles of association, the universities of Multiversity (Pegaso and Mercatorum) promote the international development of teaching, research and studies, in particular through cultural exchange between countries and by instituting collaborations with the most prestigious universities in the EU.

With regard to Mercatorum, its core mission focuses on recognizing equal dignity and importance of all cultures, and the opportunity to evolve through research and teaching. This mission is pursued through development of professional competence in the educational process, fostering conditions favourable to raising the moral and civil awareness of students, setting up academic activities on the basis of meritocratic and transparent criteria, protection of integrity and individuality of each student and promotion of the values of equality and social responsibility.

For further information about each university’s rankings, see “*Regulation*” below.

Multiversity’s institutions are very active in funding campaigns focusing on training and research. In respect of Mercatorum, since 2020 grants related to 45 projects have been awarded for a total amount of approximately €1.7 million (of which approximately €1.1 million was awarded in 2021). In respect of Pegaso, since 2019, grants related to 21 research projects have been awarded for a total amount of €4.1 million.

In 2020, numerous three-year research projects were launched totalling approximately €916 thousand, financed in part (€260 thousand) with funds from the ‘5 per mille’ (0.05% accrual collected from Italian taxpayers, a portion of which is distributed to research and education institutions) allocated to universities by the MIUR. Grants and research projects contributed to approximately 1% of Pegaso’s revenues and 8% of Mercatorum’s revenues in each case for the year ended December 31, 2020.

Over the past three years, Multiversity’s institutions have been involved in the publication of more than 30 research volumes in various subjects, including psychology, philosophy, law and economics.

Benecon

In accordance with its corporate mission, Benecon carries out scientific research into airborne sensors, specifically aircraft that are designed to perform aerial remote sensing actions thanks to hyperspectral, thermal, photographic sensors developed by Benecon for the monitoring of environmental matrices (air-land-water). Two researchers out of a total of Benecon's 15-strong team are from Pegaso.

Benecon is sponsored by UNESCO and therefore participates in its international research projects in conjunction with other UNESCO partners.

Enrollment, Student Demographics and Performance by Entity

Enrollment growth, gross/net

The following table shows the number of students enrolled at each of Pegaso and Mercatorum for the academic years 2019/2020 and 2020/2021:

Institution	Academic Year		Growth y/y (%)
	2019/2020	2020/2021	
Pegaso	125,994	105,495	-16%
Mercatorum	8,461	23,131	173%
Total across Multiversity	134,455	128,626	-4%

In addition, the table below shows the breakdown of the total number of students of each of Pegaso and Mercatorum for each of the academic years 2019/2020 and 2020/2021 by type of academic course.

Course	Pegaso		Mercatorum		Total across Multiversity		Growth y/y (%)
	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	
Undergraduate Courses ¹¹³	52,678	69,635	7,337	19,496	60,015	89,131	49%
Postgraduate Courses ¹¹⁴	63,423	30,122	843	2,755	64,266	32,877	-49%
Individual Courses ¹¹⁵	9,893	5,738	281	880	10,174	6,618	-35%
Total	125,994	105,495	8,461	23,131	134,455	128,626	-4%

Because of the average tuition fee applied by Multiversity's institutions (pursuant to the captive agreements that provide for the application of reduced corporate rates for certain categories of students—see “*Preferential and corporate rates*” below) and the duration of the various categories of courses identified in the table above, the absolute number of enrollments is not indicative of the weight of tuition fee revenue, being just one of the key indicators of Multiversity's revenue streams. The evolution of the student base demonstrates a fast-growing trend in the undergraduate degree offering, which represents the largest contribution to revenue given the higher tuition fee, ancillary services revenue on top of the tuition fee and duration of the students' academic career (undergraduate degrees have a duration spanning from three to five years, whilst postgraduate courses), whilst showing a decline in enrollments in postgraduate and individual courses. The latter is due to the seasonality effect linked to public tenders (*concorsi pubblici*) for specific professions such as teachers. Such public tenders are usually carried out every two years by the public administration and therefore the decrease in enrollments for the 2020/2021 academic year is expected to be recovered once the tenders are launched once again by the public administration in the coming year. Such expected recovery will be further positively affected by the expected increase of hirings in the public education sector in Italy.

Demographics of Multiversity's Student Population

Undergraduate students form the majority of Multiversity's institutions' student base. In particular, there is a high incidence of younger generations and first-timers and students from southern Italy, the latter being reflective of Pegaso and Mercatorum's origins as universities based in the southern and central regions of Italy. However, the volume of students from northern Italy has steadily increased in recent years. The demographic profile of Multiversity's student population plays a critical role for its operations, with undergraduate students building the majority of Multiversity's institutions' student base. For the academic year 2020/2021, 65% of the total number of Multiversity's institutions' students were enrolled in undergraduate courses whereas 35% of its students were enrolled in graduate courses. In addition, students aged 18-34 represented approximately 70% of the total number of enrolled undergraduate students in 2020/2021 academic year, compared with approximately 60% for the

¹¹³ Includes undergraduate bachelor's degrees, specialist master's degrees and five-year single cycle degrees (*laurea magistrale*)

¹¹⁴ Includes postgraduate master's courses, higher education courses, specialization courses and (in respect of Pegaso) certifications

¹¹⁵ Includes single exams

2019/2020 academic year. First-timers (i.e. students accessing higher education for the first time) accounted for 47% of the total number of enrolled undergraduate students in 2020/2021 academic year, compared with 44% in the previous academic year, and are expected to grow further in the near future.

The student base is mainly composed of students coming from Southern Italy, both in the undergraduate courses (61% for the 2020/2021 academic year) and the postgraduate courses (52% for the 2020/2021 academic year). A strong expansion of Multiversity's student base into Northern Italy can be observed for enrollments in both undergraduate courses (23% in the academic year 2020/2021 as compared to 15% in the academic year 2018/2019) and postgraduate courses (25% in the academic year 2020/2021).

For further details on the breakdown of Pegaso and Mercatorum's undergraduate and postgraduate student population for the 2019/2020 and 2020/2021 academic years by age, geographical provenance and the incidence of first timers, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations—Key Performance Indicators.*"

The overall churn rate across Pegaso and Mercatorum for the 2020/2021 academic year was equal to approximately 5%.

Tuition Fees

Revenues from tuition fees and ancillary services

The following table illustrates the main items that make up Multiversity's revenues from sales and services, including undergraduate tuition fees, postgraduate tuition fees and ancillary service fees, for the six months ended June 30, 2021 and 2020.

Revenues from sales and services (€)	June 30,	
	2021	2020
Fees for enrollment in undergraduate degree courses	83.641.468	60.490.049
Fees for enrollment in postgraduate courses	11.140.250	11.184.966
Fees for enrollment in single courses	2.749.558	4.364.005
Secretarial rights, issuing of diplomas and certificates	17.492.429	10.183.213
Off-site exams	11.857.736	7.088.646
Training courses	1.781.558	954.558
EICARDS sale	341.699	457.134
Other income related to teaching	3.959.028	811.817
Total	132.963.726	95.534.388

The value of sales and services amounting to €132,963,726 euro as at June 30, 2021, mainly includes revenues deriving from the educational offer of Multiversity's universities, training courses and EIPASS cards offered by Certipass, and all other operating income related to teaching. The increase over the period is mostly due to the growing number of new enrollments in the universities. Almost all of Multiversity's revenues are derived in Italy, given that the operations are almost entirely based and performed in Italy.

Preferential and corporate rates

Pegaso has in place over 1,350 commercial agreements securing captive customers which provide for the application of corporate rates for undergraduate and postgraduate degree courses. The majority of these provide for the application of a reduced tuition fee with respect to the full tuition fee (as set out above in "*—Offering*"). Such reduced tuition fees range from €1,500 to €2,000 per annum for undergraduate degree courses, depending on the terms of the relevant agreement. Mercatorum has similar agreements in place with approximately 202, mainly public, entities, including the employees of the Italian chambers of commerce and of the ELCPs, and members of the armed forces. Mercatorum also has a number of programs in place providing for the application of discounted rates to pregnant women and people with disabilities, among others. The reduced tuition fees range from €800 to €2,000 per annum for undergraduate degree courses.

The vast majority of students enrolled at Pegaso and Mercatorum are entitled to the application of reduced corporate rates under such agreements, a strong indication that the volume and geographic distribution of Multiversity's commercial partnerships across the Italian territory, coupled with the appeal of an innovative and flexible training method, is key to Multiversity's business strategy.

Student funding

Tuition fees paid to Multiversity are in the majority of cases funded by the students themselves, with the very rare use of scholarships. There are no instances of payment by employers on behalf of their employees, nor of students benefiting from government loans.

In terms of preferred payment method, approximately 60% of tuition fees are paid via bank transfer, with the remainder mainly paid online.

In respect of undergraduate courses and academic master's degrees, payment of tuition fees is due in four equal instalments payable in November, May, June and July of each academic year. The tuition fees for postgraduate master's courses and single courses are paid as a lump sum payment.

Employment

Number of employees (including faculty members) by entity

As at June 30, 2021, Multiversity employed a total of 1,080 people on a permanent or temporary basis across its institutions, including extraordinary professors (i.e. professors with fixed term contract falling within the scope of article 1, comma 12 of Law no. 230 of 2005), tutors and administrative staff, of which 670 are retained by Pegaso, 410 by Mercatorum and 15 by Certipass.

The below table illustrates the current breakdown of teaching staff and administrative staff employed across Multiversity and its core institutions.

<u>Academic Staff</u>	<u>Description</u>	<u>Pegaso</u>	<u>Mercatorum</u>	<u>Multiversity</u>	<u>Certipass</u>	<u>Total¹¹⁶</u>
Associate professors	University Professor holding a chair hired indefinitely (permanent or full-term contract).	31	37			68
Tenured professors	Highest level of employment as a university professor holding a chair hired indefinitely (permanent or full-term contract).	2	6			8
Extraordinary professors	Expert on the specific research development sector. Maximum contract duration 3 + 3 years.	82	73			155
Rector	Maximum academic position of the University.	1	1			2
Researchers	Scholar of specific research fields. Type A researcher with maximum contract duration 3+ 2. Type B researcher, maximum contract duration 3 years.	10	6			16
Total professors		126	123			249
Tutor	Tutor	34	54			88
Contract professor	Discipline expert with renewable annual assignment	313	166			479
Total academic resources		473	343			816
Administrative Staff		197	67	20	15	264
Total academic and administrative resources		670	410	20	15	1,080

The table above does not include Pegaso International, Benecon and other minor entities. Of these, the most relevant employer is Pegaso International which has entered into employment contracts with approximately 100 professors for the purposes of producing course content and materials for the five undergraduate degrees currently offered by the institution, and two further courses that are currently in development but not yet accredited.

In terms of cost of personnel for Multiversity, the table below illustrates the entire expense for employees (excluding contract professors and other academic staff engaged by Multiversity as external consultants)

¹¹⁶ Not including Pegaso International, Benecon and other minor entities. Some of the academic staff are not employees of the institutions, but external consultants

including social security contributions, the cost of unused holidays and accruals, legal provisions and collective agreements as at June 30, 2021 and 2020. The individual cost items are set out as follows:

(€)	June 30,	
	2021	2020
Wages and salaries	6,444,553	4,566,583
Social security charges	1,462,233	1,199,539
Accruals to employee termination indemnity	222,068	173,388
Other personnel costs	17,136	12,402
Total	8,145,990	5,951,913

The increase shown above is mainly due to the increase in the number of employees of Pegaso and Mercatorum as a result of increased enrollments and the expansion of the course offering which has led, among other things, to increased revenue growth.

Academic staff is recruited through either a public bid process with respect to the associate and tenured professors, researchers and rectors or through a CV selection process with respect to extraordinary professors, tutors and contract professors. Academic staff tend to come from traditional universities, often the institutions at which they qualified and had subsequently gained teaching experience.

Remuneration of Professors and Researchers

The Italian national legislative framework on the remuneration of professors, which sets out in specific tables the range of wages payable to tenured professors and associate professors at all universities across the country (such wages varying on the grade of professor and based on whether the professors are permanent professors¹¹⁷ or full term professors¹¹⁸, provided that both tenured professors and associate professors are employed under permanent contracts) and researchers, which are instead employed on fixed term contracts. Such statutory provisions apply to all universities, with no distinction between public or private, “traditional” or online universities. Specifically, pursuant to Italian Presidential Decree 232/2011 (“**PR 232**”), specifying the regulations governing the remuneration of university professors and researchers, and setting out the aforementioned tables (as updated from time to time based on the calculations carried out by ISTAT), the following range of annual wages will apply for each main category of professor employed at Pegaso and Mercatorum:

Category of professor	Approximate wage range (p.a.)
Tenured Professor (permanent)	€75,500-131,500
Tenured Professor (full term)	€ 49,500-72,000
Associate Professor (permanent)	€ 53,000-96,000
Associate Professor (full term)	€ 36,000-54,500
Researcher (permanent)	€ 36,000-47,000
Researcher (full term)	€ 26,000-34,000

The level of remuneration applicable to the relevant professor within the ranges specific above will depend on the grade of such professor. Following an assessment of the relevant professor’s scientific production (e.g., researches activities, publications, etc.) and a formal evaluation based on criteria regulated by law, tenured and associate professors may progress to a higher grade every three years, thereby becoming entitled to the next level of remuneration.

Researchers have temporary contracts that may be: (a) 3 years contracts, with the possibility of a 2 further years extension¹¹⁹ for once, based on an assessment of the educational and research activities carried out; or (b) 3 years

¹¹⁷ Pursuant to Article 6 of Law 240/2010, for the purposes of reporting of the research activities, the annual activities of research, study and teaching, with the related preparatory tasks, verification and organization, is equal to 1,500 hours per year for permanent professors and researchers. Furthermore, permanent professors carry out research and scientific updating activities and, on the basis of criteria and procedures established by university regulations, are required to allocate annually for teaching and student service tasks, including orientation and tutoring, as well as activities of verification of learning, not less than 350 hours.

¹¹⁸ Pursuant to Article 6 of Law 240/2010, for the purposes of reporting of the research activities, the annual activities of research, study and teaching, with the related preparatory tasks, verification and organization, is equal to 750 hours per year for full term professors and researchers. Furthermore, full term professors carry out research and scientific updating activities and, on the basis of criteria and procedures established by university regulations, are required to allocate annually for teaching and student service tasks, including orientation and tutoring, as well as activities of verification of learning, not less than 250 hours.

¹¹⁹ Researchers falling in this category may be qualified either as permanent or full term. Pursuant to Article 24, paragraph 4, of Law 240/2010, the total annual commitment for the teaching, supplementary teaching and student service activities is 350 hours for permanent researchers and 200 hours for full term researchers.

contracts without possibility of extension.¹²⁰ In this respect, it is worth noting that the remuneration due to researchers under letter (b) above may be increased up to a maximum of 30%.

In respect of extraordinary professors and contract professors appointed by Pegaso and Mercatorum, PR 232 does not apply. Such professors have temporary contracts and are paid based on their actual work. The below table sets out the range of annual wages applied by Pegaso and Mercatorum to extraordinary professors and contract professors:

Category of professor	Approximate wage range (p.a.)
Extraordinary Professor	€5,000-30,000
Contract Professor	€ 3,000-5,000

Stock option plan and incentives

At its meeting held on May 27, 2021, the Board of Directors of Multiversity approved a stock option plan comprising 1000 options with regard to the shares of Multiversity S.r.l. (the “**Plan**”) for the benefit of directors, employees and/or collaborators of the Group and its subsidiaries to be identified by the Board of Directors from time to time.

The Multiversity shareholders’ meeting of June 25, 2021 approved a non-proportional share capital increase by a nominal amount equal to €1,000 in favour of some key managers of the Group, who have been assigned the option rights to subscribe the capital increase once some relevant conditions are met. The stock options conferred pursuant to the Plan can be exercised upon the occurrence of certain events and subject to certain conditions. Since the key conditions are not met at the time of preparation of the Multiversity Unaudited Interim Consolidated Financial Statements, the share capital was not subscribed. Such new shares are reserved for subscription within the final deadline of December 31, 2035.

The key managers of the Group, as approved by the Board of Directors meeting held in February 2021, are attributed a bonus if some key parameters, in terms of Group and individual economic performance are met, based on the year end results. An estimate of year-end bonuses is accrued in the Group financial statements.

Faculty retention and churn rates

The associate or tenured professors of Pegaso or Mercatorum that were originally in the organization have rarely left the Multiversity educational institutions voluntarily. In certain instances, faculty staff employed on temporary contracts have been offered positions elsewhere. Professors that are not tenured are engaged through fixed term contracts, which are renewed on an annual basis. Many junior professors are employed as researchers on fixed term contracts and are subsequently employed indefinitely after winning tenure as associates.

Researchers are offered a three-year contract that may be extended by the institution for a further two years if their research meets certain criteria.

As part of Multiversity’s talent retention strategy, temporary personnel that qualify for associate professorship typically commence the process of becoming tenured professors within approximately four months.

Faculty training and development

Pegaso has opened a Teaching and Learning Center dedicated to the training of faculty members with a particular focus on remote learning techniques. Mandatory training courses are also made available to professors on the e-learning platform (e.g. techniques/guides for organizing materials, courses on interactive teaching) and training for tutors (led by more experienced tutors and professors).

The same applies to Mercatorum where, in addition, given the university’s assistance to the Italian chambers of commerce, focus groups are established to monitor and study legislative developments that are relevant to the chambers of commerce.

With a view to attracting talent, the Boards of Directors of the two universities consider all faculty who have passed into the first rank for the role of full professor, which is an uncommon practice in the industry.

Student Orientation and Marketing and Sales

Around 60% of total students across Pegaso and Mercatorum partake in orientation activities at the ELCPs that make up Multiversity’s national network. Approximately 40% of students are reached through traditional

¹²⁰ Researchers falling in this category may only be qualified as permanent. .

marketing methods, e.g. billboards and televised advertising campaigns on both private and public Italian channels, as well as through its extensive online presence on social media and online advertising, thereby gaining access to the widest possible audience. For the six months ended June 30, 2021, advertising costs represented, together with the contributions payable to the ELCs for their educational activities, approximately 54%¹¹⁷ of Multiversity's total consolidated costs. Students are on-boarded and enrolled directly by Pegaso or Mercatorum, as applicable, which retain full control of the enrollment process and maintain direct contact with the student.

Along with its numerous websites, Pegaso has a significant online following on all major social media outlets. Pegaso also runs an online streaming channel, UniPegaso TV, on which users can stream video content such as descriptions of the courses offered and interviews with current students as well as academic staff. In addition, the online blog "MyPegaso" is open to contributions from teachers, researchers and students.

Technology Platform

The e-learning platform utilized by Pegaso and Mercatorum, which is proprietary and owned by Multiversity¹¹⁸, was among the first e-learning platforms in Italy to be run through mobile applications, combining innovative technology with modern e-learning methods. Key characteristics of the platform are the following:

- the platform may be run from any device, including iOS and Android;
- student-friendly and available 24 hours a day;
- allows immediate access to the entire online university educational offering;
- creates and encourages student community in an online hub, aimed at team building and the stimulation of ideas for the creation of new businesses; and
- contains interactive modules with innovative live-chat technology including multichannel chat systems, videochat and virtual classrooms, as well as online self-assessment (exercises and mock tests).

Students can—via the app (first launched in 2018) or web platform—watch lessons, access class materials and thematic blogs, interact with professors and tutors, participate with other students in the social community.

Course content is prepared by academic staff, with the support of Multiversity IT staff who, among other things, professionally edit files and enable their delivery across all e-learning platforms. All original course content is owned by the relevant institutions of Multiversity.

Certipass uses only a small part of the Multiversity e-learning platform, as it has developed its own proprietary platform which is used solely for the assessments required to grant the EIPASS certifications. Certipass uses the same cybersecurity and data protection systems as Multiversity.

Core systems

Multiversity has continuously invested in its IT platform and systems from its inception in order to deliver the highest quality online learning platform.

The platform does not run on external software and is entirely owned by Multiversity. The e-learning platforms and core systems are developed fully in-house, originally leveraging an open-source software that was customized to develop a unique proprietary platform. Since 2017, the platform has been run and stored on servers hosted by AWS cloud data centers to maximize efficiency, with horizontal and physical back-up for disaster recovery. A backup copy of the stored data is kept at the data center at Pegaso's headquarters in Naples, which is activated in the event of disaster recovery to ensure zero time loss of service. The current package contracted with AWS is for 150 terabyte/month of data storage and relies on a multi-server system, with a load balancer to manage user traffic overload.

In the period from 2018 to 2020, Multiversity launched: (i) a mobile app; (ii) a platform for online exams, due to the impossibility of taking exams in person given COVID restrictions; and (iii) machine learning algorithms that guide the user in the learning experience and increase their qualifications and skills. Through the use of cookies and app tracking, personalized content is provided to users with respect to their university career, including suggestions for postgraduate pathways and invitations to continue studying if certain academic targets are reached.

¹¹⁷ Net of depreciation and devaluation

¹¹⁸ By means of a deed dated October 25, 2019, Multiversity S.p.A. transferred the business unit that carries out university training support services, including proprietary rights in the IT platform to Multiversity S.r.l. As a result of the aforementioned contribution, all existing relationships and all new activities relating to the aforementioned business unit are managed by Multiversity S.r.l.

Multiversity has registered the IT platform's trademark, "Iuniversity" with the Italian Society of Authors and Publishers ("SIAE"), the algorithm underlying the platform's flowchart having also been registered in the public register of software held by SIAE. Pegaso, Mercatorum and Pegaso International use Multiversity's proprietary IT platform in order to deliver their courses.

Multiversity's IT team is currently composed of 25 employees.

A new web version of the platform was launched over the summer of 2021, incorporating several updates including a new design, more interactive interface and other user experience improvements.

While delayed by the COVID pandemic, Multiversity is in the process of obtaining the following ISO certifications:

- UNI EN ISO 9001:2015;
- UNI EN ISO 14001:2015;
- UNI EN ISO 45001:2018;
- UNI EN ISO 20000:2018;
- UNI EN ISO 22301:2012; and
- UNI EN ISO 27001:2013.

Evaluation and compliance of IT platform

Pegaso and Mercatorum must meet legal requirements, which are reviewed by the ANVUR Evaluation Committee every five years. Pegaso and Mercatorum scored high rankings/ratings with respect to the technology used during the last evaluation in October 2017.

Under the previous legislative framework, periodic evaluations needed to be carried out every five years through a five-day site visit by the ANVUR Evaluation Committee. Pegaso obtained the highest rating among online universities during the last periodic evaluation and on that basis the site visit (which would be necessary in case of an insufficient rating) is no longer required. As a result, it is sufficient to provide a report to the ANVUR Evaluation Committee. The most recent report was provided to the ANVUR Evaluation Committee on June 30, 2021.

Cybersecurity

Multiversity has established and maintains cybersecurity systems that are developed and updated internally, including a monitoring system that monitors the platform and code transactions on it. The cloud data centers are only accessible through Pegaso's headquarters in Naples, by authorized members of the IT team through a two-tier security system. In particular, Multiversity employs a cybersecurity program leased from Amazon in order to protect against the risk of DDoS¹¹⁹ cyber-attacks.

Users' passwords are tokenized; access to servers is allowed only through the network and firewalls present at the business center at headquarters. Access to all externally-facing applications is protected by a web application firewall and users are required to register and create a personal profile accessible through a username and password, which is encrypted and tokenized, ensuring that the specific user may only view areas within the application to which it has been granted access. In addition, a secure hash algorithm protects users' stored credentials on the server side. The security measures adopted under the platform ensure protection of user's personal data in compliance with the provisions of Regulation (EU) 2016/679 (General Data Protection Regulation or "GDPR") and Multiversity provides information to its employees on an annual basis as to the data protection measures that need to be put in place. Multiversity has procedures in place for data collection and processing in accordance with the GDPR and Italian applicable law (including in order to ensure that any revocation of permission by users to process their personal data is actioned within 24 hours).

In terms of client/server side security, the devices used by the students and academic staff are separate and there is no direct client-side access to the servers.

In terms of protection against data loss, a back-up copy of stored data is accessible from the data center at Pegaso's headquarters in Naples and is activated in the event of disaster recovery to ensure zero time loss of

¹¹⁹ 'Denial of Service' cyber attacks in which the perpetrator seeks to make a machine or network resource unavailable to its intended users by temporarily or indefinitely disrupting services of a host connected to the Internet.

service. In the event of a system memory overload, temporary servers are created ensuring sufficient system memory/CPU to run the platform. Through the use of this system, the platform does not have a limit to the maximum number of users that may access it simultaneously.

Multiversity carries out penetration tests internally every time a new IT procedure is created, and risk assessments are also carried out on an annual basis and in conjunction with any penetration test).

Future developments

Multiversity's focus is to invest further in cybersecurity to continue to strengthen its (already advanced) IT platforms.

There may also be opportunities for expansion to provide IT services to third parties or, in the case of the purchase or establishment of additional online institutions, to migrate them to Multiversity's systems. However, this may involve substantial investment.

Key differentiating platform features

The following characteristics are the key differentiating features of Multiversity's IT platform:

- the platform is entirely responsive;
- all the functions that are accessible through the web browser are also available on the application for mobile devices;
- it uses a social learning system to assist users in the study process by enabling the formation of an online student community.

In addition, the platform employs machine learning algorithms that propose the best paths for the training of specific users. The study process "adapts" to the user performance, raising or lowering the difficulty of the learning model according to the user's intermediate results. For example, the algorithm may suggest additional exercises on subject where students underperformed, or, alternatively, more advanced studies to highly performing students. Such algorithm is used to market additional learning pathways to individual users, through the use of cookies, tracking apps, questionnaires, grades, the number of times that an exam is repeated and other tools.

Presence and Property

Number of locations/centers (available venues) by entity

Overall, Multiversity has contractual arrangements in place with service providers for the operation of approximately 3,000¹²⁰ ELCPs across Italy. The table below summarizes the number of ELCPs and exam centers by entity as at September 30, 2021.

<u>Institution</u>	<u>ELCPs</u>	<u>Examination centers</u>
Pegaso	820	96
Mercatorum	800	56
Certipass	1,272	N/A

Multiversity's headquarters, the Group's administration in Naples where the Group's management, teaching, technical-IT, administrative and financial offices are located, is rented from the Group company Bellerofonte S.r.l. The headquarters of Pegaso located in Naples in Piazza Trieste e Trento are leased from Mr. Danilo Iervolino. See further "Related Party Transactions".

ELCPs

ELCP Points and EI-Points

In the case of Pegaso and Mercatorum, the ELCP Points and EI Points are the ELCPs where students can request information regarding the services offered by the relevant education institution. Such ELCPs provide orientation and support services to students across Italy in order to prepare and enable them to effectively use the online resources available to them. Such ELCPs also provide technical assistance such as recovery of access credentials to the platform.

¹²⁰ Pegaso, Mercatorum and Certipass in some cases each have accreditation agreements with the same ELCP, which therefor performs services for more than one such institution

EIPASS Points

In respect of Certipass, of the approximately 1,300 EIPASS Points, indicatively:

- 510 are “Business Centers” such as training centers;
- 350 are “Academies” based in state educational institutions;
- 33 are “Master Centers” such as second-level centers that can affiliate with other Business Centers; and
- 15 are “Partner Centers” such as third-level centers that can affiliate with both Business Centers and Master Centers.

The centers directly affiliated with Academies, Master Centers and Partner Centers, and which therefore have an indirect relationship with Certipass, total about 360.

Multiversity’s objective is to enlarge the network with new types of centers including, for example, universities. The ELCPs are located on the premises owned and controlled by third-party service providers that have entered into accreditation agreements with the relevant institution. See “*Material Contracts—Accreditation agreements for ELCPs.*” Such third parties include language centers, basic IT course providers, education facilities, municipalities and centers to help prepare for traditional university admission tests. Prior to the execution of each accreditation agreement, each center is assessed by the relevant institution as being a qualified center for carrying out teaching, education and training projects, in line with that institution’s objectives.

Examination Centers

Exams usually take place at the central examination headquarters of Pegaso in San Giorgio a Cremano, however, upon payment of the alternative exam location fee (detailed above under “*Offering—Ancillary Fees and Services*”), students may choose to take their exams at one of Pegaso’s other examination centers.

As regards Mercatorum, oral examinations are held in Rome at the headquarters of Unioncamere, whereas written examinations are held across several large Italian cities at the headquarters of the local Chambers of Commerce. Since the outbreak of the COVID-19 pandemic and a state of emergency being declared across the country, exams are being taken exclusively online. However, unless the state of emergency is extended and national regulations are not amended in order to permit online examinations on a regular basis, on premise examinations are currently expected to resume after December 31, 2021.

Center location mapping

The below graph illustrates the geographic distribution of the various learning and examination centers across the Italian territory. As is shown, these are more highly concentrated in the southern part of the country.



Pegaso has approximately 103 premises, composed of examination venues, its headquarters and administrative offices across Italy. Mercatorum makes use of the network of the Italian Chambers of Commerce system, thereby giving it access to approximately 56 locations.

Intellectual Property

Multiversity is the applicant or registrant of 12 trademarks relating primarily to its logos and tradenames throughout the Italian territory and in the EU and the UK. Multiversity has registered 40 domain names, as well 21 software registrations in the public register of software (*Registro Pubblico Speciale per i programmi per elaboratore*) and 12 registrations of audiovisual works in the register of original works (*Servizio Deposito Opere Inedite*), in each case held by SIAE.

As at June 30, 2021, the value of industrial patents and intellectual property rights amounted to €29,905,896, which amount principally included assets forming part of the intangible assets of Multiversity (mainly the trademark ‘Pegaso’ and ‘EIPASS’) amounting to €29,014,718 as well as other patent rights owned by Pegaso, Mercatorum, Certipass and Principe di Napoli amounting to €891,178.

For the same period, the value of concessions, licenses, trademarks and similar rights was equal to €1,446,913, principally composed of software licenses and other concessions held by Multiversity and by the universities of Multiversity.

Course materials produced by academic staff for use in courses are developed by the faculty with support from Multiversity’s IT staff, with no outsourcing to third parties. Multiversity has a central database that collects all the multimedia content of the lessons, which can be used by other Multiversity educational institutions or by external partners in accordance with the commercial partnership agreements in place. All the post-production is done in Naples at Multiversity’s business center. Pegaso and Mercatorum’s employment contracts provide that all intellectual property rights over such materials are the property of the relevant institution, including following the termination of the employment relationship.

Material Contracts

Accreditation agreements for ELCPs

As at September 30, 2021, there are approximately 3,000 accreditation agreements (each, an “**Accreditation Agreement**”) in place between the institutions of Multiversity and the entities accredited as ELCPs across the Italian territory.

ELCP Points and EI-Points

Generally, each Accreditation Agreement in respect of Pegaso’s ELCP Points and Mercatorum’s EI-Points has a duration of 36 months from the date of its execution. Each entity accredited as an ELCP Point or EI-Point is required to meet and maintain certain standards including in relation to physical storage, technological equipment, minimum number of employees, etc.

Each ELCP Point and EI-Point is remunerated by way of a contribution of up to (i) 20% of the tuition fees paid by each student enrolled in undergraduate degree courses, excluding any ancillary fees, and which benefits from the orientation services provided by the relevant ELCP Point and EI-Point, and (ii) 25% of the tuition fees paid by each student enrolled in postgraduate or post-diploma master’s or training courses and which benefits from the orientation services provided by the relevant ELCP Point or EI-Point. There is no obligation for ELCP Points or EI-Points to enroll or to recruit students.

EIPASS Points

With regard to Certipass’ EIPASS Points, the terms of the relevant accreditation agreement have an initial duration of two years. Pursuant to the relevant agreement, the EIPASS Point acquires a package of EI cards at wholesale price and agrees to resell them to customers at the retail price detailed in the contract. All agreements confer the right on the relevant center to promote and disseminate the programs, EIPASS certifications and services provided by Certipass itself, and the authorization to represent a Certipass exam physical venue. Certipass agrees to provide to each EIPASS Point the necessary know-how and technical resources in order for it to offer Certipass services, and also provides it with technical support and assistance as well as access to its platform. The relevant EIPASS Center can apply for Ei cards, online courses, credits, and/or the qualification of a

new supervisor and/or trainer through the DIDASKO platform and undertakes to resell them at the minimum prices indicated in the reference price list attached to the agreement. The commercial terms of each type of contract are summarised below:

- Business contract: provides the center with an activation kit composed of 30 “pocket skills” courses, for an activation price of € 1,727;
- Master contract: provides the center with an activation kit composed of 300 Ei cards, for an activation price of €16,770. The EIPASS Point undertakes to activate a minimum of five EIPASS Point affiliates within the first year of the agreement and at all times to maintain such number of affiliates for the duration of agreement (alternatively the center will become a Business EIPASS Center);
- Partner contract: provides the center with an activation kit composed of 300 Ei cards, 200 online course and 60 loyalty promotional credits, for an activation price of €24,400. The EIPASS Point undertakes to activate a minimum of 20 affiliated EIPASS Point within the first year of the agreement and at all times to maintain such number of affiliates for the duration of agreement. Should it fail to activate the 20 affiliated EIPASS Points indicated above, the EIPASS Point undertakes to purchase 2,500 Ei cards for the second year of activity (alternatively the center will become a Master EIPASS Center).

Commercial agreements securing captive customers

Pegaso and Mercatorum together have over 1,500 agreements in place with associations of public bodies, trade unions, municipalities, cultural associations, private companies and sports associations for, *inter alia*, employee training and which provide for the application of preferential rates for their employees. Partners’ employees are incentivized to attend these courses in order to accelerate their career paths or to comply with requirements of regulators or employers. As such, this market is captive in nature and exposes Pegaso and Mercatorum to a large potential customer base for its entire service offering.

The vast majority of such agreements are Business-to-Customer and apply directly to students. Preferential rates are applicable upon verification at the time of enrollment that the student is entitled to benefit from the preferential rates pursuant to the relevant agreement. The terms of such agreements are negotiated on a case by case basis with each partner and therefore vary (see “—*Preferential and corporate rates*” above), however most provide for a reduction of the full annual degree course tuition fee of €3,000 to €2,000. These rates may apply to specific degree, master’s or higher education courses, and in some cases may also apply to certain categories of students—for example, new graduates or pregnant women, in order to render the course offering more attractive to such groups. For courses that last more than one year, the preferential tuition fee will apply for each year of the course.

Partnerships

Multiversity has entered into collaboration agreements with approximately 19 partners for the purposes of creating and offering highly specialized courses for professionals in areas such as sustainability and the environment, media and communications, corporate social responsibility and smart mobility. Examples of such collaborations are:

- Master’s course in Energy and the Environment offered by Pegaso in collaboration with ANBEA, the National Register of Energy and Environment Bioneers. The objective of the course is for students to gain awareness and develop the necessary competences to enable the creation of a more sustainable productive model;
- Framework Agreement “Forbes Italia & Pegaso Academy” dated April 27, 2021 between Blu Financial Communication S.p.A. (“**BFC**”) and Pegaso, pursuant to which the parties agree to cooperate in the creation of educational content and the carrying out of postgraduate programs (targeting postgraduate students, post-diploma students or with students work experience) and professional updates for managers and professionals. The rights to the course materials remain exclusively with Pegaso;
- Collaboration Agreement dated November 30, 2020 between RCS Mediagroup S.p.A. (“**RCS**”) and Pegaso in relation to the establishment of RCS Academy;
- Framework Agreement “Teamsystem & Pegaso Academy” dated July 29, 2021 between TeamSystem S.p.A. (“**TeamSystem**”) and Pegaso. Pursuant to the agreement, the parties agree to cooperate in the creation of educational content and the delivery of postgraduate programs (targeting postgraduate students, post-diploma students or students already having professional experience) as well as professional updates for managers and professionals. Furthermore, the agreement is intended to regulate potential tailor-made projects for companies in the context of professional training programs. The framework agreement further provides for (i) the provision of interactive educational workshops with university professors and professionals; (ii) giving students access to online presentations of the accounting software developed and

owned by TeamSystem for the duration of the course; (iii) supplying students with a certificate of the “Teamsystem & Pegaso Academy”; and (iv) granting students a coupon that allows them to purchase TeamSystem’s licenses for accessing the above-mentioned accounting software at a discounted rate. The rights to the course materials remain exclusively with Pegaso;

- Pursuant to a memorandum of understanding (*protocollo d’intesa*) (“**MoU**”) between I-Talent Factory S.r.l. and Pegaso, the parties have agreed to create a training and information web portal called “IF Academy”, targeting primarily operators in the field of entertainment, cinema, theatre and TV. The IF Academy shall realize, through a team of experts, courses in directing, screenwriting, production, acting and master classes in various subjects to be held through the web and the Pegaso’s e-learning platform;
- Framework agreement dated October 17, 2019 between Gambero Rosso Academy S.r.l. and Mercatorum. Pursuant to the agreement, the parties agreed to set in place common initiatives aimed at planning and expanding academic and cultural activities, as well as postgraduate and professional trainings. Such initiatives include: (i) the establishment of courses and joint activities for higher education, (ii) the creation of joint placement projects, (iii) the facilitation of internships and (iv) the recognition of economic benefits for the enrolment in courses held by Mercatorum;
- Agreement dated September 1, 2021 between Gambero Rosso S.p.A. and Mercatorum. Pursuant to the agreement, the parties agreed to establish “Gambero Rosso University”, an academy offering six bachelor’s degree courses, two master’s degree courses and four higher education courses in management, tourism and the food and beverage sectors, to be held by through e-learning means. Mercatorum has exclusive ownership rights over the video and video-lectures content used at the Gambero Rosso University.

Proprietary title of the course materials used for the specialized courses developed as a result of the collaboration, as well the remuneration, if any, offered to the relevant partner for their collaboration on the relevant project, is agreed with the relevant partner on a case by case basis.

Cooperation agreements with international institutions

In order to promote internationalization in the fields of research, teaching and learning, every year Pegaso enters into cooperation agreements with universities, including in connection with the Erasmus + Program, from all over the world and actively participates in prestigious international networks.

Such agreements with international universities are made for a variety of purposes, including joint scientific projects, exchange of materials and publications, creation of new courses of study, organization of conferences, seminars and cultural initiatives.

Pegaso currently has 84 such agreements in place with higher education institutions in 32 countries (excluding Italy).

Material investments and financing arrangements

On July 12, 2021, Pegaso invested €20 million in a medium/high risk investment portfolio managed by Banca Generali S.p.A.

For a description of any material financing arrangements, see “—*Description of certain Financing Arrangements.*”

Sustainability

Sustainable Development Goals (“SDGs”)

Achieving inclusive and quality education for all people reaffirms the belief that education is one of the most powerful and proven vehicles for sustainable development. The SDGs initiative established by the UN aims to provide equal access to affordable vocational training, eliminate gender and wealth disparities and achieve universal access to a quality higher education by 2030.

In line with the SDGs, Multiversity remains loyal to its commitment to ensure an inclusive and fair quality education, to promote opportunities of continuous learning for everyone and a sustainable and inclusive economic growth, facilitating access to honourable job opportunities for everyone. In this context the online education has no geographical barriers, flexible and democratic approach and can play a relevant role to attain some of the main goals of the 2030 SDG agenda.

Insurance

Multiversity maintains insurance cover in respect of various insurable risks under a range of insurance policies, including in particular the civil liabilities of its directors and officers, members of its management and supervisory bodies.

Mercatorum also maintains existing insurance policies covering fire risks and theft risks, as well as damage caused to third parties and damage caused to Mercatorum's employees.

Pegaso also maintain existing insurance policies covering damages to third parties and damage caused to Pegaso's employees.

Litigation and legal, tax and administrative proceedings

General

From time to time, Multiversity is subject to legal or administrative proceedings or claims arising in the ordinary course of our business, including claims from employees and former students.

The provisions made for disputes in Multiversity's consolidated financial statements for the six months ended June 30, 2021 is equal to €90,349, which includes the risk of loss of ongoing disputes. Such amount has been allocated on the basis of the merits of the relevant case, as advised by counsel.

Administrative proceedings

On May 29, 2020, Pegaso received a note issued by the MIUR and including the National University Council's (*Consiglio Universitario Nazionale*) negative opinion on the proposed amendment of Pegaso's university internal regulations in order to allow examinations to take place online. In this respect, Pegaso is petitioning for the annulment of the note issued by MIUR before the Administrative Court (TAR) of Latium. On May 17, 2021, the Administrative Court (TAR) of Lazio with decision no. 5797 rejected Pegaso's petition, stating that the possibility for students to take examinations online has been allowed only on an exceptional basis, due to the COVID-19 state of emergency. Pegaso intends to appeal against the decision of the Administrative Court (TAR) of Lazio within the required timeframe. As noted above, online exams have only been introduced following the COVID-19 pandemic by all universities; other than in the recently declared state of emergency, exams have always taken place physically also for online universities.

Tax audit by the Italian revenue agency

On November 20, 2019, a tax audit was commenced by the Italian revenue agency concerning (i) the non-commercial nature of Pegaso in the years preceding its transformation into a limited company (a concern that should be overruled by the Provision Of Authentic Interpretation; see "*Regulation—Transformation of Pegaso into a private corporation*"); (ii) the VAT treatment applicable to the promotion and support contract between Pegaso and Università Telematica Pegaso S.p.A. resolved on 31 December 2019 and (iii) the tax treatment of certain donations made by Pegaso in the 2015 and 2016 financial years in favour of two foundations. The revenue agency's investigation and document acquisition activities are in progress and, with the support of Pegaso's tax advisors, Pegaso is promptly responding to the requests and questions raised by promptly providing the agency with legal and tax reports on the main issues identified by it. As at the date hereof, the tax audit has not been concluded and no report of findings has been drawn up yet by the Italian revenue agency.

Other than as stated above, Multiversity is not currently subject to any material legal, governmental, tax or arbitration proceedings that it believes could reasonably be expected to, individually or in the aggregate, have a material and adverse effect on our business, results of operations or financial condition. The outcome of legal proceedings, however, can be difficult to predict with certainty, and Multiversity can offer no assurances in this regard.

REGULATION

The following provides a brief description of the primary regulations that govern the activities carried out by Multiversity in Italy. Although the following brief description contains the principal information concerning such regulations that are considered material by the Issuer in the context of the issue of the Notes, it is not an exhaustive account of all applicable laws and regulations. References and discussions to laws, treaties, regulations and other administrative and regulatory documents are entirely qualified by the full text of such laws, treaties, regulations and other administrative and regulatory documents themselves. In addition, prospective investors and/or their advisers should make their own full analysis of the legislation and regulations which apply in the other countries where Multiversity operates and of the impact they may have on an investment in the Notes and should not rely on the content of the following paragraphs only. See “*Risk Factors—Risks Related to Multiversity’s Business and Industry*”

Regulation

The implementation of national regulations on online universities was encouraged at European level with the European Resolution 2001/C 204/02) of 13 July 2001 issued by the European Council on e-Learning. This Resolution invited both Members State and the European Commission to consider adopting a series of actions aimed at implementing and strengthening the e-Learning system in the educational sector, as well as to seek new learning methods and approaches, and promote virtual mobility and transnational campus projects.

The European Parliament and the European Council later, pursuant to Decision No. 2318/2003/CE of 5 December 2003 aimed to support the initiatives of the EU Member States in the field of distance learning, with the effective integration of information and communications technologies (“ICT”) systems in education and training, prioritizing the university as a sector of focus.

Following a proposal made by the European Association for Quality Assurance in Higher Education (“ENQA”) in cooperation with the European Students’ Union (“ESU”), the Ministers responsible for higher education adopted the Standards and Guidelines for Quality Assurance in the European Higher Education Area (“EHEA”) in 2005 and revised the standards in May 2015 (the “2015 ESG”). The 2015 ESG are a set of standards and guidelines for internal and external assurance of quality in higher education and are focused on ensuring the quality of learning and teaching in higher education, including learning and appropriate links with research and innovation.

In this respect, the purposes of the 2015 ESG are to:

- (i) improve the educational offering for EHEA students;
- (ii) help higher education institutions manage and improve their quality and thereby justify their autonomy;
- (iii) provide for work carried out by quality assurance agencies; and
- (iv) make external quality assurance more transparent and easier to understand by all stakeholders.

The Regulatory Context of Online Universities

Online universities (“*Università telematiche*”) began in Italy after Article 26 of Law no. 289 of 27 December 2002 entered into force, as implemented by the Ministerial Decree 17 April 2003, issued by MIUR and the Italian Ministry for Innovation and Technologies (“*Ministero per l’Innovazione e le Tecnologie*”), the so-called “*Moratti-Stanca*” Decree.

To acquire the relevant authorisation, online universities shall:

- implement a flexible organisational structure allowing the use of different technologies to properly manage different activities;
- promote a consistent and teaching-tailored integration of teaching support services;
- ensure the selection, planning and design of adequate e-learning resources for each coursework;
- ensure adequate resources exist for the administration and management of disseminating teaching resources, including through the offer of articulate tailored teletutoring service; and
- ensure adequate procedures for knowledge assessment; provide for research and development of innovative e-learning systems capable of supporting the dissemination of multimedia data linked to the range of learning products offered.

Since 2004, 11 online universities have been established and obtained the relevant authorisation (“*accreditamento*”) with the MIUR, before a ban was imposed on the establishment of new online universities (most recently pursuant to Decree 289, which extended the ban to the period 2021-2023).

On October 14, 2021, the new Ministerial Decree regarding the self-evaluation, evaluation, initial and periodic accreditation of study centers and courses (“**DM 2021**”) issued by the MIUR was registered in the official Register of Decrees. Such decree, among other things and in line with industry guidelines, updates the criteria for the allocation of academic staff by degree program. The operational aspects and terms of implementation of DM 2021 will be defined by means of a special Decree - as yet unissued. Once in force, when published in the Italian official gazette, DM 2021 will replace Decree 6 as of the 2022/2023 academic year. All (traditional and online) universities will have approximately five years from the 2020/2021 academic year to gradually implement the new measures.

The impact of DM 2021 on the Group’s operations and financial performance will be determined once the final operational aspects and terms will be defined, and will lead to a progressive increase of the teaching cost base over 5 years and eventually may lead to improving the quality and reputation of the academics in the sector. See further “*Risk Factors—Risks Related to the Group’s Business and Industry—Any termination, suspension, revocation or non-renewal of any of Multiversity’s licenses and authorisations could result in the temporary or permanent cessation of the activities being conducted pursuant to such license and/or authorisation, impact its ability to enroll new students, adversely affect Multiversity’s reputation or cause it to incur unanticipated costs. Any of the circumstances described above are likely to have a material adverse effect on Multiversity’s business, financial condition, results of operations and prospects. Regulatory changes and investigations may be driven by political and public opinion affecting providers of higher education.*”

Courses that can be provided by online universities

Pursuant to Decree 289, online universities are allowed to provide:

- distance learning courses, where over two thirds of the educational activities are delivered at a distance; and
- distance learning courses provided entirely at distance, where all the educational activities are delivered at a distance, save for exams and discussions relating to final tests, which are taken in person.

Online universities cannot therefore setup classes for courses for which only a mixed mode of delivery is envisaged (*i.e.* when distance learning does not exceed two thirds of all educational activities) and cannot set up courses in the Medicine, Dentistry and Health Professions. However, online universities are allowed to offer courses in a mixed mode of delivery by pairing with traditional universities or highly specialised research laboratories¹²¹.

Academic degrees that can be granted by online universities

Pursuant to Article 2, paragraph 2 of the “*Moratti-Stanca*” Decree, online universities can issue the following academic diplomas and decrees as prescribed by Article 3 of the MIUR Decree No. 270 of 22 October 2004:

- Degree (“*Laurea*”);
- Master’s Degree (as defined by Ministerial Decree 270/2004, which updated the Ministerial Decree No. 509 of 3 November 1999) (“*Laurea specialistica*”);
- Specialization Diploma (“*Diploma di specializzazione*”);
- Ph.D. (“*Dottorato di ricerca*”); and
- first-and second-level master study programmes.

In addition, online universities can confer 24 CFUs and other qualifying titles.

However, online universities cannot:

- grant academic degrees in courses relating to health professions; or
- establish professionally oriented degree courses¹²² as defined in Article 8, paragraph 2 of Ministerial Decree No. 987 of 12 December 2016 and in Ministerial Decree No. 446 of 12 August 2020.

¹²¹ Source: CUN opinion dated 28 September 2016 (https://www.cun.it/uploads/6359/Parere_28_09_2016.pdf?v=)

¹²² Professionally oriented degree programs are degree programs that include laboratory activities for at least 48 CFU alongside another 48 CFU for internship-related activities.

The ANVUR “Periodic Accreditation Process”

After obtaining the initial authorisation, online universities need to undergo a “Periodic accreditation process” (the “**Periodic Accreditation Process**”) conducted by ANVUR.

The Periodic Accreditation Process consists of a verification by ANVUR, using remote documentary review combined with on-site visits, to confirm that the requirements necessary for the initial accreditation of the online university still remain effective as well as to confirm that the online universities provide quality, efficient and effective educational activities. The verification process takes into consideration:

- periodic reports online universities prepare regarding their compliance, on an ongoing basis, with the requirements that led to their initial accreditation¹²³. The information to be included in such reports is listed in Annex E of Ministerial Decree no. 6 of 7 January 2019 (“**Decree 6**”); and
- the “Indicators of Quality Assurance” in Annex C of Decree 6.

The “Indicators of Quality Assurance” are specified in the guidelines issued by ANVUR pursuant to the 2015 ESG and are aimed at confirming compliance with the following requirements:

- *R1 Requirement*: vision, strategies and policies of the university relating to the quality of teaching and research;
- *R1T Requirement for on-line universities*: methods of delivery for distance learning and related technological equipment required and used;
- *R2 Requirement*: effectiveness of university policies for quality assurance (“AQ”);
- *R3 Requirement*: quality of educational courses; and
- *Requirement 4*: quality of research and third mission.

Further technical requirements for periodic accreditation of remote educational courses are envisaged, including:

- planning and organisation of teachers and tutors;
- teaching interaction and formative assessments for telematics courses;
- staff qualification and provision of teaching materials for telematics courses;
- assessment of student learning outcomes;
- system integration; and
- quality of teaching interaction.

Pursuant to the combined provisions of Article 3 and Article 6 of Decree 6, for the purpose of the Periodic Accreditation Process, ANVUR shall also take into account the following criteria, separate and in addition to those outlined in Annex C:

- the annual report, prepared by the university’s Evaluation Team (“*Nucleo di Valutazione*”), concerning the outcomes from their ongoing monitoring and quality control of teaching procedures and research; and
- evaluation of information outlined in the “Unique Annual Form” (“*Schede Uniche Annuali*”) relating to courses and research activities.

Thus, based on the above-mentioned criteria, ANVUR shall assess the degree of satisfaction of the Indicators of Quality Assurance in points 1 to 4 of Annex C to Decree 6. In particular, such requirements implement and mirror the recommendations envisaged by the 2015 ESG, thereby establishing guidelines for the proper development of national and institutional quality assurance systems across the EHEA, including cross-border cooperation.

Pursuant to Article 3 of Decree 6, periodic accreditation of educational premises is accredited to those premises meeting the requirements for initial accreditation in Annex B (*i.e.*, transparency and integrity) together with the quality requirements in Annex C, following verification by ANVUR on the basis of outcomes from on-site visits carried out by the Commission of Experts for Evaluation (“*Commissione di Esperti per la Valutazione*” or “**Commission of Experts for Evaluation**”).

¹²³ Please refer to Article 9, paragraph 2, of Legislative Decree no. 19 of 27 January 2012.

Pursuant to Article 5 of Decree 6, periodic accreditation of educational courses is granted to courses meeting the requirements for initial accreditation together with those set out in Requirement R3 in Annex C; this also takes into account the periodic evaluation indicators in Article 6. The verification of these requirements is carried out remotely by ANVUR and is also based on activities of the Evaluation Units (“*NUV*”).

Depending on the outcome of the verification process, ANVUR grants a score ranging from “A” (“very positive”) to “E” (“unsatisfactory”). If the Periodic Accreditation Process for an online university is unsuccessful, the initial authorisation will be revoked using a specific decree of the MIUR.

The Periodic Accreditation Process is carried out every five years on universities, and every three years on educational courses.

The ANVUR Research Quality Assessment

Since its establishment, ANVUR has assessed the quality of the research produced by universities and research institutions, mainly using peer review, as prescribed by the Presidential Decree no. 76 of 1 February 2010 (Article 3, paragraphs 1(a) and 2(b)).

The Research Quality Assessment (“*Valutazione della Qualità della Ricerca*” or “**VQR**”) evaluates the research conducted by public universities and research institutions; private institutions voluntarily submit their research for evaluation. The VQR provides an up-to-date assessment of the state of research in various scientific fields, in order to promote improvements to research quality in the institutions under scrutiny and to allocate performance-based shares of the Ordinary Financing Fund for the Italian university system (“*Fondo di Finanziamento Ordinario*” or “**FFO**”).

Currently, VQR is carried out every five years (pursuant to Law No. 232) once a special decree is issued by the MIUR establishing the guidelines for the VQR and providing the resources necessary to carry out this research assessment exercise.

The most recently available results are those from the second VQR (covering the years 2011-2014), published in February 2017. The third VQR (covering the years 2015-2019) was launched with the approval of the Ministerial Decrees No. 1110 of 29 November 2019 and of 11 August 2020; the findings from this VQR will be made public in October 2021.

Pegaso

Pegaso was established as an online university by a MIUR Decree given on 20 April 2006 and was initially authorised to setup and provide the following courses:

- Law (Class LMG/01), within the Faculty of Law; and
- Education and Formation Sciences (Class 18), within the Faculty of Human Sciences.

In the following years, Pegaso acquired the authorisation to provide eleven further courses, namely:

- Civil Engineering (Class L-7);
- Humanities, Cultures and Education (Class L-10)¹²⁴;
- Tourism Sciences (Class L-15);
- Business Administration (Class L-18);
- Sport Sciences (Class L-22);
- Economic Sciences (Class LM-56);
- Security Engineering (Class LM-26)¹²⁵;
- Modern Linguistics (Class LM-39)¹²⁶;
- Pedagogical Sciences (Class LM-85);
- Management of Sport and Physical Activities (Class LM-47); and
- Philosophy and Ethics (Class L-5)¹²⁷.

¹²⁴ Initial accreditation decree no. 353 of 14 July 2020 (beginning in academic year 2020/2021 for three years).

¹²⁵ Initial accreditation decree no. 460 of 15 June 2016 (beginning in academic year 2016/2017).

¹²⁶ Initial accreditation decree no. 353 of 14 July 2020 (beginning in academic year 2020/2021 for three years).

¹²⁷ Initial accreditation decree no. 997 of 28 July 2021 (beginning in academic year 2021/2022 for three years).

In general, Multiversity's institutions have a 95% course accreditation rate.

Results of the ANVUR Periodic Authorisation Process

During the last Periodic Authorisation Process (concluded with MIUR Decree of 25 February 2019), Pegaso obtained the result "Satisfactory" based on a score of 5.55¹²⁸ (i.e. level "C-Tel" under paragraph 3 of Article 3 of Decree 6).

The evaluation process lasted around 8 months. In addition to the university-wide QA system, four courses (Civil Engineering, Exercise Sciences, Economic Science and Law) and two faculties (Law and Human Sciences) were assessed. The final report of the Commission of Experts for Evaluation was submitted to ANVUR on 30 April 2018.

Mercatorum

Mercatorum was established as an online university by MIUR Decree on 10 May 2006.

Results of the ANVUR Periodic Authorisation Process

During the last Periodic Authorisation Process, Mercatorum obtained a 5.51 rating.

Nucleus is working on monitoring the criticisms and presenting ANVUR with a report to objectively set out how the criticisms will be addressed.

The evaluation process lasted around 8 months. In addition to the university-wide QA system, all three courses (Tourism Sciences, Business Management and Management) and the Economics faculty were assessed. The final report of the Commission of Experts for Evaluation was submitted to ANVUR on 22 February 2018.

Mercatorum obtained positive evaluations of:

- the adequacy of teaching and research policies;
- planning of courses of study and updates of the same;
- establishing an internal research register; and
- its strategy for the third mission.

Establishment of Pegaso and Mercatorum

According to their respective by-laws, both Pegaso and Mercatorum qualify as private entities pursuant to Article 1, para. 2 of the Royal Decree No. 1592/1933, having legal personality and, in the case of Mercatorum, with the aim of pursuing public purposes. As for all the Italian universities, under article 33 of the Constitution of the Republic of Italy, Pegaso and Mercatorum have didactic, organizational, administrative, financial and disciplinary autonomy.

To pursue their respective institutional purposes, Pegaso and Mercatorum have, according to Article 26 of Law No. 289/2002 and ministerial decree of April 17, 2003, the primary task of carrying out, in addition to research and study activities, training activities through the use of distance learning methodologies with particular regard to e-learning applications.

Pegaso is promoted and supported by Università Telematica Pegaso S.p.A. whereas Mercatorum is promoted and supported by the company Unimercaforum S.r.l., (each a "**Promoter**"). Pursuant to the by-laws of each of Pegaso and Mercatorum and of each Promoter, each institution's Promoter shall ensure the pursuit of the relevant university's institutional objectives and provide the means and any specific services as may be necessary, indispensable and instrumental, also through the provision of funding and/or arrangements with suppliers, for the functioning and pursuit of the relevant university's institutional purposes.

The by-laws also provide that each university may also regulate its relationship with its Promoter by means of a specific agreement in order to pursue its institutional purpose and the related means and specific services as may be necessary, indispensable or instrumental, for its functioning and the pursuit of its institutional purposes. Pegaso and Mercatorum each have in place specific agreements/arrangements with their respective Promoters that serve to guarantee the financial capability of the universities and, as a consequence, ensure the continuity of their didactic activities. Since Mercatorum recorded a net profit for the 2020 financial year, thereby concluding it with a positive net equity and achieving full economic and financial balance, it recognized the amount required to be calculated under the promotion and support agreement to the Promoter in the profit and loss statement. The

¹²⁸ <https://www.anvur.it/attivita/ava/accreditamento-periodico/rapporti-anvur-di-accreditamento-periodico/>

contribution is accounted as a cost in Mercatorum and as income in Unimercatorum s.r.l., with no effect at consolidation level. As a consequence, the income of Mercatorum remains within the Group.

Further to the reorganization in 2019, Pegaso was transformed into a private corporation (see “—*Transformation of Pegaso into a private corporation*” below), whereas Mercatorum remains a non-commercial entity.

Transformation of Pegaso into a private corporation

On November 19, 2018, Pegaso’s board of directors resolved upon the transformation of Pegaso, as a private online university, into a limited liability company (*società a responsabilità limitata*) named “Università Telematica Pegaso S.r.l.”, and the relevant amendments to the by-laws in order to effect such change.

With its note No. 5726 of November 20, 2018, Pegaso notified the MIUR of the abovementioned resolution, in order to obtain its favourable opinion. Given the complexity of such decision, the MIUR, with its note No. 645 of January 14, 2019, informed Pegaso that the approval of the transformation should have been subject to the prior opinion of the Council of State (i.e. the Supreme Administrative Court).

In the plenary assembly (*adunanza plenaria*) of May 9, 2019, the Council of State granted its favourable opinion confirming that the current legislation on universities set out under the Royal Decree No. 1592/1933 (as subsequently amended) and Law non-commercial entities into private corporations. However, in the absence of a specific regulatory framework on the implementation of the corporate models with regard to universities, the Council of State however, required an intervention by the Italian Legislator aimed at realigning and reorganising the sector following and as a result of the introduction of the new possible corporation structure of private universities, as recognized by the Decision of the Council of State which was not in this orientation initially issued. A partial modification was made with the inclusion for the first time in the 2020 Italian Budget Law (*Legge di Bilancio 2020*), in article 1, paragraph 721, concerning the treatment of non-public universities for the purposes of income taxes, of a provision for legally recognized free non-public universities not constituted in the legal form of commercial companies. Postulating, therefore, already *de facto* existence. In light of this, the Council of State recommended that the Government should further evaluate whether to propose legislative reforms before the Parliament, also to the consolidated text referred to in Royal Decree no. 1592/1933, in order update the regulatory framework and adapt it better to the transformation of open private universities into private corporations. See further “*Risk Factors—Risks Related to the Group’s Business and Industry—Multiversity is subject to various licensing and accreditation requirements in the jurisdictions in which it operates, and its failure to comply with these requirements could expose Multiversity to financial losses and lead to loss of qualified personnel and students.*”

Following the favourable opinion of the Council of State, the MIUR, with note No. 10282 of June 19, 2019 granted its favourable opinion on said transformation and gave its clearance to the consequential amendment of the Pegaso’s by-laws.

On June 25, 2019, the procedure for the transformation was positively concluded with the registration of Pegaso in the companies register (*registro delle imprese*) as a “limited liability company” and the publication in the Official Gazette of the Italian Republic of the new Pegaso by-laws.

With reference to the tax regime applicable to Pegaso before its transformation into a private corporation, it has to be noted that the Italian Legislator—in order to clarify the fiscal nature of “free” (or non-State) universities established by private initiatives—enacted a special provision of authentic interpretation having retroactive effect—Article 1, paragraph 721, Law 27 December 2019, n. 160 (hereinafter, the “**Provision Of Authentic Interpretation**”)—according to which, only for income tax purposes, the educational activity carried out by the said free universities shall be considered as exercise of State functions by a public body and, therefore, not relevant (i.e. non-commercial activity) for Italian corporate income tax purposes according to Article 74, para. 2, let. a of the Presidential Decree 22 December 1986, No. 917. The above with the consequence that the concern of the Italian revenue agency (in the context tax audit commenced on November 20, 2019—see “*Business—Litigation and legal, tax and administrative proceedings*”) regarding the non-commercial nature of Pegaso in the years preceding its transformation should not be grounded as the issue has been expressly addressed by the Provision Of Authentic Interpretation.

MANAGEMENT

The following is a summary of certain information concerning the management of the Issuer, certain provisions of the bylaws (*statuto*) of the Issuer and of Italian law regarding corporate governance. This summary is qualified in its entirety by reference to such bylaws and Italian law. See “*Listing and General Information*” for information on how to obtain a copy of the Issuer’s bylaws.

The Issuer is managed by a board of directors (*Consiglio di Amministrazione*) (the “**Board**”) appointed at the date of incorporation that, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee or one or more managing directors. The Board determines the powers of the chief executive officer. The Board of the Issuer is composed of three directors designated by CVC.

The Issuer is a joint stock company (*società per azioni*), incorporated and existing under the laws of Italy, registered with the Companies Register of Rome under registration number and fiscal code No. 16314391000. The registered office of the Issuer is Via di San Nicola da Tolentino 67, Rome, Italy. The Issuer’s immediate shareholder is Paganini Investments S.à r.l. See “*Summary Corporate and Financing Structure*.”

Board of Directors

The following table sets forth the names, ages and titles of the members of the Board of the Issuer.

Name	Age	Title
Andrea Ferrante	42	Chairman
Massimiliano Mascolo	33	Board member
Giampiero Mazza	52	Board member

The following is biographical information for the members of the Board of the Issuer:

Andrea Ferrante. Andrea Ferrante joined CVC in 2013 and serves as Senior Managing Director. Mr. Ferrante is a member of the CVC Italy team and is based in Milan. Prior to joining CVC, he was a principal at Cinven where he worked for six years in the Milan, Hong Kong and London offices, focusing on consumer and industrial deals. Mr. Ferrante started his career in the Investment Banking division of Lehman Brothers in London. He holds a degree in Business Administration from LUISS—Guido Carli University in Rome.

Massimiliano Mascolo. Massimiliano Mascolo joined CVC in 2018 and serves as Director. Mr. Mascolo is a member of the CVC Italy team and is based in Milan. Prior to joining CVC, he was an Associate at Cinven where he worked for three years in London. Mr. Mascolo started his career in the Investment Banking division of J.P. Morgan in London. He holds an MSc in Finance from Bocconi University in Milan.

Giampiero Mazza. Giampiero Mazza joined CVC in 2010 and serves as Managing Partner. Mr. Mazza oversees CVC’s private equity activities in Italy and is based in Milan. Prior to joining CVC, he was with BC Partners where he was a partner focusing on the Spanish market. Mr. Mazza started his career as a business strategy advisor in Bain & Company in Dallas, Texas, and then joined James D. Wolfensohn Inc., a firm specializing in M&A transactions. He holds a BA degree from Rice University and an MBA from Harvard Business School.

The business address of the board of directors is Via di San Nicola da Tolentino 67, 00187 Rome Italy.

PRINCIPAL SHAREHOLDERS

The Issuer's share capital is 100% directly owned by Paganini Investments S.à r.l.. Paganini Investments S.à r.l. is 99.57% directly owned by LuxCo and 0.47% is held by certain coinvestors. LuxCo is in turn 100% held by CVC.

CVC

CVC is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 25 offices on five continents: 16 across Europe and the Americas and nine in the Asia-Pacific region. As of June 30, 2021, CVC has secured commitments of over \$165 billion from over 300 investors from across the world. In total, CVC's private equity platform currently manages approximately \$97 billion of assets.

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.

We have historically entered into transactions with companies within the Multiversity Group that were considered related party transactions at the time of such transactions. See Note 48 to Multiversity Audited Annual Consolidated Financial Statements and Note 26 to Multiversity Unaudited Interim Consolidated Financial Statements included elsewhere in this Offering Memorandum.

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.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of the Group's principal financing arrangements in addition to the Indenture after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. You should refer to the actual agreements for further details, copies of which are available upon request.

Revolving Credit Facility Agreement

Capitalized terms used in this section shall have the meanings given to them in the Revolving Credit Facility Agreement unless otherwise defined.

Overview and Structure

In connection with the transaction, the Issuer (as company and original borrower), certain affiliates of the Initial Purchasers and Deutsche Bank AG, London Branch as facility agent (the “**Agent**”) and Security Agent, among others, have entered into or will enter into the Revolving Credit Facility Agreement.

The Revolving Credit Facility Agreement provides for borrowings up to an aggregate principal amount of €100 million on a committed basis. The Revolving Credit Facility may be utilized by any current or future borrower (subject to certain exceptions) under the Revolving Credit Facility in euro, US dollars, pound Sterling or certain other currencies (if agreed) by the drawing of cash advances, the issue of Letters of Credit and by way of Ancillary Facilities.

Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings are available for, among other things, general corporate and working capital purposes of the Group and, without prejudice to the generality of the foregoing, to fund (i) any acquisition (including the Acquisition), investment, joint venture, restructuring, reorganization or capital expenditure; (ii) the payment of any stamp, registration and other taxes arising and/or incurred in connection with the Acquisition and/or any transaction relating thereto; (iii) the rolling over, repayment, financing, refinancing, backstopping, discharge and/or acquisition of existing indebtedness and/or any existing ancillary facilities, letters of credit or bank guarantees of the Group or the Target Group or providing cash collateral or other credit support for the same and any breakage costs, any redemption premium and any other fees, costs and expenses financing costs relating to the same (provided that, for the avoidance of doubt, the Revolving Credit Facility shall not be utilised for the purposes of repayment of principal with respect to, or redemption or defeasance of, the Senior Secured Notes); (iii) bridging Target Group cash at the Closing Date; (iv) the payment of any original issue discount, fees, costs (including Acquisition Costs) and expenses and stamp, registration and other taxes; (v) any purchase price, closing or other adjustments or other payments in connection with any acquisition (including the Acquisition); and/or (vi) any other payments, adjustments, purposes or transactions contemplated by the Transaction Documents, the Tax Structure Memorandum and/or the Funds Flow Statement.

Additional Facilities

The Revolving Credit Facility Agreement contemplates the incurrence of additional uncommitted revolving facilities, provided that the underlying incurrence of such debt is permitted by the covenant described in “*Description of the Notes—Certain Covenants—Limitation on Indebtedness*”, whether as a new facility and/or as an additional tranche of any existing facility and/or by increasing the commitments under an existing facility. Such additional facilities may be secured and may rank *pari passu* with, or subordinated to, the Revolving Credit Facility, provided that any such additional facility that is to rank *pari passu* with the Revolving Credit Facility shall be incurred pursuant to the “credit facilities” basket for super senior indebtedness.

The availability, maturity, pricing and other terms of any additional facility will be those agreed between the Issuer and the relevant lenders of that additional facility, provided that any such additional facility that is to rank *pari passu* with the Revolving Credit Facility shall have a final maturity date which is no earlier than the Revolving Credit Facility's termination date.

Availability

The Revolving Credit Facility (other than any Rollover Utilisation or a Renewal Request made available thereunder) may, subject to the satisfaction of customary conditions precedent, be utilized from time to time until the date falling one month prior to the maturity date of the Revolving Credit Facility. Any Rollover Utilisation or a Renewal Request may, subject to the satisfaction of customary conditions precedent, be utilized from time to time until to (and including) the Termination Date for the Revolving Credit Facility.

Borrowers and Guarantors

The Issuer is the original borrower and original guarantor under the Revolving Credit Facility. A mechanism is included in the Revolving Credit Facility Agreement to enable certain of its subsidiaries to accede as additional borrowers or additional guarantors under the Revolving Credit Facility, subject to certain conditions. The Revolving Credit Facility Agreement also requires that in the future each member of the Group which is or becomes a Material Company or is otherwise required to satisfy the Guarantor Coverage Test (as defined below) becomes an additional guarantor under the Revolving Credit Facility Agreement (subject to Agreed Security Principles and guarantee limitations included in the Revolving Credit Facility Agreement).

Maturity and Repayment Requirements

The Revolving Credit Facility matures on or about April, 2028. Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the Revolving Credit Facility must be repaid in full on or prior to the maturity date for the Revolving Credit Facility. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be re-borrowed during its availability period, subject to certain conditions. The termination date for any additional facility is the date agreed between the Issuer and the relevant lenders (provided that, if the additional facility ranks *pari passu* with the Revolving Credit Facility, the termination date cannot be earlier than the termination date of the Revolving Credit Facility).

Interest Rate and Fees

Loans under the Revolving Credit Facility bear interest at rates per annum equal to the aggregate of the applicable margin plus (a) in relation to advances in euro, EURIBOR (subject to a zero floor), (b) in relation to advances in sterling, a compound reference rate based on SONIA (subject to a daily rate zero floor) or (c) in relation to advances in US dollars, LIBOR (until agreed otherwise between the Issuer and the relevant US dollar lenders upon the US dollar LIBOR cessation date) (subject to a zero floor). The initial margin under the Revolving Credit Facility will be 3.00% per annum. Beginning on the date which falls six months from closing and provided that no Event of Default relating to non-payment of principal or interest, insolvency or failure to deliver a compliance certificate under the Revolving Credit Facility Agreement such that the margin cannot be determined has occurred and is continuing, the margin on the loans will be reduced if certain total net leverage ratios (which are to be calculated substantially consistently with the calculations set forth in the Indenture, as described in “*Description of the Notes—Certain Definitions*”) are met.

If closing occurs, a commitment fee is payable on the aggregate undrawn and uncanceled amount of the Revolving Credit Facility from (and including) closing to (and including) the date the Revolving Credit Facility is drawn and/or cancelled in full at the rate of 30% of the then applicable margin for the Revolving Credit Facility. The commitment fee will be payable quarterly in arrear, on the last day of the availability period of the Revolving Credit Facility and (in respect of any cancellation of commitments) on the date any commitments under the Revolving Credit Facility are cancelled or on the date on which a lender cancels its commitment.

Default interest will be calculated as an additional 1% on the overdue amount.

The Issuer is also required to pay customary agency fees to the Agent and the Security Agent in connection with the Revolving Credit Facility.

Guarantees

The Issuer has provided a senior guarantee of all amounts payable to the Finance Parties by any of its subsidiaries which accede to the Revolving Credit Facility Agreement as additional borrowers or additional guarantors and to the hedging banks under certain secured hedging agreements.

Under the Revolving Credit Facility Agreement, the Issuer must ensure that by no later than the earlier of the date falling 120 days after (and excluding) (a) the effective date of the Post-closing Reorganisation and (b) the first anniversary of closing (the “**First Coverage Test Date**”), each Material Company (which definition includes, among other things, any wholly-owned Restricted Subsidiary of the Issuer incorporated in a Guarantor Jurisdiction (being Italy) which has earnings before interest, tax, depreciation and amortization representing more than 5% of the Consolidated EBITDA of the Group) (subject to Agreed Security Principles) accedes to the Revolving Credit Facility Agreement as an additional guarantor. Subject to the Agreed Security Principles and certain significant limitations pursuant to applicable laws as described under “*Limitations on Validity and Enforceability of any notes Guarantees and the Collateral and Certain Insolvency Law Considerations—Limitations on Granting Security Interests and Guarantees under Italian Law*”, if the aggregate of earnings before interest, tax, depreciation and amortization of the guarantors under the Revolving Credit Facility

Agreement is less than 80% of the earnings before interest, tax, depreciation and amortization of the wholly-owned members of the Group incorporated in a Guarantor Jurisdiction, the Issuer is also required to ensure that each other member of the Group as may be necessary to ensure that the Guarantor Coverage Test is satisfied accedes to the Revolving Credit Facility Agreement as a guarantor.

Furthermore, if on the last day of a fiscal year of the Issuer, the Guarantor Coverage Test is not met and/or each Material Company is not a guarantor, the Issuer must, within 120 days of receipt by the Agent of the annual financial statements (commencing with the first set of annual financial statements delivered for the fiscal year ending at least six months after the First Coverage Test Date), cause sufficient members of the Group to accede to the Revolving Credit Facility Agreement as additional guarantors (subject to agreed security principles and limitations under applicable laws) to ensure that each Material Company accedes as a guarantor and the Guarantor Coverage Test is satisfied.

Security

The Notes will benefit from substantially the same security as the Revolving Credit Facility. Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the collateral (whether or not shared with the holders of the Notes) will be required to be applied to repay indebtedness outstanding under the Revolving Credit Facility in priority to the Notes.

Any Material Company or other member of the Group located in a Guarantor Jurisdiction which becomes a guarantor of the Revolving Credit Facility is required (subject to and in accordance with the Agreed Security Principles and certain limitations pursuant to applicable laws as described under “*Limitations on Validity and Enforceability of any notes Guarantees and the Collateral and Certain Insolvency Law Considerations*”) to grant security over shares in any Material Company that is its wholly-owned subsidiary and (if wholly owned by other members of the Group) to have its shares (or equivalent ownership interests) secured in favor of the Security Agent (including on a limited recourse basis if the relevant shareholder is not a guarantor). Security is also to be granted (subject to and in accordance with the Agreed Security Principles) over the shares in any additional borrower under the Revolving Credit Facility (including on a limited recourse basis if the relevant shareholder is not a guarantor). For the avoidance of doubt, no security shall be granted by (or over the quota in or loans made to) Target or MultiSpA.

Representations and Warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties, subject to certain customary materiality, actual knowledge and other qualifications, exceptions and baskets, and with certain representations and warranties being repeated, including: (i) status and incorporation; (ii) binding obligations; (iii) non-conflict with constitutional documents, laws or other obligations; (iv) power and authority; (v) validity and admissibility in evidence; (vi) ranking and (vii) accuracy of most recent financial statements delivered.

Covenants

The Revolving Credit Facility Agreement contains certain of the same incurrence covenants and related definitions (with certain adjustments) that apply to the Notes. In addition, the Revolving Credit Facility Agreement also contains certain affirmative and negative covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative Covenants

The affirmative covenants include, among others: (i) providing certain financial information, including annual audited and quarterly financial statements and compliance certificates; (ii) authorizations, (iii) compliance with laws; (iv) payment of taxes; (v) maintenance of *pari passu* ranking of the Revolving Credit Facility; (vi) maintenance of Guarantor Coverage Test, granting of additional guarantees and security in prescribed circumstances; (vii) access to books, accounts and records in prescribed circumstances only; (viii) further assurance provisions and (ix) certain conditions subsequent.

Negative Covenants

The negative covenants include restrictions, among others, with respect to deliberately changing the center of main interest of a borrower or guarantor. Otherwise, the negative covenants in the Revolving Credit Facility Agreement are substantially the same as the negative covenants in the Indenture.

Mandatory Prepayment Requirements upon a Change of Control

The Issuer is required to notify the Agent under the Revolving Credit Facility Agreement of a Change of Control, following which each lender under the Revolving Credit Facility Agreement is entitled to notify the Issuer requiring repayment of all outstanding amounts owed to that lender and the cancellation of that lender's commitments.

Financial Covenants

There are no maintenance or springing financial covenants in the Revolving Credit Facility Agreement.

Events of Default

The Revolving Credit Facility Agreement provides for some of the same events of default, with certain adjustments, as under the Notes. In addition, the Revolving Credit Facility provides for certain customary events of default, all of which are subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, including: (i) representations or warranties found to be untrue or misleading in any material respect, which materially and adversely affects the interest of the lenders (taken as a whole) under the Finance Documents, when made or deemed made subject to a 60-day grace period; (ii) unlawfulness and invalidity which materially and adversely affects the interest of the lenders (taken as a whole) under the Revolving Credit Facility Agreement, subject to a 60-day grace period; (iii) failure by a Shareholder Creditor to comply with a material term of the Intercreditor Agreement which materially and adversely affects the interest of the lenders (taken as a whole) under the Revolving Credit Facility Agreement, subject to a 60-day grace period; and (iv) repudiation and rescission which materially and adversely affects the interest of the lenders (taken as a whole) under the Revolving Credit Facility Agreement, subject to a 60-day grace period.

Intercreditor Agreement

The Issuer, the lenders under the Revolving Credit Facility Agreement (the “**RCF Lenders**”), each obligor in respect of the Revolving Credit Facility, the Security Agent and the Subordinated Creditors (as that term is defined in the Intercreditor Agreement), among others, have entered into or will enter into an intercreditor agreement (the “**Intercreditor Agreement**”) to which the Trustee shall accede on or around the Issue Date. Certain hedging providers and certain subsidiaries of the Issuer (such subsidiaries together with the Issuer, the “**Debtors**”) may accede in the future. By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the Trustee to accede to the Intercreditor Agreement on its behalf.

The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes following the Trustee's accession to the Intercreditor Agreement on the Issue Date. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes.

The Intercreditor Agreement sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the Debtors, when payments can be made in respect of debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions. Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the Revolving Credit Facility, the Indenture and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail. Capitalized terms used below shall have the meanings given to them in the Intercreditor Agreement unless otherwise defined.

Overview

The Intercreditor Agreement sets out, among other things:

- the relative ranking of certain indebtedness of the Group (as defined below);
- the relative ranking of certain security granted by certain members of the Group and the Third Party Security Provider;
- when payments can be made in respect of certain indebtedness of the Group;
- when enforcement action (including acceleration and/or demand for payment and certain similar actions) (“**Enforcement Action**”) can be taken in respect of the Transaction Security (as defined below);

- provisions relating to the making of any acceleration or demand for payment in respect of the Notes and any Senior Notes;
- the terms pursuant to which certain indebtedness will be subordinated upon the occurrence of certain insolvency events;
- the requirement to turn over amounts received from enforcement of the Transaction Security;
- when the Transaction Security and any guarantee(s) issued by certain Obligor(s) will be released to permit an enforcement sale;
- the circumstances in which creditors' claims (including noteholders' claims against the Issuer and/or any Senior Notes Issuer (as defined in the Intercreditor Agreement)) might be required to be transferred to third parties or released to assist in enforcement; and
- the order for applying proceeds from the enforcement of the Transaction Security and other amounts received by the Security Agent.

Parties

Upon the issuance of the Notes, the principal parties to the Intercreditor Agreement will be: (i) Paganini Investments S.à r.l. as Original Shareholder Creditor and Original Third Party Security Provider, (ii) the Issuer (as Original Debtor and Original Intra-Group Lender), (iii) the agent for the finance parties under the Revolving Credit Facility Agreement (the “**RCF Agent**”), (iv) the RCF Lenders, and (v) the Security Agent.

The “**Super Senior Creditors**” include the RCF Lenders and the RCF Agent (and, upon accession, any future lenders (“**Credit Facility Lenders**”)) in respect of future credit facilities which rank super senior as to the application of proceeds from the enforcement of the Transaction Security (“**Credit Facilities**”)) together with, upon accession, the Priority Hedge Counterparties (as defined below). The “**Senior Secured Creditors**” include the holders of the Notes, the Trustee together with, upon accession, the Non-Priority Hedge Counterparties (as defined below), the Future Pari Passu Creditors (as defined below) and the Cash Management Facility Creditors (as defined in the Intercreditor Agreement)¹³⁰. The “**Senior Creditors**” include, upon accession, any Senior Notes Creditors and the Future Senior Creditors (as defined below).

The Intercreditor Agreement therefore allows for accession by certain future creditors in order to share (to the extent set out in the Intercreditor Agreement) in the relevant security, including (i) hedge counterparties pursuant to hedging agreements which are secured on a super senior basis with (among other liabilities) the Revolving Credit Facility (the “**Priority Hedging Agreements**” and the providers thereof the “**Priority Hedge Counterparties**”), (ii) hedge counterparties pursuant to hedging agreements which are secured on a pari passu basis with (with respect to the proceeds of enforcement of security (among other liabilities)) the Notes (the “**Non-Priority Hedging Agreements**” and the providers thereof, the “**Non-Priority Hedge Counterparties**” and together with the Priority Hedge Counterparties, the “**Hedge Counterparties**”), (iii) creditors of future loan or bond indebtedness of the Debtors (which is permitted by or not restricted under the terms of the Revolving Credit Facility Agreement, the Indenture and any Senior Notes Indenture (as defined in the Intercreditor Agreement), and which is not subordinated in right of payment to the liabilities owed to the Super Senior Creditors or the Senior Secured Creditors) (the “**Future Pari Passu Debt**”), including any senior secured notes issued after the Issue Date pursuant to the Indenture (the “**Future Pari Passu Creditors**”) and (iv) creditors of future loan or bond indebtedness of the Debtors (which is permitted by or not restricted under the terms of the Revolving Credit Facility, the Indenture and any Senior Notes Indenture (if any), and which is *pari passu* with respect to the proceeds of enforcement of security, and not subordinated in right of payment to, the liabilities owed to the Senior Creditors) (“**Future Senior Debt**”), including any senior notes issued after the Issue Date pursuant to a Senior Notes Indenture (the “**Future Senior Creditors**”).

¹³⁰ Notwithstanding the foregoing, the Intercreditor Agreement includes a mechanic whereby a Cash Management Facility may be designated by a debtor as a Credit Facility (and thus giving such Cash Management Facility and relevant Cash Management Facility Creditors super senior status as to the proceeds from the enforcement of the Transaction Security. Accordingly, certain concepts where referred to in the Intercreditor Agreement (and hence in this summary) in respect of any such cash management facility may also constitute more than one defined term used in the Intercreditor Agreement (and hence in this summary) including, without limitation, Credit Facility Lender Discharge Date and Cash Management Facility Discharge Date) (a “**Dual Term Concept**”). Where an existence of a Dual Term Concept in the Intercreditor Agreement would give rise to any inconsistency or ambiguity, or where the two relevant defined terms cannot co-exist or both be true, when interpreting the Intercreditor Agreement, the relevant defined term corresponding or relating to Credit Facilities (i.e. Super Senior Liabilities) shall prevail for all purposes.

Neither the Issuer nor any of its Restricted Subsidiaries (each a member of the “**Group**”) nor any shareholder of a member of the Group which is not otherwise party to (1) a document creating security in favor of the Super Senior Creditors, the Senior Secured Creditors or the Senior Creditors or (2) the debt documents thereby secured, will be party to the Intercreditor Agreement save for (i) any shareholder of the Issuer or any direct or indirect shareholder of the Issuer which has made a loan to a member of the Group (each a “**Shareholder Creditor**”) (the Intercreditor Agreement contains customary subordination provisions and restrictions relating to the receivables owing from any Senior Notes Issuer or any member of the Group to any Shareholder Creditor (the “**Shareholder Liabilities**”)) (ii) any holding company of the Issuer which is designated a “Parent Borrower” by the Issuer under the Intercreditor Agreement (each a “**Holdco Lender**”) which has made a loan to a the Issuer (the “**Holdco Liabilities**”) and (iii) certain members of the Group that lend to another member of the Group (each an “**Intragroup Lender**”) that will accede to the Intercreditor Agreement with respect to the loans or indebtedness owing from such members of the Group to such Intra-Group Lenders in respect of intra-group loans (the “**Intra-Group Liabilities**”). The Intercreditor Agreement contains subordination provisions relating to any Subordinated Liabilities. However, members of the Group will not be prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an acceleration event under the Revolving Credit Facility or the Indenture is continuing and at any time prior to such acceleration event, such Intra-Group Liabilities may be converted into equity (subject to certain security being granted where required).

Ranking and Priority

Priority of Indebtedness

The Intercreditor Agreement provides that the liabilities of the Debtors shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- (a) *first*, the liabilities owed to the Super Senior Creditors (the “**Super Senior Liabilities**”), the liabilities owed to the Senior Secured Creditors with respect to the Notes (the “**Senior Secured Notes Liabilities**”), the liabilities owed to any Hedge Counterparty (the “**Hedging Liabilities**”) (to the extent not already included in the Super Senior Liabilities), the liabilities owed to the Cash Management Facility Creditors (the “**Cash Management Facility Liabilities**”), the liabilities of any Senior Notes Issuer in respect of any Senior Notes (the “**Senior Notes Issuer Liabilities**”), the Future Pari Passu Debt, the Future Senior Debt of any future issuer of senior debt to the Future Senior Creditors (the “**Future Senior Issuer Liabilities**”), and certain customary costs and expenses of the Trustee and any Senior Notes Trustee (the “**Trustee Liabilities**”) *pari passu* and without any preference between them;
- (b) *second*, the guarantee liabilities owed to the Senior Creditors with respect to any Senior Notes (the “**Senior Notes Guarantee Liabilities**”) and, together with any Senior Notes Issuer Liabilities, the “**Senior Notes Liabilities**”), together with any guarantee liabilities owed to any Future Senior Creditor *pari passu* and without any preference between them;
- (c) *third*, the Intra-Group Liabilities and the Holdco Liabilities *pari passu* and without any preference between them; and
- (d) *fourth*, the Shareholder Liabilities, *pari passu* and without any preference between them.

The Intercreditor Agreement contains an acknowledgment by all parties thereto that any Senior Notes Issuer Liabilities and the Future Senior Issuer Liabilities are senior obligations of the relevant issuer, and provides that nothing in the Intercreditor Agreement shall impair the right of the Senior Creditors to institute suit for the recovery of any payment due by such an issuer in respect of any Senior Notes Issuer Liabilities or the Future Senior Issuer Liabilities (as applicable), but provides that the Senior Creditors shall not, until the Senior Secured Discharge Date, take any steps to appropriate the assets of such an issuer subject to the Transaction Security in connection with any Enforcement Action other than as expressly permitted by the Intercreditor Agreement.

Priority of Security

The Intercreditor Agreement provides that the security provided for the liabilities described in paragraphs (a) and (b) below (the “**Transaction Security**”) shall rank and secure these liabilities in the following order (and subject to the proceeds of such security being distributed in accordance with the Payments Waterfall defined below):

- (a) *first*, the Super Senior Liabilities, the Senior Secured Notes Liabilities, the Hedging Liabilities (to the extent not already included in the Super Senior Liabilities), the Cash Management Facility Liabilities, the Future Pari Passu Debt and the Trustee Liabilities, *pari passu* and without any preference between them (but only to the extent that such Transaction Security expressed to secure those liabilities); and
- (b) *second*, any Senior Notes Liabilities and the Future Senior Debt *pari passu* and without any preference between them (but only to the extent that such Transaction Security is Shared Security (which term shall

include, for the purposes of the Intercreditor Agreement, certain other security as may be granted in the future and designated by the Issuer as “**Shared Security**”).

The Intercreditor Agreement further provides that any security provided for any Senior Notes only (of which there is none as at the date of the Intercreditor Agreement or the Issue Date) (the “**Senior Notes Only Security**”) shall rank and secure only any Senior Notes Liabilities and the Future Senior Debt, *pari passu* and without any preference between them (but only to the extent that such Senior Notes Only Security is expressed to secure such liabilities).

The Shareholder Liabilities, the Holdco Liabilities and the Intra-Group Liabilities (the “**Subordinated Liabilities**”) shall not be secured by the Transaction Security or any Senior Notes Only Security.

If security is to be granted for certain future indebtedness (including Credit Facility Lender Liabilities, Cash Management Facility Liabilities, additional senior secured notes, Future Pari Passu Debt, Future Senior Debt and any future Senior Notes) (“**Future Debt**”), to the extent such Future Debt cannot be secured with the agreed ranking without the existing security first being released, the Intercreditor Agreement contains provisions that such Future Debt will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a second- or lesser-ranking basis and such Future Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security *pari passu* with corresponding liabilities which would otherwise have the same ranking as contemplated above and any amounts to be applied towards such Future Debt shall be applied accordingly. In the event that it is not possible to permit the recreation of additional security documents as referred to above, no amendments or release and retaking of security under the existing security documents shall be permitted without the consent of the required creditors under the documents thereby secured unless permitted by such documents.

Payments and Prepayments; Subordination of any Senior Notes

The Debtors and the Third Party Security Provider may make payments and prepayments in respect of the Revolving Credit Facility and the Notes at any time in accordance with their terms and may prepay or acquire the Notes.

Any Senior Notes Issuer may make payments and prepayments in respect of any Senior Notes Issuer Liabilities (including by prepaying or acquiring any Senior Notes) at any time in accordance with the terms of any Senior Notes Indenture, any Senior Notes and the Intercreditor Agreement provided that such payment is not made from assets subject to Transaction Security and not financed by a payment from a member of the Group that was prohibited at such time by any of the Credit Facility Documents, Senior Secured Notes Documents and Future Pari Passu Debt Documents.

Prior to the discharge of all Senior Secured Liabilities, no Debtor, Third Party Security Provider or other member of the Group may make payments in respect of any Senior Notes Liabilities without the consent of the Majority Super Senior Creditors and Majority Senior Secured Creditors except as described in the foregoing paragraph or as permitted by the Intercreditor Agreement including (without limitation and subject to conditions where applicable) the following:

- (1) if:
 - (a) the payment is of: (i) any of the principal or interest (including capitalized interest) amount of any Senior Notes Liabilities which is either (1) not prohibited from being paid by the Revolving Credit Facility Agreement, the Cash Management Facility Documents, the Senior Secured Notes Documents or any Future Pari Passu Debt Document or (2) is paid on or after the final maturity of any Senior Notes; or (ii) any other amount in respect of any Senior Notes Liabilities which is not an amount of principal or capitalized interest accrued due and payable in cash in accordance with the terms of any Senior Notes Documents or a corresponding amount under any Holdco Debt Document (as that term is defined in the Intercreditor Agreement);
 - (b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of any Senior Notes Liabilities (a “**Senior Notes Payment Stop Notice**”) is outstanding; and
 - (c) no Senior Secured Debt Payment Default (as that term is defined in the Intercreditor Agreement) has occurred and is continuing; or
- (2) certain amounts due to any Senior Notes Trustee for its own account; or
- (3) payments of amounts equal to any payment accrued pursuant to any Senior Notes or any Senior Notes guarantee immediately after the period during which any Senior Notes Payment Stop Notice is outstanding or a Senior Secured Debt Payment Default ceases to be continuing and which would otherwise have been a permitted payment pursuant to the terms of the Intercreditor Agreement; or

- (4) for so long as a Senior Secured Debt Event of Default is continuing certain payments as a result of any Senior Notes Liabilities being released or otherwise discharged in exchange for the issuance of shares in any holding company of any Senior Notes Issuer, subject to certain conditions;
- (5) certain payments of non-cash interest by way of capitalization;
- (6) payments funded with the incurrence of Senior Notes Liabilities;
- (7) costs, commissions, taxes, advisory or professional fees, consent fees and expenses incurred in respect of (or reasonably incidental to) any Senior Notes Documents (including in relation to any reporting or listing requirements under any Senior Notes Documents), subject to certain conditions;
- (8) audit fees, directors' fees, taxes and other proper and incidental expenses required to maintain existence or any other reasonable and ordinary course administrative and maintenance costs of a Senior Notes Issuer or its Affiliates;
- (9) costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of any Senior Notes in compliance with the Intercreditor Agreement, the Revolving Credit Facility, the Senior Secured Notes Documents, the Cash Management Facility Documents and any Future Pari Passu Debt Document, subject to certain conditions;
- (10) payments of certain reasonable and customary consent or amendment/waiver fees in connection with amendments to any Senior Notes Documents;
- (11) payments in connection with purchases, repurchases or redemptions of Senior Notes permitted under the Credit Facility Documents, Cash Management Facility Documents, Senior Secured Notes Documents and Future Pari Passu Debt Documents; or
- (12) payment of any other amount not exceeding €3,500,000 in aggregate in any twelve month period (which may be carried forward if not used).

Substantially equivalent provisions and restrictions apply in respect of any Future Senior Debt, *mutatis mutandis*.

Prior to the discharge of all the Senior Secured Debt, if a Senior Secured Debt Payment Default (as that term is defined in the Intercreditor Agreement) has occurred and is continuing all payments in respect of any Senior Notes Liabilities (other than those consented to by the Majority Super Senior Creditors and the Majority Senior Secured Creditors and certain amounts due to any Senior Notes Trustee for its own account) will be suspended.

In addition, if a Senior Secured Debt Event of Default (other than a Senior Secured Debt Payment Default) (each a "**Senior Secured Default**") has occurred and is continuing and any Senior Notes Trustee has received a Senior Notes Payment Stop Notice from either the RCF Agent, the Cash Management Facility Agent or the Trustee or the representative of the Future Pari Passu Debt (the "**Relevant Representative**"), all payments in respect of any Senior Notes Liabilities (other than those consented to by the Majority Super Senior Creditors and Majority Senior Secured Creditors and certain amounts due to any Senior Notes Trustee for its own account) are suspended until the earliest of:

- (a) the date on which there is a waiver, remedy or cure of such Senior Secured Default in accordance with the relevant finance documents; or
- (b) 179 days after the receipt by any Senior Notes Trustee of the Senior Notes Payment Stop Notice;
- (c) the repayment and discharge of all obligations in respect of the Senior Secured Liabilities;
- (d) the date on which the Relevant Representative which issued the Senior Notes Payment Stop Notice (and, if at such time a Senior Secured Default is continuing in relation to the Senior Secured Liabilities (other than the Senior Secured Liabilities in respect of which the notice was given), the Relevant Representative(s) in respect of those other Senior Secured Liabilities) notify/ies (amongst others) any Senior Notes Trustee that the Senior Notes Payment Stop Notice is cancelled;
- (e) the date on which the Security Agent or Senior Notes Trustee takes any Enforcement Action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement;
- (f) the date on which the relevant Senior Secured Default is no longer continuing and if the relevant Senior Secured Liabilities have been accelerated such acceleration has been rescinded (and if such acceleration consisted solely of declaring the relevant debt payable on demand, such rescission can be effected by the relevant majority creditors in respect of the relevant debt); or
- (g) if a Standstill Period (as defined below) is in effect at any time after delivery of a Senior Notes Payment Stop Notice, the date on which the Standstill Period expires,

provided that none of the circumstances described in this paragraph, nor those described in the paragraph above shall prevent any Senior Notes Issuer from making payments in respect of any Senior Notes Issuer Liabilities in accordance with the terms of the relevant documentation from its own assets (excluding at all times any assets which are subject to Transaction Security) provided that such payment is not financed by a payment to any Senior Notes Issuer from a member of the Group that was prohibited by then existing (if any) Credit Facility Documents the Senior Secured Notes Documents and Future Pari Passu Debt Documents.

Unless waived by any Senior Notes Trustee, (a) no new Senior Notes Payment Stop Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Senior Notes Payment Stop Notice and (b) no Senior Notes Payment Stop Notice may be served in respect of a Senior Secured Debt Event of Default more than 60 days after the date that the Relevant Representative received notice of that Senior Secured Default. No Relevant Representative may serve more than one Senior Notes Payment Stop Notice with respect to the same event or set of circumstances, and no Senior Notes Payment Stop Notice may be served in respect of a Senior Secured Event of Default notified to a Relevant Representative at the time at which an earlier Senior Notes Payment Stop Notice was issued.

If a Senior Notes Payment Stop Notice ceases to be outstanding or the relevant Senior Secured Debt Payment Default has ceased to be continuing (by being waived by the Relevant Representative or remedied) the relevant Debtor may then make those payments it would have otherwise been entitled to pay under any Senior Notes and if it does so promptly any event of default under any Senior Notes caused by such delayed payment shall be waived and any enforcement notice which may have been issued as a result of that event of default shall be waived. A Senior Secured Debt Payment Default is remedied by the payment of all amounts then due.

Restrictions on Enforcement by any Senior Notes; Senior Notes Standstill

Without prejudice to the rights of the Senior Creditors to take Enforcement Action in relation to any Senior Notes Issuer Liabilities and/or any Senior Notes Only Security, prior to the discharge of all the Senior Secured Liabilities, neither any Senior Notes Trustee nor the holders of any Senior Notes may take Enforcement Action with respect to any Senior Notes (including any action against any Senior Notes Issuer or the guarantors of any Senior Notes (if any)) or direct the Security Agent to enforce or otherwise require the enforcement of any relevant Transaction Security document (including the Shared Security) without the prior consent of or as required by an Instructing Group (as defined below), except that such restriction will not apply in relation to any Senior Notes Guarantee Liabilities and Shared Security if (1) an event of default has occurred under any Senior Notes resulting from failure to pay principal at final maturity or (2):

- (a) an event of default under any Senior Notes Indenture is continuing;
- (b) the RCF Agent and the other representatives of the Senior Secured Liabilities have received notice of the specified event of default from any Senior Notes Trustee;
- (c) a Standstill Period (as defined below) has expired; and
- (d) the relevant event of default is continuing at the end of the Standstill Period.

A “**Standstill Period**” shall mean the period starting on the date that any Senior Notes Trustee serves an enforcement notice on the RCF Agent and the other representatives of the Senior Secured Liabilities until the earliest of:

- (a) 179 days after such date;
- (b) the date on which the Security Agent takes Enforcement Action (including the enforcement of any Transaction Security permitted to be enforced under the terms of the Intercreditor Agreement), provided that any Senior Notes Trustee and holders of Senior Notes may only take the same Enforcement Action against the same entity as is taken by the Senior Secured Creditors and may not take any other action against any other member of the Group;
- (c) the date on which an insolvency event occurs in respect of any guarantor of any Senior Notes against whom Enforcement Action is to be taken; and
- (d) the expiration of any other Standstill Period which was outstanding at the date that the current Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

If an Event of Default ceases to be continuing then (provided the relevant parties are made aware of such fact) any relevant enforcement process (including any requirement of consultation relating to enforcement) relying solely on that Event of Default shall cease to continue.

Substantially similar provisions to those described in this section with respect to any Senior Notes are included in the Intercreditor Agreement with respect to Future Senior Debt and related Future Senior Creditors.

If the Security Agent has notified any Senior Notes Trustee that it is enforcing Transaction Security, no other Senior Notes Creditor may take any enforcement action against the Third Party Security Provider, that Debtor or any subsidiary of that Debtor while the Security Agent is taking steps to enforce that Transaction Security where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom. If any Senior Notes Creditors are permitted to give instructions to the Security Agent to require the enforcement of such Transaction Security, such Enforcement Action must require the realization of the relevant Security by way of a sale or disposal conducted in accordance with the Intercreditor Agreement.

Consultation

Prior to giving any instructions to the Security Agent to commence enforcement of all or part of the Transaction Security and/or the requesting of a distressed disposal and/or the release or disposal of claims and/or Transaction Security on a distressed disposal (“**Enforcement**”), the relevant representative of the Super Senior Liabilities or the Senior Secured Liabilities (as applicable) shall notify the Security Agent and the creditor representatives for each of the Super Senior Creditors and each of the Senior Secured Creditors that the applicable Transaction Security has become enforceable. As soon as reasonably practicable after receipt of such a notice instructing the Security Agent to solicit instructions with respect to the enforcement of the Transaction Security or the taking of any other Enforcement Action by the Super Majority Super Senior Creditors and/or the Majority Senior Secured Creditors, the Security Agent shall distribute such notice to the relevant addressees promptly upon receipt, following which, the RCF Agent (acting on the instructions of the Super Majority Super Senior Creditors), the Cash Management Facility Agent, the representative of any Future Pari Passu Creditors and the Trustee will consult in good faith with each other and the Security Agent for a period of 15 days from the date such notice is received by such persons (or such shorter period as the relevant parties may agree) with a view to coordinating the instructions to be given by an Instructing Group and agreeing an enforcement strategy (the “**Consultation Period**”).

No such consultation shall be required (and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action prior to the end of the Consultation Period), in each case provided such instructions comply with the Security Enforcement Principles set forth below (“**Qualifying Instructions**”) where:

- (a) any of the Transaction Security has become enforceable as a result of an insolvency event affecting any Senior Notes Issuer, the Issuer, or a borrower or a guarantor or any member (or members) of the Group that is or are a Significant Subsidiary or a Significant Group (each a “**Relevant Company**”); or
- (b) subject to no instructions having been given by an Instructing Group in the circumstances described below, the Super Majority Super Senior Creditors or the Majority Senior Secured Creditors determine in good faith (and notify each other representative agent of the Super Senior Creditors, each Cash Management Facility, the Senior Secured Creditors, the Future Pari Passu Creditors and the Security Agent) that any delay caused by such consultation could reasonably be expected to reduce the amount likely to be realized to a level such that (following application thereof in accordance with the Payment Waterfall described below) the Super Senior Liabilities would not be discharged in full and in this case any instructions will be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors or, as the case may be, the Super Senior Creditors, on behalf of which the relevant Instructing Group is acting and the Security Agent shall act in accordance with the instructions first received.

If following the Consultation Period, the Super Majority Super Senior Creditors and/or the Majority Senior Secured Creditors have agreed on an enforcement strategy, the Security Agent shall be instructed to implement the same.

Subject to the paragraph below, in the event that conflicting instructions (and for these purposes the failure to give instructions is deemed to be a conflicting instruction) are received by the end of the Consultation Period, the Security Agent shall enforce the Transaction Security and/or refrain from enforcing the Transaction Security and/or take the relevant other Enforcement Action in accordance with the instructions provided by the Majority Senior Secured Creditors, in each case provided such instructions are Qualifying Instructions and the terms of all instructions received by the Super Majority Super Senior Creditors during the Consultation Period shall be deemed revoked.

If the Super Majority Super Senior Creditors or the Majority Senior Secured Creditors (acting reasonably) consider that the Security Agent is enforcing the security in a manner which is not consistent with the Security Enforcement Principles, subject to (a) and (b) above, the relevant representative shall give notice to the other representatives after which each such representative shall consult with the Security Agent for a period of 10 days (or such lesser period as the relevant representatives may agree) with a view to agreeing the manner of Enforcement, provided that such representatives shall not be obliged to consult more than once in relation to each Enforcement Action.

For the purposes of Enforcement, an “**Instructing Group**” means if prior to the Credit Facility Lender Discharge Date (as that term is defined in the Intercreditor Agreement), the Super Majority Super Senior Creditors and the Majority Senior Secured Creditors, provided that if:

- (a) the Super Senior Liabilities have not been repaid in full within six months of the end of the Consultation Period (or within six months of the delivery of a specified notice by the Majority Senior Secured Creditors, where no consultation period is required);
- (b) the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action within three months of the end of the Consultation Period (or within three months of the delivery of a specified notice by the Majority Senior Secured Creditors, where no consultation period is required); or
- (c) an insolvency event has occurred with respect to a Relevant Company and the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action at that time with respect to such Relevant Company,

then the Security Agent shall thereafter follow any instructions that are subsequently given by the Super Majority Super Senior Creditors (in each case provided the same are Qualifying Instructions) to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with any instructions previously given by the Majority Senior Secured Creditors) and the Instructing Group in relation to such Enforcement shall mean the Super Majority Super Senior Creditors. Subject to the foregoing, in the event of Conflicting Enforcement Instructions, the “**Instructing Group**” shall mean the Majority Senior Secured Creditors provided that such instructions from the Majority Senior Secured Creditors are Qualifying Instructions, it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the timeframe for the realization of value from the enforcement of the Transaction Security or Distressed Disposal pursuant to such instructions will be determined by the Majority Senior Secured Creditors.

Prior to the Senior Secured Debt Discharge Date: (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Shared Security; or (ii) in the absence of instructions from an Instructing Group in relation to the Shared Security, and, in each case, an Instructing Group has not required any Debtor or Third Party Security Provider to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Shared Security which the Majority Senior Creditors (as defined in the Intercreditor Agreement) are then entitled to give to the Security Agent in accordance with the Intercreditor Agreement, as described under the heading “—*Restrictions on Enforcement by any Senior Notes; Senior Notes Standstill*” below. Notwithstanding the foregoing, if at any time any Senior Creditor or its Creditor Representative is then entitled to give the Security Agent instructions to enforce the Shared Security and the Majority Senior Creditors do not give such instruction and do not indicate any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the Shared Security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Senior Creditors or its Creditor Representative under this Agreement and Security Agent shall act on such instructions received from the Instructing Group.

For the avoidance of doubt, the above provisions do not apply to the enforcement of any Senior Notes Only Security where the Security Agent will act in accordance with the instructions of the Majority Senior Creditors (as that term is defined in the Intercreditor Agreement).

Security Enforcement Principles

Unless otherwise agreed in writing between the Super Majority Super Senior Creditors, the Majority Cash Management Facility Creditors (as defined in the Intercreditor Agreement), the Senior Secured Notes Required Holders (as defined below) (if prior to the Senior Secured Notes Discharge Date), the Future Pari Passu Debt Required Holders (as defined below) and the Issuer, enforcement of the Transaction Security must be conducted in accordance with the “**Security Enforcement Principles**,” which are summarized as follows:

- (a) It shall be the primary and overriding aim of any enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realization of value from Enforcement of the Transaction Security, the recovery by the Super Senior Creditors, the Senior Secured Notes Creditors and the Future Pari Passu Creditors (the “**Security Enforcement Objective**”).
- (b) The Transaction Security will be enforced and other action as to Enforcement will be taken such that either
 - (i) all proceeds of Enforcement are received by the Security Agent in cash (or substantially all cash) for distribution in accordance with the Payments Waterfall; or
 - (ii) if Enforcement is at the direction of the Majority Senior Secured Creditors or the Majority Senior Creditors, sufficient proceeds from Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance

with the Payments Waterfall, the Super Senior Liabilities are repaid and discharged in full (unless the Super Majority Super Senior Creditors agree otherwise).

- (c) The Enforcement Action must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the time frame for the realization of value from the Enforcement of the Transaction Security or Distressed Disposal (as defined below) pursuant to Enforcement will be determined by the Instructing Group provided that it is consistent with the Security Enforcement Objective.
- (d) On (i) a proposed Enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds €5,000,000 (or its equivalent); or (ii) a proposed Enforcement of any of the Transaction Security over some or all of the shares in a member of the Group over which Transaction Security exists, the Security Agent shall (unless such enforcement is made pursuant to a public auction or process supervised by a court of law which makes a determination as to value) obtain an opinion from a reputable internationally recognized investment bank or international accounting firm or other reputable, third-party professional firm that is regularly engaged in providing valuations of businesses or assets similar or comparable to those charged under the Transaction Security to be enforced (a “**Financial Advisor**”) to opine as expert (A) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Principles and maximize recovery of any such Enforcement Action, (B) that the proceeds received from enforcement is fair from a financial point of view after taking into account all relevant circumstances, and (C) that such sale is otherwise in accordance with the Security Enforcement Objective.
- (e) The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement. The liability of any Financial Advisor in respect of the opinions referred to in paragraph (d) above may be limited to the amount of its fees in respect of such engagement.
- (f) The Financial Advisor’s opinion (or any equivalent opinion obtained by the Security Agent in relation to any other Enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met.
- (g) In the event that an Enforcement of the Transaction Security is over assets and shares referred to in (d)(i) above and such Enforcement is conducted by way of public auction, any equity investors of the Group shall be entitled to participate in such auction. There is no requirement in the Security Enforcement Principles that requires the Enforcement of Transaction Security to take place by way of public auction.
- (h) In the absence of written notice from a creditor or group of creditors that are not part of the relevant Instructing Group that such creditor(s) object to any Enforcement of the Transaction Security on the grounds that such Enforcement Action does not aim to achieve the Security Enforcement Objective (an “**Objection**”), the Security Agent is entitled to assume that such Enforcement of the Transaction Security is in accordance with the Security Enforcement Objective.
- (i) If the Security Agent receives an Objection (and without prejudice to the ability of the Security Agent to rely on other advisers and/or exercise its own judgement in accordance with this Agreement), a Financial Advisor’s opinion to the effect that the particular action could reasonably be said to be aimed at achieving the Security Enforcement Objective will be conclusive evidence that the requirement of paragraph (a) above has been met.

For the avoidance of doubt, the above provisions do not apply to the enforcement of any Senior Notes Only Security.

Turnover

The Intercreditor Agreement also provides that if any Super Senior Creditor, Cash Management Facility Creditor, Senior Secured Notes Creditor, Senior Creditor and Future Pari Passu Creditor receives or recovers the proceeds of any Enforcement of Transaction Security (whether before or after an insolvency event) or any Senior Notes Only Security other than in accordance with Payments Waterfall that it shall (subject to certain prior actual knowledge qualifications in the case of the Trustee and any Senior Notes Trustee, as applicable):

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold an amount of that receipt or recovery equal to the relevant liabilities of that creditor (or, if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Certain further turnover obligations following receipt of non-permitted payments apply to Senior Notes Creditors, Future Senior Creditors and Subordinated Creditors.

Application of Proceeds/Waterfall

All amounts received or recovered by the Security Agent in connection with the realization or Enforcement of all or any part of the Transaction Security (and, in relation to the Senior Creditors, Shared Security) or otherwise paid to the Security Agent in accordance with the Intercreditor Agreement for application in accordance with the Payments Waterfall (the “**Enforcement Proceeds**”), other than with respect to any Senior Notes Only Security, will be paid to the Security Agent for application in accordance with the following payments waterfall in each case to the extent that security has been given in favor of such obligations (the “**Payments Waterfall**”):

- *first*, in payment of the following amounts in the following order (i) *pari passu* and *pro rata* any sums owing to the Security Agent, any receiver or any of its delegates and any Trustee Liabilities as the case may be, and then (ii) *pari passu* and *pro rata* to each Creditor Representative (as the term is defined in the Intercreditor Agreement) (to the extent not included in (i) above and excluding any Hedge Counterparty as its own Creditor Representative) of the costs and expenses of each such Creditor Representative and any receiver, attorney or agent appointed by such Creditor Representative under any Transaction Security Document or the Intercreditor Agreement;
- *second*, *pari passu* and *pro rata*, in or towards payment of all costs and expenses incurred by the Super Senior Creditors, the Senior Secured Creditors and in relation to any Shared Security the Senior Creditors in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- *third*, *pari passu* and *pro rata*, in or towards payment to (i) each Creditor Representative(s) in respect of a Credit Facility on its own behalf and on behalf of the Arrangers and the Credit Facility Lenders under that Credit Facility; and (ii) the Priority Hedge Counterparties for application towards the discharge of (A) the liabilities owed to the Creditor Representative (in respect of each Credit Facility, the Credit Facility Lender Liabilities and the related Arranger Liabilities) in accordance with the terms of the Credit Facility Documents and (B) the Priority Hedging Liabilities (in proportion to each Priority Hedge Counterparty’s Priority Hedge Proportion), on a *pro rata* basis as between paragraphs (A) and (B) above;
- *fourth*, *pari passu* and *pro rata* to the Cash Management Facility¹³¹ Agent on behalf of the Cash Management Facility Creditors, the Trustee on behalf of the Senior Secured Noteholders and to the relevant Creditor Representative on behalf of the Future *Pari Passu* Creditors for application towards any unpaid costs and expenses incurred by or on behalf of any Cash Management Facility Creditors, holders of Notes and Future *Pari Passu* Creditors in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;
- *fifth*, *pari passu* and *pro rata* to the Cash Management Facility Agent on behalf of the Cash Management Facility Creditors for application towards the Cash Management Facility Liabilities, to the Trustee on behalf of the holders of Notes for application towards the discharge of the Senior Secured Notes Liabilities (in accordance with the relevant documents), to the relevant Creditor Representative on behalf of the Future *Pari Passu* Creditors for application towards the discharge of the Future *Pari Passu* Debt (in accordance with the relevant documents) and to the Non-Priority Hedge Counterparties for application towards the discharge of the Non-Priority Hedging Liabilities (in proportion to each Non-Priority Hedge Counterparty’s Non-Priority Hedge Proportion);
- *sixth*, and only to the extent that the Senior Creditors are entitled to the relevant recoveries, *pari passu* and *pro rata*, in or towards payment to any Senior Notes Trustee on behalf of the holders of Senior Notes and to the relevant Creditor Representative on behalf of the Future Senior Creditors for application towards any unpaid costs and expenses incurred by or on behalf of the holders of Senior Notes and any Future Senior

¹³¹ As noted above, Cash Management Facilities may also have super senior status proceeds from the enforcement of the Transaction Security if the relevant Cash Management Facility is designated by the Issuer as a “Credit Facility” and therefore rank as per the prior bullet point above.

Creditors in connection with any realization or enforcement of the Shared Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

- *seventh*, and only to the extent that the Senior Creditors are entitled to the relevant recoveries, *pari passu* and *pro rata* to any Senior Notes Trustee on behalf of holders of any Senior Notes for application towards the discharge of any Senior Notes Liabilities (in accordance with the relevant documents) and to the relevant Creditor Representative on behalf of the Future Senior Creditors for application towards the discharge of the Future Senior Debt (in accordance with the relevant documents); and
- *eighth*, after the Final Discharge Date, in payment of the surplus (if any) to the relevant Debtor, Third Party Security Provider or other person entitled to it.

For the avoidance of doubt (other than as provided above) payments of Enforcement Proceeds may only be made to the Trustee for the holders of the Notes, if all payments then due and payable under the Revolving Credit Facility to the RCF Lenders, ancillary lenders and issuing bank and to the Priority Hedge Counterparties in respect of the Priority Hedging Liabilities and the other payments referred to under “thirdly” above have been paid in full.

All amounts received or recovered by the Security Agent in connection with the realization or Enforcement of all or any part of any Senior Notes Only Security will be applied in accordance with a separate payments waterfall as follows:

- *first*, in payment of the following amounts in the following order (i) *pari passu* and *pro rata* any sums owing to the Security Agent, any receiver or any of its delegates and any Trustee Liabilities, as the case may be, and then (ii) *pari passu* and *pro rata* to each Creditor Representative of the holders of any Senior Notes and the Future Senior Creditors of the costs and expenses of each such Creditor Representative and any receiver, attorney or agent appointed by such Creditor Representative under any Senior Notes Only Security document or the Intercreditor Agreement;
- *second*, *pari passu* and *pro rata*, to any Senior Notes Trustee and to the relevant Creditor Representative on behalf of the Future Senior Creditors in or towards payment of all costs and expenses incurred by the by the holders of any Senior Notes and any of Future Senior Creditors in connection with any realization or enforcement of any Senior Notes Only Security taken in accordance with the terms of any Senior Notes Only Security documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;
- *third*, *pari passu* and *pro rata*, to any Senior Notes Trustee on behalf of the holders of any Senior Notes for application towards the discharge of any Senior Notes Liabilities (in accordance with the relevant documents) and to the relevant Creditor Representative on behalf of the Future Senior Creditors for application towards the discharge of the Future Senior Debt (in accordance with the relevant documents); and
- *fourth*, after the Senior Debt Discharge Date, in payment of the surplus (if any) to the relevant Debtor, Third Party Security Provider or other person entitled to it.

Acceleration

If an event of default occurs under the Revolving Credit Facility, the Notes or Future Pari Passu Debt then any decision to accelerate the Revolving Credit Facility or Notes or Future Pari Passu Debt and, subject as provided below, to take any other Enforcement Action will be determined in accordance with the provisions of the Revolving Credit Facility, the Indenture (or other relevant Senior Secured Notes Indenture) or in accordance with the terms of the Future Pari Passu Debt (as applicable). The Intercreditor Agreement contains provisions requiring relevant Creditor Representative to notify the Security Agent of such event and the Security Agent shall, upon receiving that notification, notify each other party to the Intercreditor Agreement.

Release and/or Transfer of Claims and Liabilities in Respect of any Senior Notes and the Notes and the Transaction Security

Non-distressed Disposal

In circumstances where a disposal or other transaction whereby a release, consent or other step in relation to, Transaction Security is considered necessary or desirable by the Issuer in connection with such transaction (including to reflect the Agreed Security Principles) (a “**Non-Distressed Disposal**”), provided that such Non-Distressed Disposal is not being effected at the request of the Instructing Group in circumstances where the

Transaction Security has become enforceable, by enforcement of the Transaction Security or after the occurrence of a Distress Event (as defined below) (a “**Distressed Disposal**”) and is otherwise permitted by the terms of any Senior Secured Notes Indenture, any Senior Notes Indenture, the Credit Facility Documents, the Cash Management Facility Documents, the Future Pari Passu Debt Documents and the Future Senior Debt Documents (as those terms are defined in the Intercreditor Agreement), the Intercreditor Agreement provides that (subject to certain conditions) the Security Agent is authorized (i) to release relevant the Transaction Security or any other relevant claim (relating to a Debt Document) (as such term is defined in the Intercreditor Agreement) over any relevant asset; (ii) where any relevant asset consists of all the shares in the capital of a Debtor, to release the Transaction Security or any other claim (relating to a Debt Document) over the assets of that Debtor and the shares in and assets of any of its subsidiaries; (iii) to execute and deliver or enter into any release of the Transaction Security or any claim described in (i) and/or (ii) above and/or issue any certificates of non-crystallization of any floating charge or any consent to dealing, or return any physical collateral or other documents, in each case, as reasonably requested by the Issuer, and (iv) to take any other action on behalf of the Secured Parties in connection with the same that is not prohibited under the relevant Debt Documents provided that, to the extent that replacement Transaction Security is required from the transferee under the terms of the Debt Documents, such Transaction Security shall, to the extent reasonably practicable and subject to the Agreed Security Principles, be granted at the same time as (or before) the relevant disposal is affected.

Distressed Disposal

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement provides that the Security Agent is authorized and instructed:

- (i) to release the Transaction Security, or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security, or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;
- (ii) if the asset which is disposed of consists of shares in the capital of a Debtor, to release (a) that Debtor and any subsidiary of that Debtor from all or any part of: (x) the liabilities it may have as a principal debtor in respect of financial indebtedness arising under the Debt Documents (whether incurred solely or jointly and including, without limitation, liabilities as a Borrower under any Credit Facility Agreement or liabilities as an issuer of the Notes or any Senior Notes or in any equivalent capacity under the Future Pari Passu Debt Documents and/or Future Senior Debt Documents) (the “**Borrowing Liabilities**”); (y) the liabilities under the Debt Documents (present or future, actual or contingent and whether incurred solely or jointly) it may have as or as a result of its being a guarantor or surety or giving an indemnity as a primary debtor, contribution or subrogation and in particular any guarantee or indemnity arising under or in respect of the Senior Secured Debt Documents, any Senior Notes Documents or the Future Senior Debt Documents (the “**Guarantee Liabilities**”) and (z) any trading and other liabilities (not being Borrowing Liabilities or Guarantee Liabilities) it may have to any Intra-Group Lender, any Debtor, any Shareholder Creditor, any Third Party Security Provider or any holding company of any Debtor (the “**Other Liabilities**”); (b) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and (c) any other claim of a Subordinated Creditor, an Intra-Group Lender, or another Debtor, or a Third Party Security Provider over that Debtor’s assets or over the assets of any subsidiary of that Debtor on behalf of, in each case the relevant Creditors, Debtors and Third Party Security Provider;
- (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 Liabilities, Guarantee Liabilities and Other Liabilities; (b) any Transaction Security granted by any subsidiary of that holding company over any of its assets; and (c) any other claim of a Subordinated Creditor, an Intra-Group Lender or another Debtor, or a Third Party Security Provider over the assets of any subsidiary of that holding company on behalf of, in each case the relevant Creditors, Debtors and Third Party Security Provider;
- (iv) provided that the disposal is in accordance with the Security Enforcement Principles, if the asset which is disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor and the Security Agent decides to dispose of all or any part of (y) all present and future moneys, debts, liabilities and obligations due at any time of any member of the Group, any Parent Borrower or any Third Party Security Provider to any Creditor under the Debt Documents, both actual and contingent and whether incurred solely or jointly with any other person or in any other capacity, together with any additional liabilities, but subject to certain limitations on liability in respect of the Third Party Security Provider (the “**Liabilities**”); or (z) any liabilities owed to any Debtor or Shareholder Creditor whether actual or contingent and whether

incurred solely or jointly (the “**Debtor Liabilities**”) owed by that Debtor or holding company or any subsidiary of that Debtor or holding company on the basis that (A) if the Security Agent does not intend that any transferee of those Liabilities or Debtor Liabilities will be treated as a Primary Creditor (as defined in the Intercreditor Agreement) or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all (and not part only) of those Liabilities owed to the Primary Creditors or Debtor Liabilities provided that notwithstanding any other provision of any Debt Document, the transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and (B) if the Security Agent does intend that any transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of (I) all (and not part only) of the Liabilities owed to the Primary Creditors; and (II) all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case the relevant Creditors, Debtors and Third Party Security Provider; and

- (v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the “**Disposed Entity**”) and the Security Agent decides to transfer to another Debtor or a holding company of a Debtor all or part of the Disposed Entity’s obligations or any obligations of any Subsidiary of that Disposed Entity in respect of (x) the Intra- Group Liabilities; (y) Holdco Liabilities; or (z) the Debtor Liabilities to execute and deliver or enter into any agreement to (A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities on behalf of the relevant Intra- Group Lenders, the Holdco Lender and the relevant Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and (B) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities on behalf of the receiving entity or receiving entities to which the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities are to be transferred.

If a Distressed Disposal is being effected such that the Senior Liabilities and Shared Security will be released, it is a further condition to the release that either:

- (i) any Senior Notes Trustee has approved the release on the instructions of any Senior Notes Required Holders (as defined below) and any Future Senior Debt Representative (as such term is defined in the Intercreditor Agreement) has approved the release on the instructions of the Future Senior Debt Required Holders (as defined below); or
- (ii) each of the following conditions is satisfied:
 - (A) the proceeds of such sale or disposal are in cash (or substantially in cash);
 - (B) all present and future obligations owed to the secured parties under the Senior Debt Documents by any Senior Notes Issuer, Future Senior Debt Issuer, or a member of the Group all of whose shares are pledged under the Transaction Security are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and such obligations are not assumed by the purchaser or one of its affiliates), and all Security under the Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale; and
 - (C) such sale or disposal is made:
 - (I) pursuant to Competitive Process (being a public or private auction or other competitive sale process in which more than one bidder participates or is invited to participate (including any person invited that is a Primary Creditor (as such term is defined in the Intercreditor Agreement) at the time of such invitation), which may or may not be conducted through court or other legal proceedings, and which is conducted with the advice of a Financial Advisor) in which the Senior Creditors (or a representative acting on their behalf) shall be entitled to participate as bidder or financier to the potential purchaser and shall be provided equal information rights as any other bidder, subject to applicable securities law (and for the avoidance of doubt in which the Senior Secured Creditors, the Super Senior Creditors or, in each case, a representative acting on their behalf are also entitled to participate);
 - (II) pursuant to any process or proceedings approved or supervised by or on behalf of any court of law which has jurisdiction and where there is a determination of value by or on behalf of such court; or
 - (III) where a Financial Advisor has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement and the circumstances giving rise

to such sale, provided that the liability of Financial Advisor in giving such opinion may be limited to the amount of its fees in respect of such engagement.

If prior to the Senior Secured Debt Discharge Date, a Distressed Disposal is being effected at a time when the Majority Senior Creditors are entitled to give, and have given, instructions, the Security Agent is not authorized to release any Debtor, Subsidiary or Holding Company that is a member of the Group from any Borrowing Liabilities or Guarantee Liabilities or Other Liabilities owed to any Senior Secured Creditor or any Super Senior Creditor unless those Borrowing Liabilities or Guarantee Liabilities or Other Liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full (or, in the case of any contingent Liability relating to a Letter of Credit, Cash Management Facility LC, a Cash Management Facility or an Ancillary Facility, made the subject of cash collateral arrangements acceptable to the relevant Senior Creditor), following that release.

Application of Proceeds of a Distressed Disposal

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of liabilities) shall be paid to the Security Agent for application in accordance with the provisions set forth under “—*Application of Proceeds/Waterfall*” as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred, as if the disposal of liabilities had not occurred.

Voting and Amendments

Voting in respect of the Revolving Credit Facility, the Notes and/or Future Pari Passu Debt will be in accordance with the relevant documents.

Except for amendments of a minor, technical or administrative nature which may be effected by the Security Agent and the Issuer and subject to the paragraph below and certain customary exceptions contained in the Intercreditor Agreement, amendments to or waivers and consents under the Intercreditor Agreement requires the written agreement of:

- (a) the Majority Super Senior Creditors (if prior to the Super Senior Discharge Date);
- (b) the Majority Cash Management Facility Creditors (if prior to the Cash Management Facility Discharge Date);
- (c) the Senior Secured Notes Required Holders (if prior to the Senior Secured Notes Discharge Date);
- (d) the Future Pari Passu Debt Required Holders (if prior to the Future Pari Passu Debt Discharge Date);
- (e) any Senior Notes Required Holders (as defined below) (if prior to any Senior Notes Discharge Date);
- (f) the Future Senior Debt Required Holders (as defined below) (if prior to the Future Senior Debt Discharge Date);
- (g) the Security Agent; and
- (h) the Issuer,

provided that to the extent an amendment, waiver or consent only affects certain classes of Creditors, and such amendment, waiver or consent could not reasonably be expected to materially and adversely affect the interests of the other classes of Creditors, only written agreement from the representative for each affected class (if applicable, acting on the instructions of the affected class as required) shall be required. Notwithstanding the paragraph immediately above, subject to certain exceptions, including in relation to the implementation of certain future indebtedness as contemplated by the Intercreditor Agreement, an amendment or waiver relating to provisions dealing with (i) the definition of “Instructing Group,” (ii) ranking and priority, (iii) turnover of receipts, (iv) redistribution, (v) enforcement of Transaction Security, (vi) proceeds of disposals, (vii) application of proceeds, (viii) consents, amendments and overrides, and (ix) certain provisions relating to the instructions to and exercise of discretion by the Security Agent or (x) the order of priority or subordination under the Intercreditor Agreement, shall not be made without the written consent of:

- (a) each Creditor Representative acting in accordance with the provisions of the applicable Debt Documents;
- (b) the Cash Management Facility Lenders (or relevant Cash Management Facility Agent on their behalf, if appointed) (to the extent that the amendment or waiver (i) would materially adversely affect the rights and obligations of the Cash Management Facility Lenders under the Intercreditor Agreement in their capacity as such and (ii) would not materially adversely affect the rights and obligations of any other Creditor or class of Creditors, in each case other than the Cash Management Facility Lenders (solely in their capacity as such));

- (c) each Hedge Counterparty (to the extent that the amendment or waiver (i) would materially adversely affect the rights and obligations of the Hedge Counterparties in their capacity as such and (ii) would not materially adversely affect the rights and obligations of any other Creditor or class of Creditors, in each case other than the Hedge Counterparties (solely in their capacity as such)); and
- (d) the Issuer.

The Intercreditor Agreement provides that:

- (a) **“Future Pari Passu Debt Required Holders”** means, in respect of any direction, approval, consent or waiver, the Future Pari Passu Creditors holding in aggregate a principal amount of Future Pari Passu Debt which is not less than the principal amount of Future Pari Passu Debt required to vote in favor of such direction, consent or waiver under the terms of the Future Pari Passu Debt Document or, if the required amount is not specified, the holders holding the majority of the principal amount of the then outstanding Future Pari Passu Debt in accordance with the relevant Future Pari Passu Debt Documents;
- (b) **“Future Senior Debt Required Holders”** means, in respect of any direction, approval, consent or waiver, the Future Senior Creditors holding in aggregate a principal amount of Future Senior Debt which is not less than the principal amount of Future Senior Debt required to vote in favor of such direction, consent or waiver under the terms of the Future Senior Debt Document or, if the required amount is not specified, the holders holding the majority of the principal amount of the then outstanding Future Senior Debt in accordance with the relevant Future Senior Debt Documents;
- (c) **“Senior Notes Required Holders”** means, in respect of any direction, approval, consent or waiver, the holders of any Senior Notes holding in aggregate a principal amount of Senior Notes which is not less than the principal amount of Senior Notes required to vote in favor of such direction, consent or waiver under the terms of any Senior Notes Documents or, if the required amount is not specified, the holders holding the majority of the principal amount of the then outstanding Senior Notes (as applicable) in accordance with the applicable Senior Notes Documents; and
- (d) **“Senior Secured Notes Required Holders”** means, in respect of any direction, approval, consent or waiver, the holders of any Senior Secured Notes holding in aggregate a principal amount of Senior Secured Notes which is not less than the principal amount of Senior Secured Notes required to vote in favor of such direction, consent or waiver under the terms of the applicable Senior Secured Notes Documents or, if the required amount is not specified, the holders holding the majority of the principal amount of the then outstanding Senior Secured Notes (as applicable) in accordance with the applicable Senior Secured Notes Documents.

Snooze/Lose

If in relation to a request for a consent, to participate in a vote of a class of creditors, to approve any action or to provide any confirmation or notification, in each case, under the Intercreditor Agreement (and any other Debt Document, which does not contain a substantially equivalent snooze/ lose provision) any creditor fails to respond to the request within seven Business Days (or any other period of time notified by the Company, with the agreement of the Security Agent in the case of a shorter period of time) or fails to provide details of its credit participation, such creditor will be disregarded or be deemed to have zero participation in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable provided that, notwithstanding the foregoing, such provision shall not apply to any holder of a Note in respect of any request where such holder of a Note is not given the option to respond to such request in the negative but shall otherwise apply to all holders of a Note.

Option to Purchase

Following:

- (a) any notice that the Transaction Security has become enforceable; or
- (b) either (i) a prescribed acceleration of the Revolving Credit Facility, a Cash Management Facility Document, the Notes, the Future Pari Passu Debt, any Senior Notes or the Future Senior Debt, or (ii) the enforcement of any Transaction Security (a **“Distress Event”**),

the holders of the Notes, the Cash Management Facilities Lenders and the Future Pari Passu Creditors shall have an option to purchase all (but not part) of the RCF Lenders’ (or their affiliates) commitments under the Revolving Credit Facility and all the exposures in respect of any Priority Hedging Agreements at par plus accrued interest and all other amounts owing under the Revolving Credit Facility Agreement, and the Priority Hedging Agreements, with such purchase to occur all at the same time.

Following (a) any notice that the Transaction Security has become enforceable; or (b) a Distress Event, the holders of any Senior Notes and the Future Senior Debt Creditors shall have an option to purchase all (but not part) of the Senior Secured Debt at par plus accrued interest and all other amounts owing in respect of such Senior Secured Debt, with such purchase to occur all at the same time.

Hedging

All scheduled payments (or another ordinary course payment, including in relation to fees, costs and expenses) or Adjustment Payments (as such term is defined in the ISDA Benchmarks Supplement as published by the International Swaps and Derivatives Association, Inc. on September 19, 2018) or equivalent payment permitted under a Hedging Agreement (other than certain close out payments whilst a Senior Secured Default is continuing (or payments when a scheduled payment from the hedging counterparty is due and unpaid)) are permitted payments for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement contains customary provisions in relation to the circumstances in which a Priority Hedge Counterparty and a Non-Priority Hedge Counterparty may take Enforcement Action in relation to its hedging.

Provisions Following an IPO

On, following or in contemplation of an initial public offering of a member of the Group (or a holding company thereof) (an “**IPO**”), the Issuer is entitled to give notice that the terms of the Debt Documents will automatically operate so that, amongst other things, (i) the Group (and all related provisions) will now refer to the entity who will issue shares or whose shares are to be sold pursuant to such IPO (the “**IPO Pushdown Entity**”), and its respective Restricted Subsidiaries, provided that if any Senior Notes (or debt ranking *pari passu* therewith) are not refinanced in full on or before the date of such IPO, the IPO Pushdown Entity shall be the Senior Notes Issuer (or other *pari passu* debt issuer) for the purposes of the Senior Liabilities (if applicable) and the direct subsidiary of the Senior Notes Issuer for the purposes of the Group, all other Liabilities and all related provisions, (ii) all financial ratio calculations shall be made excluding any holding company of the IPO Pushdown Entity and all reporting obligations shall be assumed at the level of the IPO Pushdown Entity, (iii) certain provisions of the Debt Documents (including representations, undertakings and events of default) will cease to apply to any holding company of the IPO Pushdown Entity.

Each holding company of the IPO Pushdown Entity shall be irrevocably and unconditionally released from all obligations under the Debt Documents (including any Transaction Security, including Shared Security), and each Subordinated Creditor or Senior Notes Issuer will be released from its obligations and restrictions under the Intercreditor Agreement in the appropriate capacity.

Subject to the consent of the requisite majority lenders under each applicable class of debt (being the Majority Super Senior Creditors, the Majority Senior Secured Creditors and the Majority Senior Creditors, the Issuer and each other member of the Group and each Third Party Security Provider shall also be released from all obligations as Debtor, Third Party Security Provider and guarantor under the Debt Documents and from the Transaction Security (other than, in each case, Borrowing Liabilities)). Each party to the Intercreditor Agreement (other than a member of the Group) shall be required to enter into any amendment, release or replacement of any Debt Document required to facilitate the matters described in each of the above paragraphs under the heading “—*Provisions Following an IPO.*”

Notwithstanding the foregoing, (i) if the Senior Notes and any Future Senior Debt are not refinanced in full on or before the date of such IPO, for the purposes of the Group or Senior Liabilities, the IPO Pushdown Entity shall be any holding company of the Issuer which is the issuer or borrower of any Senior Liabilities and, for the purposes of the Group or Liabilities other than the Senior Liabilities (and all related provisions), the IPO Pushdown Entity shall be the direct subsidiary thereof and (ii) if the Senior Notes and any Future Senior Debt have been refinanced in full on or before the date of such IPO Event but the Senior Secured Notes and any Future Pari Passu Debt have not been refinanced in full on or before then, the Issuer shall be the IPO Pushdown Entity and the Group (and all related provisions) shall continue to comprise the Issuer and each of its Restricted Subsidiaries from time to time.

Debt Transfer

Provided certain conditions are met, the Issuer may at any time require that all of the rights and obligations of any Creditor in respect of all or part of any Liabilities owing by a Senior Secured Notes Issuer or Credit Facility Borrower (a “**Debt Transfer Borrower**”) in respect of its Liabilities (including borrowing liabilities) under the applicable Debt Documents be novated or otherwise transferred by that Debt Transfer Borrower (a “**Debt Transfer**”). Any Debt Transfer may be effected on a cashless basis, by way of book entries and not as physical cash movement to repay and re-borrow any applicable Liabilities.

General

The Intercreditor Agreement contains provisions dealing with:

- (a) close-out rights for the Priority Hedge Counterparties and the Non-Priority Hedge Counterparties;
- (b) permitted payments (including without limitation, the repayment of Shareholder Liabilities and the payment of permitted distributions in each case to the extent permitted under the terms of the relevant documents relating to the Senior Secured Debt, any Senior Notes and the Future Senior Debt);
- (c) incurrence of Future Pari Passu Debt or Future Senior Debt that will allow certain creditors and agents with respect to such Future Pari Passu Debt or Future Senior Debt, as the case may be, to accede to the Intercreditor Agreement and benefit from, and be subject to, the provisions of the Intercreditor Agreement so long as not prohibited under the Revolving Credit Facility Agreement or the Indenture and Future Senior Debt shall be subject to the same subordination provisions as any Senior Notes;
- (d) the ability to replace or supplement the Revolving Credit Facility Agreement with facilities benefiting from a similar position under the terms of the Intercreditor Agreement;
- (e) payments received by creditors which are not permitted by the Intercreditor Agreement shall be required to be held on trust for the Security Agent and provided to the Security Agent for application in accordance with the Payments Waterfall; and
- (f) customary protections for the Security Agent (and its receivers and delegates), any Senior Notes Trustee and the Trustee.

Governing law

The Intercreditor Agreement is governed by and construed in accordance with English law.

Bridge to Cash Facility

In connection with the transaction, the Issuer (as company and original borrower), the lender (as named therein), Unicredit S.p.A., as agent and security agent have entered into or will enter into a secured bridge facility agreement establishing the Bridge to Cash Facility.

The Bridge to Cash Facility will be used to partially fund the Multiversity Investment. Following the Post-Closing Reorganisation as described below, the Cash Available which will ultimately be used to discharge the Bridge to Cash Facility and the quantum of the Bridge to Cash Facility will not exceed amount of Cash Available held by Multiversity S.p.A. and confirmed to the lender of the Bridge to Cash Facility on or prior to the Issue Date in accordance with the mechanic set out in the Bridge to Cash Facility (and in any case the Bridge to Cash Facility shall not exceed a principal amount of €250.0 million).

Following the Post-Closing Reorganisation, Multiversity will assume the Cash Available, along with the rights and obligations of Paganini BidCo S.p.A. under the Indenture, the Notes and the Revolving Credit Facility (as defined herein) and the Bridge to Cash Facility will be repaid from the Cash Available within the earlier of (a) two Business Days following the completion and effectiveness of the Post-Closing Reorganisation and (b) 15 December 2022.

Other than security over the Cash Available on and from closing (following completion of a “white wash” procedure pursuant to Article 2358 of the Italian Civil Code) held by Multiversity S.p.A., the Bridge to Cash Facility will not benefit from any guarantees, security, or other credit support.

DESCRIPTION OF THE NOTES

You will find definitions of certain capitalized terms used in this “Description of the Notes” under the heading “Certain Definitions”. For purposes of this “Description of the Notes”, references to the “Issuer”, “we”, “our”, and “us” refer only to Paganini BidCo S.p.A.

The Issuer will issue €765.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2028 (the “**Notes**”) under an indenture to be dated as of October 27, 2021 (the “**Indenture**”), between, *inter alios*, the Issuer, BNY Mellon Corporate Trustee Services Limited, as trustee and agent (*mandatario con rappresentanza*) (the “**Trustee**”) and Noteholders’ Representative (as defined below), Deutsche Bank AG, London Branch, as security agent (the “**Security Agent**”) and Security Representative (as defined below), and The Bank of New York Mellon, London Branch, as paying agent. The Notes will not be guaranteed by any of the Subsidiaries of the Issuer. The Indenture will not incorporate or include, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

The offering of the Notes is expected to be consummated on October 27, 2021 (the “**Issue Date**”), which is expected immediately prior to the acquisition of (i) the entire issued share capital of Wversity S.r.l., an entity incorporated under the laws of Italy (“**Wversity**” and Wversity, together with its subsidiaries, the “**Target Group**”) and (ii) the entire issued share capital in Multiversity S.r.l., (“**Multiversity**”) an entity incorporated under the laws of Italy and an indirect subsidiary/joint venture investment of Wversity (together, such investments being the “**Multiversity Investment**”) such that, at completion of the Multiversity Investment, the Issuer will own, directly or indirectly, the entire issued share capital of Multiversity. The Initial Purchasers will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the gross proceeds of the offering of the Notes into an escrow account (the “**Escrow Account**”) pursuant to the terms of an escrow deed (the “**Escrow Agreement**”) dated as of the Issue Date among the Issuer, the Trustee and The Bank of New York Mellon, London Branch, as Notes escrow agent (the “**Escrow Agent**”). If the Multiversity Investment is not consummated on or prior to January 31, 2022 (the “**Escrow Longstop Date**”), the Notes will be redeemed at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). See “—*Escrow of Proceeds; Special Mandatory Redemption*”.

The Issuer will enter into the Bridge to Cash Facility to partially fund the Multiversity Investment. The quantum of the Bridge to Cash Facility will be a principal amount of €221.6 million which represents an amount equal to the Cash Available held by Multiversity S.p.A. (“**MultiSpa**”) for the purposes of the Multiversity Investment. The Bridge to Cash Facility will be repaid within two Business Days following the completion and effectiveness of the Post-Closing Reorganisation (as defined herein) (but in any event no later than December 15, 2022). As described under “*Summary—The Transactions*” in this Offering Memorandum, Wversity and MultiSpa, an entity incorporated under the laws of Italy and a wholly owned subsidiary of Wversity, hold cash (the “**Cash Available**”), which the Issuer will pay to the Seller in connection with the Multiversity Investment. The Cash Available will ultimately be used to discharge the Bridge to Cash Facility.

On the Acquisition Closing Date and upon release from the Escrow Account the proceeds of the offering of the Notes sold on the Issue Date, amounts drawn under the Revolving Credit Facility, the Bridge to Cash Facility and the Equity Contribution will be used by the Issuer to fund the Multiversity Investment and to pay the estimated costs and expenses associated with the Transactions (as defined under “*Summary—The Transactions*”) as set forth in this Offering Memorandum under the caption “*Use of Proceeds*”. In due course, the Issuer will use reasonable endeavours to, within 18 months following the Issue Date, merge along with Wversity and Multiversity S.p.A. into Multiversity under a reverse merger (the “**Post-Closing Reorganisation**”) with the surviving entity being Multiversity. Following the Post-Closing Reorganisation, Multiversity will assume the Cash Available, along with the rights and obligations of Paganini BidCo S.p.A. under the Indenture, the Notes and the Revolving Credit Facility and the Bridge to Cash Facility will be repaid from the Cash Available within two Business Days following the completion and effectiveness of the Post-Closing Reorganisation.

The Indenture will be unlimited in aggregate principal amount, of which €765.0 million aggregate principal amount of Notes will be issued in this Offering. We may, subject to applicable law, issue an unlimited principal amount of additional Notes (the “**Additional Notes**”). We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under “—*Certain Covenants—Limitation on Indebtedness*”). Except with respect to right of payment and optional redemption, and as otherwise provided for in the Indenture, the Notes issued in this Offering and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase; provided that such Additional Notes will not have the same CUSIP number, ISIN, Common Code or other identifying number as the Notes Unless the Additional Notes are fungible with the Notes for U.S. federal

income tax purposes. Unless the context otherwise requires, in this “*Description of the Notes*”, references to the “Notes” include the Notes and any Additional Notes that are actually issued.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Notes. Please see “*Description of Certain Financing Arrangements—Intercreditor Agreement*” for a description of the material terms of the Intercreditor Agreement.

This “*Description of the Notes*” is intended to be an overview of the material provisions of the Notes, the Indenture and the Security Documents. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture and the Security Documents for complete descriptions of the obligations of the Issuer and your rights. Copies of such documents are available from us upon request.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions.

General

The Notes

The Notes will, upon issuance:

- be general senior obligations of the Issuer, secured as set forth under “—*Security*”;
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer and other obligations that are not expressly subordinated in right of payment to the Notes, including the Revolving Credit Facility;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- rank effectively senior to any existing and future indebtedness of the Issuer that is unsecured to the extent of the value of the Collateral;
- be effectively subordinated to any existing and future Indebtedness or obligation of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors.

In the event of a bankruptcy, liquidation or reorganization of any Subsidiary that is not a Guarantor, such Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Issuer or a Guarantor, if any.

Following the Issue Date, it is expected that the primary operations of the Issuer will be conducted through its Subsidiaries. Claims of creditors of non-Guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Issuer, including Holders of the Notes. The Notes therefore will be structurally subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Subsidiaries of the Issuer (other than future Guarantors, if any).

As of September 30, 2021, on a *pro forma* basis after giving effect to the Transactions, the Issuer and its consolidated subsidiaries would have had €806.7 million principal amount of indebtedness, of which €765.0 million is represented by the Notes and €38.7 million would be drawn under the Revolving Credit Facility. This does not include the Bridge to Cash Facility that will be secured by the Cash Available held by Multiversity S.p.A., to the extent of the amount of the Cash Available and will be repaid from the Cash Available within 2 of Business Days following the completion and effectiveness of the Post-Closing Reorganisation. Although the Indenture limits the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See “—*Certain Covenants—Limitation on Indebtedness*.”

Principal and Maturity

The Issuer will issue €765.0 million in aggregate principal amount of Notes on the Issue Date. The Notes will mature on October 30, 2028. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue at a rate per annum (the “**Applicable Rate**”), reset quarterly, equal to the sum of

- (i) three-month EURIBOR (and if that rate is less than zero, EURIBOR shall be deemed to be zero) plus
- (ii) 4.25% per annum, as determined by the calculation agent (the “**Calculation Agent**”), who shall initially be The Bank of New York Mellon, London Branch. Interest on the Notes will:
 - accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
 - be payable in cash quarterly in arrears on January 30, April 30, July 30 and October 30, commencing on January 30, 2022;
 - be payable to the holder of record of such Notes on the Business Day immediately preceding the related interest payment date; and
 - be computed on the basis of a 360-day year and the actual number of days elapsed.

Set forth below is a summary of certain of the provisions from the Indenture relating to the calculation of interest on the Notes.

“**Determination Date**” with respect to an Interest Period, means the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

“**EURIBOR**” with respect to an Interest Period, means the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Page EURIBOR01 as of 11:00 a.m. Brussels time, on the Determination Date; *provided that*, EURIBOR shall never be less than 0%. If Reuters Page EURIBOR01 does not include such a rate or is unavailable on a Determination Date, the Issuer will request the principal London or Frankfurt office of each of four major banks in the euro-zone inter-bank market, as selected by the Issuer, to provide such bank’s offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the euro-zone inter-bank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, EURIBOR for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Issuer will request each of three major banks in London or Frankfurt, as selected by the Issuer, to provide such bank’s rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, EURIBOR for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then EURIBOR for the Interest Period will be the EURIBOR in effect with respect to the immediately preceding Interest Period.

If the Issuer determines, prior to any Determination Date, that:

- (1) there has been a material disruption to EURIBOR;
- (2) EURIBOR is not available for use temporarily, indefinitely or permanently;
- (3) there are restrictions or prohibitions on the use of EURIBOR;
- (4) an alternative rate has replaced EURIBOR in customary market practice in the international capital markets applicable generally to floating rate notes; or
- (5) it has become unlawful for the Calculation Agent, the Issuer or a third party agent of the Issuer to calculate any payments due to Holders using EURIBOR,

a Rate Determination Agent, acting in good faith and in a commercially reasonable manner, shall select with the prior consent of the Issuer a successor rate to EURIBOR that has been recommended or selected by the relevant monetary authority or similar authority (or working group thereof) or by a widely recognized industry association or body or that is expected to develop or has developed as an industry accepted rate for debt market instruments such as or comparable to the Notes in the European leveraged finance market or which has been adopted in other

debt market instruments such as or comparable to the Notes which have been issued by a company owned by the Sponsor in the European leveraged finance market (with no applicable adjustment spread) for use in calculating the Applicable Rate (the “**Successor Rate**”), and the Issuer shall certify (by way of an Officer’s Certificate) to each of the Trustee, the Calculation Agent and the Paying Agent, at least three Business Days prior to any Determination Date, such Successor Rate (upon which each of the Trustee, the Calculation Agent and Paying Agent shall be entitled to rely conclusively and absolutely without further enquiry, investigation, verification or liability of any kind whatsoever), which shall be used by the Calculation Agent to calculate the Applicable Rate. Holders shall be bound by any such Successor Rate without any further action or consent by the Holders or the Trustee. For the avoidance of doubt, the sum of the Successor Rate shall, in all cases, not be less than 0%. The Issuer shall promptly notify the Holders of the adoption of any Successor Rate. Following the adoption of any Successor Rate, all references to “EURIBOR” in the Indenture shall be deemed to refer to such Successor Rate.

“**euro-zone**” means the region comprised of member states of the European Union that adopt the euro.

“**Interest Period**” means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date.

“**Rate Determination Agent**” means (a) an independent financial institution of international standing or an independent financial adviser of recognized standing (that is not an Affiliate of the Issuer) as appointed by the Issuer at the expense of the Issuer, or, (b) if it is not reasonably practicable to appoint a party as referred to under (a), the Issuer.

“**Representative Amount**” means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

“**Reuters Page EURIBOR01**” means the display page so designated on Reuters (or such other page as may replace that page on that service, or, if no such page is available, such other page as may replace that page on such other service as may be nominated as the information vendor).

“**TARGET Settlement Day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open for the settlement of payments in euro.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the “**Interest Amount**”). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual amounts of days in the Interest Period concerned divided by 360. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (*e.g.*, 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655)). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law, *provided, however*, that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Notes is permitted under any applicable law. The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at a rate that is 1% higher than the then-applicable interest rate on the Notes to the extent lawful; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue instalments of interest, if any (without regard to any applicable grace period), at the same rate to the extent lawful.

The rights of Holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest, premium and Additional Amounts, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to the Notes represented by one or more Global Note registered in the name of or held by a nominee of a common depositary for Euroclear and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest, premium and Additional Amounts if any, on any certificated securities (“**Definitive Registered Notes**”) will be payable at the specified office or agency of one or more Paying Agents maintained

for such purposes. In addition, interest on the Definitive Registered Notes may be paid by bank transfer to the person entitled thereto as shown on the register for the Definitive Registered Notes. See “—*Paying Agent, Registrar and Transfer Agent for the Notes*”.

Paying Agent, Registrar and Transfer Agent for the Notes

The Issuer will maintain one or more Paying Agents for the Notes. The initial Paying Agent will be The Bank of New York Mellon, London Branch (the “**Principal Paying Agent**”).

The Issuer will also maintain a registrar (the “**Registrar**”) and a transfer agent (the “**Transfer Agent**”). The initial Registrar and Transfer Agent will be The Bank of New York Mellon SA/NV, Dublin Branch. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer.

The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of the change in a Paying Agent, Registrar or Transfer Agent may also be published on the official website of the Luxembourg Stock Exchange (www.bourse.lu), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Notes Guarantees

The Notes will not be guaranteed. Although there will be no initial Guarantors, if required by the covenant as described below under “—*Certain Covenants—Additional Notes Guarantees*” and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary that guarantees the Revolving Credit Facility, Public Debt or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement. Subject to the Agreed Security Principles (as defined herein), post-closing, sufficient guarantors will accede within 120 days of the earlier of (a) the Post-Closing Reorganisation and (b) the first anniversary of the Acquisition Closing Date such that entities contributing 80% of the Consolidated EBITDA of the Group that are located in Guarantor Jurisdictions (as defined herein) and each Material Company (being each contributing 5% or more of Consolidated EBITDA of the Group on an unconsolidated basis) become, subject to Agreed Security Principles, guarantors, see “*Description of Certain Financing Arrangements—Revolving Credit Facility—Guarantees*”. In addition, security is to be granted (subject to and in accordance with the Agreed Security Principles) over the shares in any additional borrower under the Revolving Credit Facility (including on a limited recourse basis if the relevant shareholder is not a guarantor), and any Material Company or other member of the Group located in a Guarantor Jurisdiction which becomes a guarantor of the Revolving Credit Facility is required (subject to and in accordance with the Agreed Security Principles and certain limitations pursuant to applicable laws as described under “*Limitations on Validity and Enforceability of any notes Guarantees and the Collateral and Certain Insolvency Law Considerations—Limitations on Granting Security Interests and Guarantees under Italian Law*”) to grant security over shares in any Material Company that is its wholly-owned subsidiary and (if wholly owned by other members of the Group) to have its own shares (or equivalent ownership interests) secured in favor of the Security Agent (including on a limited recourse basis if the relevant shareholder is not a guarantor). For the avoidance of doubt, no security shall be granted by (or over the quota in or loans made to) Target or MultiSpA.

To the extent provided in future, any Notes Guarantee will be a joint and several obligation of each Guarantor.

Each Notes Guarantee, if any, will:

- be a general senior obligation of the applicable Guarantor, secured as set forth under “Security”;
- rank *pari passu* in right of payment with any existing or future Indebtedness of the applicable Guarantor that is not subordinated in right of payment to the applicable Notes Guarantee, including obligations in respect of the Revolving Credit Facility;
- rank senior in right of payment to any existing or future Indebtedness of the applicable Guarantor that is expressly subordinated in right of payment to the applicable Notes Guarantee; and
- be effectively subordinated to any existing or future Indebtedness or obligation of the applicable Guarantor that is secured by property or assets that do not secure the Notes Guarantee, to the extent of the value of the property and assets securing such Indebtedness or obligation.

Any Notes Guarantees that are subject to limitations under applicable law will be contractually limited under the applicable Notes Guarantee to reflect such limitations with respect to maintenance of share capital, corporate benefit, financial assistance, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. In addition, each Notes Guarantee (if any) will be limited to the maximum amount that would not render the relevant Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. For a description of such contractual limitations, see *"Risk Factors—Risks Related to the Notes, the Collateral and any Future Notes Guarantees—The Issuer is incorporated in Italy, and Italian insolvency laws may not be as favorable to holders of the Notes as insolvency laws in other jurisdictions with which they may be familiar"*, *"—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes and the Collateral"*, *"—The Collateral and any future guarantees of the Notes will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability"* and *"Limitations on Validity and Enforceability of any Future Notes Guarantees and the Collateral and Certain Insolvency Law Considerations"*.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Credit Facility and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees and security where, among other things, such grant would be restricted by general statutory or other legal or regulatory limitations or requirements, financial assistance, corporate benefit, fraudulent preference rules, "thin capitalization" rules, capital maintenance rules, retention of title claims, works council or other employee consultation requirements and similar principles.

The Notes Guarantee of a future Guarantor, if any, will automatically terminate and release:

- (1) upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;
- (2) upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- (3) upon defeasance or discharge of the Notes, as provided in *"—Defeasance"* and *"—Satisfaction and Discharge"*;
- (4) with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Revolving Credit Facility and (ii) does not guarantee any other Credit Facility which is a term facility which constitutes Senior Secured Indebtedness or Junior Lien Indebtedness or Public Debt;
- (5) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (6) as described under *"—Amendments and Waivers"*;
- (7) as described in the second paragraph of the covenant described below under *"—Certain Covenants—Additional Notes Guarantees"*;
- (8) as a result of a transaction that would not be prohibited by the covenant described below under *"—Certain Covenants—Merger and Consolidation"*;
- (9) in connection with an IPO Debt Pushdown in accordance with the Intercreditor Agreement; or
- (10) in connection with a Permitted Reorganization.

Upon the request of the Issuer, the Trustee and the Security Agent shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the Holders or any other action or consent on the part of the Trustee.

Transfer and Exchange

The Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “**144A Global Notes**”). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depository for the accounts of Euroclear and/or Clearstream.
- Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “**Regulation S Global Notes**” and, together with the 144A Global Notes, the “**Global Notes**”). The Regulation S Global Note will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depository for the accounts of Euroclear and/or Clearstream.

Ownership of interests in the Global Notes (“**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “*Transfer Restrictions*”. In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes (the “**144A Book-Entry Interests**”) may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the “**Regulation S Book-Entry Interests**”) denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Transfer Restrictions*”.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Definitive Registered Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; or
- (4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agent and the Registrar will be entitled to treat the Holder of a Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the Issue Date, all of the Issuer's Subsidiaries are expected to be "Restricted Subsidiaries" for the purposes of the Indenture. Under the circumstances described below under "*Certain Definitions—Unrestricted Subsidiary*", we will be permitted to designate Restricted Subsidiaries as "Unrestricted Subsidiaries". Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Escrow of Proceeds; Special Mandatory Redemption

On the Issue Date, the Issuer will enter into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the Initial Purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of the offering of the Notes sold on the Issue Date into the Escrow Account. The Escrow Account will be pledged on a first-ranking basis in favor of the Trustee for the benefit of the Holders pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the "**Escrow Charge**"). The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "**Escrowed Property**."

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer (the "**Release**"), the Escrow Agent and the Trustee shall have received from the Issuer, on or prior to the Escrow Longstop Date, an Officer's Certificate, upon which both the Escrow Agent and the Trustee shall rely, without further investigation, to the effect that the following conditions (collectively the "**Escrow Conditions**") have been met or will be satisfied:

- the Multiversity Investment will be consummated on the terms set forth in the Sale and Purchase Agreement, within three Business Days following the release of the Escrowed Property, except for any changes, waivers or other modifications that will not, individually or when taken as whole, have a material adverse effect on the holders of the Notes;
- immediately after consummation of the Acquisition, the Issuer will own the entire share capital of Wversity and, together with the shares owned by Multiversity S.p.A. in Multiversity, the entire share capital of Multiversity; and
- as of the date thereof, there shall not have occurred an Event of Default under clause (5) of the first paragraph under the heading titled "*Events of Default*" with respect to the Issuer.

The Release shall occur following receipt of the Officer's Certificate in accordance with the terms of the Escrow Agreement. Upon the Release, the Escrow Account shall be reduced to zero, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement. The Escrow Agreement will provide that if an interest payment date on the Notes occurs prior to the Escrow Longstop Date, the Issuer may, at its option, elect to make such interest payment with the Escrow Property upon delivery of an Officer Certificate to the Trustee, and the Trustee will release the amount due for the payment of such interest, in accordance with the terms of the Escrow Agreement, from the Escrow Charge. In the event that, notwithstanding the certifications contained in the Officer's Certificate delivered by the Issuer to the Escrow Agent and the Trustee pursuant to the immediately preceding paragraph, the Multiversity Investment is not consummated within three Business Days following the Release of the Escrowed Property further to the such delivery, the Issuer shall immediately redeposit with the Escrow Agent the Escrowed Property (which for the avoidance of doubt shall be in an amount equal to the amount of the Escrowed Property so released) and the Escrowed Property shall thereupon be (i) held by the Escrow Agent in accordance with the Escrow Agreement and the Escrow Charge, (ii) subject to the Lien of the Escrow Charge to the same extent as it was immediately preceding such Release and (iii) subject to further Release of the Escrowed Property in accordance with Release provision in the immediately preceding paragraph; *provided, however*, that the foregoing provisions of this sentence shall apply only with respect to the first Release and not any subsequent Release.

In the event that (a) the Acquisition Closing Date does not take place on or prior to the Escrow Longstop Date, (b) the Issuer notifies the Escrow Agent and the Trustee that in the reasonable judgment of the Issuer, the Multiversity Investment will not be consummated by the Escrow Longstop Date (c) the Issuer notifies the Escrow Agent and the Trustee that the Investment Agreement has been fully and finally terminated at any time on or prior to the Escrow Longstop Date in accordance with its terms, (d) the Initial Investors cease to beneficially own and control a majority of the issued and outstanding Capital Stock of the Issuer or (e) an Event of Default arises under clause (5) of the first paragraph under the heading titled “**Events of Default**” on or prior to the Escrow Longstop Date with respect to the Issuer (the date of such event being the “**Special Termination Date**”), the Issuer will redeem the entire outstanding aggregate principle amount of the Notes (the “**Special Mandatory Redemption**”) at a price (the “**Special Mandatory Redemption Price**”) equal to 100% of the aggregate issue price of the Notes 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 Issuer, no later than one Business Day following the Special Termination Date, to the Trustee, the Paying Agent and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the tenth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the “**Special Mandatory Redemption Date**”). On the Special Mandatory Redemption Date, the Escrow Agent (or other holder of the Escrow Property) shall pay to the Paying Agent for payment to each Holder the Special Mandatory Redemption Price for such Holder’s Notes and, concurrently with the payment to such Holders, deliver any excess Escrowed Property (if any) to the Issuer.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, Paganini Investments S.à r.l. will be required to fund the accrued and unpaid interest, and Additional Amounts, if any, owing to the Holders. See “*Risk Factors—Risks Related to the Transactions—If the Offering closes prior to the consummation of the Multiversity Investment, if certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem its Notes, which means that you may not obtain the return you expect on the Notes*”.

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the Holders of the Notes a security interest in the Escrow Account. Upon receipt by the Trustee of an Officer’s Certificate (upon which the Trustee shall be entitled to rely without liability) for the release (provided funds sufficient to pay the Special Mandatory Redemption Price are in the Escrow Account) the Trustee shall be deemed to consent to the release of the Escrowed Property from the Escrow Account.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption.

Security

General

On the Issue Date the Notes will be secured by a first-ranking security interest in the Escrowed Property. See “—*Escrow of Proceeds; Special Mandatory Redemption*”.

On or about the Issue Date (except as otherwise specified below), the Notes will be secured, subject to the Agreed Security Principles and the Intercreditor Agreement, certain legal reservations and perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first-priority basis over the following property, rights and assets:

- (1) limited recourse pledge over Paganini Investments S.à r.l.’s shares in the Issuer;
- (2) limited recourse security interest agreement over Paganini Investments S.à r.l.’s intercompany receivables owing to it by the Issuer (if any); and
- (3) within 20 Business Days following the Post-Closing Reorganisation, limited recourse pledge over Paganini Investments S.à r.l.’s shares in Multiversity;

together, the “**Collateral**”.

Subject to certain conditions, including compliance with the covenants described under “—*Certain Covenants—Impairment of Security Interest*” and “—*Certain Covenants—Limitation on Liens*”, additional security interests

may be granted over the Collateral in connection with future issuances of Indebtedness of the Issuer and its Restricted Subsidiaries, including for the benefit of any Additional Notes issued by the Issuer as permitted under the Indenture and the Intercreditor Agreement. See “*Risk Factors—Risks Related to the Notes, the Collateral and any Future Notes Guarantees*”.

Any other security interests that may in the future be granted to secure obligations under the Notes, any Notes Guarantees and the Indenture would also constitute “Collateral”. All Collateral will be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

Notwithstanding the foregoing and the provisions of the covenant described below under “—*Certain Covenants—Additional Notes Guarantees*”, certain property, rights and assets (other than the Collateral described in the first and second paragraphs of this section) may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. The following is a summary of certain terms of the Agreed Security Principles:

- general legal, regulatory and statutory limitations, financial assistance (including under Article 2358 and/or 2374 of the Italian Civil Code), capital maintenance, corporate benefit, fraudulent preference, equitable subordination, transfer pricing, “interest stripping”, “controlled foreign corporation” and other tax restrictions, “exchange control restrictions”, “liquidity impairment” rules, thin capitalization rules, retention of title claims, employee consultation or approval requirements and similar principles may limit the ability of the Issuer and its Restricted Subsidiaries (collectively, the “**Group**”) to provide a Notes Guarantee or security or may require that the Notes Guarantee or security be limited by an amount or otherwise. If any such limit applies, the Notes Guarantees and security provided will be limited to the maximum amount which the relevant member of the Group may provide having regard to applicable law (including any jurisprudence) and subject to fiduciary duties of management;
- a key factor in determining whether or not a guarantee or security shall be taken is the applicable time and cost (including material adverse tax consequences or adverse effects on interest deductibility and stamp duty, registration taxes, notarisation and registration fees) which shall not be disproportionate to the benefit to the Holders of the Notes of obtaining such guarantee or security;
- the giving of a Notes Guarantee, the granting and the terms of security or the perfection of the security granted will not be required to the extent that the Group would incur any legal fees, registration fees, notarial fees, stamp duty, taxes and any other fees or costs directly associated with such security or Notes Guarantee which are disproportionate to the benefit obtained by the secured parties and/or having regard to the extent of the obligations which can be guaranteed or secured by that security and the priority that will be offered by taking or perfecting the security. In particular, it is acknowledged that the Issuer and/ or Guarantor have agreed not to opt (where possible) for the *Imposta Sostitutiva* regime pursuant to article 15 and subsequent of Italian Presidential Decree No. 601/1973 as amended and supplemented from time to time. Accordingly, Italian security that requires payment of an *ad valorem* registration tax on the amount of the secured obligations will not be taken unless it can be executed by way of exchange of correspondence or minimised upon execution (including through a cap on the amount of the secured obligations agreed between the Security Agent and the Issuer, each acting reasonably). Non-Italian security that requires payment of an *ad valorem* registration tax on the amount of the secured obligation will not be taken if tax duty cannot be minimized upon execution (including through a cap to the secured obligations agreed between the security agent and the Issuer (each acting reasonably));
- where there is material incremental cost involved in creating security over all assets owned by the Issuer or any Guarantor in a particular category, the principle stated in the second previous bullet above shall apply and, subject to the Agreed Security Principles, only the material assets in that category shall be subject to security;
- in certain jurisdictions it may be either impossible, impractical or disproportionately costly to grant Notes Guarantees or create security over certain categories of assets, in which event such Notes Guarantees will not be granted and security will not be taken over such assets;
- certain supervisory board, works council, regulator or regulatory board (or equivalent), or another external body’s or person’s consent may be required to enable a member of the Group to provide a guarantee or security. Such guarantee and/or security shall not be required unless such consent has been received;
- any assets subject to legal requirements, licenses or any other third-party arrangements (including, without limitation, any trade receivables) which may prevent those assets from being charged (or assets which, if charged, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of the Group in respect of those assets or require any member of the Group to take any action

materially adverse to the interests of the Group or any member thereof) will be excluded from any relevant Security Document; no security shall be required over (and no consent or waiver request submitted with respect to) assets which are required to support indebtedness assumed in connection with an acquisition to the extent permitted by the terms of the Notes Documents to remain outstanding following a Permitted Acquisition (“**Assumed Acquisition Indebtedness**”) and no member of the target group acquired pursuant to a Permitted Acquisition where Assumed Acquisition Indebtedness remains outstanding following completion of such Permitted Acquisition shall be required to become a Guarantor or grant security with respect to the Notes Documents if prevented by the terms of the documentation governing such Assumed Acquisition Indebtedness;

- members of the Group will not be required to give Notes Guarantees or enter into Security Documents if they are not wholly owned by another member of the Group or if it is not within the legal capacity of the relevant members of the Group or if the same would conflict with the fiduciary duties of those directors or contravene any legal prohibition, bona fide contractual restriction or any regulatory condition or prohibition or result in (or in a material risk of) personal or criminal liability on the part of any Officer or result in any significant risk of legal liability for the directors of any Group company. Furthermore, members of the Group will not be required to give Notes Guarantees or enter into Security Documents if the foregoing may, in the reasonable opinion of the Issuer, 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 or if the relevant member of the Group is acting as a trustee or similar or analogous function in a securitisation, structured financing or other similar arrangement;
- additional guarantee limitation provisions may be included in any supplemental indenture if required by any Officer of any member of the Group in connection with the granting of a Notes Guarantee in order to protect that Officer from potential liability or other legal risk;
- the terms of the security should not be such that they materially restrict the running of the business of or materially adversely affect the tax arrangements of the relevant member of the Group in the ordinary course as or otherwise permitted by the Notes Documents;
- the security will be first ranking, to the extent possible and subject to any Permitted Liens, and shall be limited to security over the shares in each Guarantor, *provided* that the Intercreditor Agreement will provide that the liabilities in respect of the Revolving Credit Facility and certain Hedging Obligations shall effectively rank in priority to the liabilities in respect of the Notes with respect to proceeds from the enforcement of such security;
- information, such as lists of assets, will be provided if and only to the extent, required by local law and local market practice to be provided solely to perfect or register the relevant security interests will be provided annually upon the reasonable request of the Security Agent or, if an Event of Default has occurred and is continuing and notice has been provided in accordance with the terms of the Indenture such that immediate repayment of the Notes is required (and such notice has not been withdrawn, cancelled or otherwise ceased to have effect), at the Security Agent’s reasonable request;
- perfection of security, when required, and other legal formalities will be completed as soon as reasonably practicable. The giving of a guarantee, the granting of security and the registration and/or the perfection of security interests granted will not be required if it would have a material adverse effect on the ability of the relevant Issuer or Guarantor to conduct its operations and business in the ordinary course or as otherwise permitted by the Notes Documents (and any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to this paragraph);
- any Security Document entered into by a member of the Group shall be governed by the law of and secure assets located in or otherwise governed or expressed to be governed by the laws of the jurisdiction of incorporation of that member of the Group, *provided* that security over shares shall be governed by the jurisdiction of incorporation of the member of the Group whose shares are the subject of security;
- access to the assets of the Issuer or a Guarantor and the maximum guaranteed or secured amount may be restricted or limited to minimize stamp duty, notarization, registration or other applicable fees, taxes and duties where the benefit of increasing the Notes Guarantee or secured amount is disproportionate to the level of such fees, taxes and duties (and in any event the maximum aggregate amount payable by the Group in respect of fees, costs, expenses, disbursements and non-recoverable value added tax (“**VAT**”) relating to the provision of guarantees and security shall be limited to an amount to be agreed between the security agent and the Issuer and no guarantee or security will be required until such amount is agreed);
- no perfection action will be required in jurisdictions where a member of the Group is not incorporated;

- no perfection action will be required with respect to assets of a type not owned by members of the Group;
- the Security Agent will hold one set of security interests for the secured parties to the extent reasonably practicable taking into account local law considerations;
- guarantees and security will not be required from or over, or over the assets of, or loans to, any joint venture or similar arrangement or any minority interest or from any member of the Group which is not incorporated or established in a Guarantor Jurisdiction;
- no guarantees or security will be required to be given by Wversity or Multiversity S.p.A. or in respect of the shares or other interests held in such entities (or loans made to such entities) by other members of the Group. If required to be granted in accordance with the Agreed Security Principles, any pledge to be granted over the shares in Università Telematica Pegaso S.p.A. shall be granted by Multiversity as the surviving entity of the Post-Closing Reorganisation;
- where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only;
- each Security Document should contain a clause which records that: (i) if there is a conflict between the Security Document and the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement then (to the extent permitted by law) the provisions of the Indenture, the Intercreditor Agreement or Additional Intercreditor Agreement, as applicable, shall take priority over the provisions of the Security Document; (ii) notwithstanding any provision of a Security Document, nothing which is permitted to be done under the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement shall be deemed to constitute a breach of any term of a Security Document; and (iii) no representation, warranty, undertaking or other provision contained in a Security Document shall be breached to the extent it conflicts with (or is more onerous than an equivalent provision in) the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement or prohibit or condition any transaction or matter which would otherwise be permitted under the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement;
- no Notes Guarantee or security shall guarantee or secure any “Excluded Swap Obligations” defined in accordance with the LSTA Market Advisory Update dated February 15, 2013 entitled “Swap Regulations’ Implications for Loan Documentation”, and any update thereto by the LSTA;
- any Security Document shall only be required to be notarized or notarially certified if required by law in order for the relevant security to become effective or admissible in evidence or for the document to bear a “certified date” as a matter of Italian law;
- no security may be provided on terms which are inconsistent with the turnover or sharing provisions in the Intercreditor Agreement or any Additional Intercreditor Agreement;
- no title investigations or other diligence on assets will be required and no title insurance will be required;
- no member of the Group will be required to create security over, or otherwise encumber the shares or assets of, or any loans to, any Unrestricted Subsidiary or any subsidiary of an Unrestricted Subsidiary and no Unrestricted Subsidiary or any subsidiary of an Unrestricted Subsidiary will be required to become a Guarantor;
- in the Security Documents, there will be no repetition or extension of clauses set out in the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement, such as those relating to notices, costs and expenses, indemnities, tax gross-up, distribution of proceeds and release of security; and
- no member of the Group will be required to create security over or otherwise encumber any asset which is excluded by virtue of the application of the other Agreed Security Principles.

The Agreed Security Principles also set out certain additional factors which will apply when determining the extent of the guarantees and the security to be provided and certain additional principles which will be reflected in any security taken.

As described above, all of the Collateral will also secure the liabilities under the Revolving Credit Facility as well as certain Hedging Obligations and any Additional Notes and may also secure certain future indebtedness; *provided, however*, that pursuant to the Intercreditor Agreement the lenders under the Revolving Credit Facility and counterparties to certain Hedging Obligations will receive the proceeds from the enforcement of the Collateral in priority to the holders of the Notes and any Additional Notes. See “—Priority” below. See also, “Risk Factors—Risks Related to the Notes, the Collateral and any Future Notes Guarantees—Creditors under

the Revolving Credit Facility, certain hedging liabilities and certain debt that we may incur in the future will be entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes.” The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes.

No appraisals of the Collateral have been made in connection with this Offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See *“Risk Factors—Risks Related to the Notes, the Collateral and any Future Notes Guarantees—The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations under the Notes”*.

Priority

The relative contractual priority with regard to the security interests in the Collateral that are created by the Security Documents (the **“Security Interest”**) as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations and (c) the Trustee, the Security Agent and the Holders of the Notes under the Indenture, respectively, is established by the terms of the Intercreditor Agreement, the Indenture, the Security Documents and the security documents relating to the Revolving Credit Facility, and such Hedging Obligations, which provide, among other things, that the obligations under the Notes will receive proceeds on enforcement of security over the Collateral only after the claims of the Revolving Credit Facility Agreement and such Hedging Obligations and any future Indebtedness permitted to be secured on a super priority basis in accordance with the terms of the Indenture and the Intercreditor Agreement are satisfied.

See *“Description of Certain Financing Arrangements—Intercreditor Agreement”*. In addition, pursuant to the Intercreditor Agreements or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See *“—Release of Liens”*, *“—Certain Covenants—Impairment of Security Interest”* and *“—Certain Definitions—Permitted Collateral Liens”*.

Security Documents

Under the Security Documents, security will be granted over the Collateral to secure, *inter alia*, the payment when due of the Issuer’s payment obligations under the Notes and the Indenture. The Security Documents will be entered into among, *inter alios*, the relevant security provider, the Security Agent, also as Security Representative (as defined below) and agent (*mandatario con rappresentanza*), and, with respect to the Security Documents governed by Italian law, the Trustee acting for itself and in its capacity as trustee and agent (*mandatario con rappresentanza*), under the Indenture and also as Noteholders’ Representative (as defined below).

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by the applicable laws, only the Security Agent (including in its role as Security Representative) will have the right to enforce the Security Documents on behalf of the Trustee (including in its role as Noteholders’ Representative) and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture (including in its role as Noteholders’ Representative), who will (subject to the provisions of the Indenture) provide instructions to the Security Agent (including in its role as Security Representative) for the Collateral. Under the Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain hedging agreements in relation to the Security Interest in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, please see the section entitled *“Risk Factors—Risks Related to the Notes, the Collateral and any Future Notes Guarantees”*. The validity and enforceability of the Security Interests will be subject to, *inter alia*, the limitations described in *“Risk Factors—Risks Related to the Notes, the Collateral and any Future Notes Guarantees”* and *“Limitations on Validity and Enforceability of any Future Notes Guarantees and the Security Interests and Certain Insolvency Law Considerations”*.

The Security Documents will provide that the rights under the Security Documents and the Indenture must be exercised by the Security Agent. The Holders may only act through the Trustee (including in its role as Noteholders’ Representative), who will instruct the Security Agent (including in its role as Security Representative) in accordance with the terms of the Indenture and the Intercreditor Agreement.

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interest created under the Security Documents or the rights and obligations enumerated in the

Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interest or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. See “*Risk Factors—Risks Related to the Notes, the Collateral and any Future Notes Guarantees*”.

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility. These limitations are described under “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Limitations on Validity and Enforceability of any Future Notes Guarantees and the Security Interests and Certain Insolvency Law Considerations*”. The ability to enforce may also be restricted by similar arrangements in relation to future indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to Hedging Obligations secured by the Collateral and the Trustee (including in its role as Noteholders’ Representative) have, and by accepting a Note, each Holder will be deemed to have, appointed the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. Furthermore, each holder will have deemed to have appointed the Security Agent as agent (*mandatario con rappresentanza*) pursuant to article 1704 of the Italian Civil Code and as security representative (*rappresentante per le garanzie*) pursuant to article 2414-bis, paragraph 3, of the Italian Civil Code to act on its behalf. The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, authorized the Security Agent (and, where applicable, the Trustee) to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, confirmation, extension, renewal, replacement or discharge expressed to be executed by the Security Agent (or, where applicable, the Trustee) in its name and on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that the Issuer and the Trustee will be authorized (without any further consent of the holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled “*Description of Certain Financing Arrangements—Intercreditor Agreement*”.

The Indenture will also provide that each holder of the Notes, by accepting such Note, will be deemed to have:

- (1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreements;
- (2) authorized the Security Agent and the Trustee, as applicable, to act in its name and on its behalf to enter into the Security Documents and the Intercreditor Agreement and to be bound thereby and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith;
- (3) agreed to be bound by the provisions of the Intercreditor Agreement and the Security Documents;
- (4) agreed to, and accepted, the appointment of Deutsche Bank AG, London Branch as security representative (*rappresentante per le garanzie*) of the Holders for the purposes of Article 2414-bis, third paragraph of the Italian Civil Code;
- (5) agreed and acknowledged that the Security Agent will administer the Collateral in accordance with the Intercreditor Agreement, the Indenture and the Security Documents; and
- (6) irrevocably appointed the Security Agent and the Trustee to act in its name and on its behalf to enter into and comply with the provisions of the Intercreditor Agreement.

Please see the sections entitled “*Risk Factors—Risks Related to the Notes, the Collateral and any Future Notes Guarantees—The holders of the Notes may not control certain decisions regarding the Collateral*” and “*Description of Certain Financing Arrangements—Intercreditor Agreement*”.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under “*—Certain Covenants—Additional Intercreditor Agreements*”.

IPO Debt Pushdown

On, in contemplation of, or following an Initial Public Offering, the terms of the Intercreditor Agreement (and any Additional Intercreditor Agreement) will provide (and the Indenture and the Notes shall be subject to such provisions) that the Issuer or its successor shall be entitled to require (by written notice to the Trustee and the Security Agent) that the terms of the Indenture, the Intercreditor Agreement (and any Additional Intercreditor Agreement) and the Security Documents shall operate (with effect from the date specified in such notice) as described under “*Description of Certain Financing Arrangements—Intercreditor Agreement—Release and/or Transfer of Claims and Liabilities in Respect of any Senior Notes and the Notes and the Transaction Security—Provisions Following an IPO.*” The Trustee and the Security Agent shall be required to enter into any amendment to the Indenture, the Intercreditor Agreement (and any Additional Intercreditor Agreement) and/or the Security Documents required by the Issuer and/or take such other action as is required by the Issuer in order to facilitate or reflect any of the matters contemplated by this paragraph, including releasing security and guarantees, provided that any such amendment or action will not impose any personal obligations on the Trustee or the Security Agent or, in the reasonable opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents. See “*Risk Factors—Risks Related to the Notes, the Collateral and any Future Notes Guarantees—There are circumstances other than repayment or discharge of the Notes under which the Collateral will be released automatically without your consent or the consent of the Trustee.*”

Release of Liens

The Issuer, its Subsidiaries and any provider of Collateral will be entitled to the release of the Security Interest in respect of the Collateral under any one or more of the following circumstances:

- (1) (a) subject to clause (b) below, in connection with any sale or other disposition of Collateral to (i) a Person that is not a Parent, the Issuer or a Restricted Subsidiary (but excluding any transaction subject to “*Certain Covenants—Merger and Consolidation*”), if such sale or other disposition does not violate the covenant described under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” or is otherwise permitted in accordance with the Indenture or (ii) any Restricted Subsidiary; *provided that this clause 1(a)(ii) shall not be relied upon in the case of a transfer of capital stock or of accounts receivable to a Restricted Subsidiary (except to a Receivables Subsidiary) unless the relevant property and assets remain subject to, or otherwise become subject to, a Lien in favor of the Notes following such sale or disposal; and*

(b) any release of the Security Interest in respect of the Capital Stock of the Issuer pursuant to clause 1(a) shall only be permitted if such Capital Stock is subject to a Lien of at least equivalent ranking (in the good faith judgment of the Issuer) in favor of the Holders of the Notes as soon as reasonably practicable after such release;
- (2) in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;
- (3) as described under “*Amendments and Waivers*”;
- (4) upon payment in full of principal, interest and all other obligations on the Notes or defeasance or discharge of the Notes, as provided in “*Defeasance*” and “*Satisfaction and Discharge*”;
- (5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary and intercompany receivable claims against such Unrestricted Subsidiary;
- (6) in case of a Restricted Subsidiary that is not a Significant Subsidiary following the release of its Liens granted in favor of the Revolving Credit Facility (other than in connection with a repayment or refinancing of the Revolving Credit Facility in full), so long as no Event of Default has occurred and is continuing, the release of the property and assets and Capital Stock of such Restricted Subsidiary, *provided that there is no other Indebtedness secured by a Lien on the assets of such Restricted Subsidiary that would result in the requirement for the Notes and the Notes Guarantees to be secured on such property, assets or Capital Stock pursuant to the covenant described under “Certain Covenants—Additional Notes Guarantees” or the covenant described under “Certain Covenants—Limitation on Liens”;*
- (7) with respect to the Security Interests in respect of the entire Capital Stock of the IPO Entity and any security granted by any of its holding companies (and security over intercompany receivables owing by the IPO Entity and any of its holding companies), within a reasonable time to facilitate an Initial Public Offering of

the relevant IPO Entity; *provided* that (a) security interests under Security Documents exist or will upon the Initial Public Offering exist over the shares in a member of the Group as selected by the Company which holds (directly or indirectly) all or substantially all of the assets of the Group plus (if the shares in Certipass S.r.l. are still held by the Issuer at such time as a sister entity, subject to and in accordance with the Agreed Security Principles) a security interest over the shares in Certipass S.r.l. (ignoring, for the avoidance of doubt, assets which are the shares in that member of the Group and the shares of any Parent of that member of the Group) (the “**Going Concern Assets**”) such that a single point of enforcement in respect of the Going Concern Assets will be maintained after the Initial Public Offering of the IPO Entity (in each case, as determined by the Company in good faith)) and (b) such Security Interests so released shall be promptly granted in favor of the Notes in the event that the Initial Public Offering does not complete for any reason and any other releases in respect of an IPO Debt Pushdown in addition to the foregoing in accordance with the terms of the Intercreditor Agreement;

- (8) in connection with a Permitted Reorganization; or
- (9) as otherwise permitted in accordance with the Indenture.

In addition, the Security Interest created by the Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under “—*Certain Covenants—Impairment of Security Interest*”.

At the request of the Issuer, the Security Agent and the Trustee (if required) will take all necessary action required to effectuate any release of Collateral securing the Notes and the Notes Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee.

Optional Redemption

Except as described below and except as described under “*Redemption for Taxation Reasons*”, the Notes are not redeemable until October 30, 2022. On and after October 30, 2022, the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days’ notice, at a price of 100.000% plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date. In addition, prior to October 30, 2022, the Issuer may redeem all or, from time to time, a part of each of the Notes upon not less than 10 nor more than 60 days’ notice at a redemption price equal to 100.000% of the principal amount of the Notes, plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Any such redemption and notice may, in the Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent. If such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer’s discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer’s obligations with respect to such redemption may be performed by another Person, and such notice of redemption may be extended if such conditions precedent have not been satisfied or waived by the Issuer by notice to the Holders.

General

We may repurchase the Notes at any time and from time to time in the open market or otherwise. Notice of redemption will be provided as set forth under “—*Selection and Notice*” below.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent.

If requested in writing by the Issuer, which request may be included in the applicable notice of redemption or pursuant to the applicable Officer's Certificate, the Trustee or the Paying Agent (or such other entity directed, designated or appointed (as agent) by the Trustee, for this purpose) shall distribute any amounts deposited to the Holders prior to the applicable redemption date; *provided, however*, that Holders shall have received at least three Business Days' notice from the Issuer of such earlier repayment (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the applicable redemption date as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts. To the extent the Notes are represented by a Global Note deposited with a common depository for a clearing system, any payment to the beneficial holders holding Book-Entry Interests as participants of such clearing system will be subject to the then applicable procedures of such clearing system. The Trustee and the Paying Agent shall not be liable to any Holder by virtue of the Issuer instructing the Trustee or the Paying Agent to make an early distribution of funds as described in this paragraph.

Sinking Fund

Other than a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Post-Tender Optional Redemption

Notwithstanding the foregoing, in connection with any tender offer or other offer to purchase for the Notes (including, without limitation, any Change of Control Offer and any Asset Disposition Offer), if holders of not less than 90% in aggregate principal amount outstanding of a series of Notes validly tender and do not validly withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not validly withdrawn by such holders, all of the holders of the Notes will be deemed to have consented to such tender or other offer and accordingly, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes of such series that remain outstanding in whole, but not in part, following such purchase, at a price equal to the price offered (excluding any early tender premium or similar payment) to each other holder of Notes in such tender offer or other offer to purchase, *plus*, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding such redemption date.

Redemption at Maturity

On October 30, 2028, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Principal Paying Agent or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a *pro rata* basis by use of a pool factor; *provided, however*, that no Definitive Registered Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Principal Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. While in global form, notices to Holders may be delivered via Euroclear and Clearstream in lieu of notice via registered mail. Such notice of redemption may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) in lieu of publication in the *Luxemburger Wort* so long as the rules of the Luxembourg Stock Exchange are complied with.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem any series of Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the relevant series of Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "**Tax Redemption Date**") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "*Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or
- (2) any amendment to, or change in an official application or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a "**Change in Tax Law**"),

a Payor (as defined below) is, or on the next interest payment date in respect of the relevant series of Notes would be, required to pay Additional Amounts with respect to such series of Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts) and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*Selection and Notice*". Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of any series of Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (each, a "**Payor**") in respect of the Notes or with respect to any Notes Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) any jurisdiction from or through which payment on any such Note is made by or on behalf of a Payor, or any political subdivision or governmental authority thereof or therein having the power to tax; or
- (2) any other jurisdiction in which a Payor is organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "**Relevant Taxing Jurisdiction**"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor with respect to any Note, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the “**Additional Amounts**”) as may be necessary in order that the net amounts received by each Holder in respect of such payments, after such withholding, or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Notes Guarantee;
- (2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax but, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;
- (3) any Taxes, to the extent that such Taxes were imposed as a result of the presentation of the Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder;
- (4) any Taxes that are payable otherwise than by withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or with respect to any Notes Guarantee;
- (5) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;
- (6) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time (“**Legislative Decree No. 239**”) and any related implementing regulations, and pursuant to Italian Legislative Decree No. 461 of November 21, 1997 (“**Legislative Decree No. 461**”) and any related implementing regulations)) and any related implementing regulations; *provided that*:
 - (i) Additional Amounts shall be payable in circumstances where the procedures required under Legislative Decree No. 239 or Legislative Decree No. 461 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due solely to the actions or omissions of the Payor or their agents; and
 - (ii) for the avoidance of doubt, no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the Holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of amendments to the list of countries which allow for a satisfactory exchange of information with Italy, currently provided for by Italian Ministerial Decree dated September 4, 1996, as subsequently amended, or by reason of the approval of the ministerial Decree to be issued under art. 11 par .4 let c) of Legislative Decree No. 239, as subsequently amended or superseded, providing for a new list of countries which allow for a satisfactory exchange of information with Italy, whereby such Holders country of residence does not appear on the aforesaid amended or new list (the “**White List**”);
- (7) any Taxes to the extent that such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not appear on the White List;
- (8) any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), as of the Issue Date (or any amended or successor version of such sections that are substantively comparable), any regulations promulgated thereunder, any official

interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code; or

(9) any combination of the items (1) through (8) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies, or if, notwithstanding the Payor's reasonable efforts to obtain such tax receipts, such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee and the Paying Agent. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Notes Guarantee, at least 45 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 30 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of the Notes*" there is mentioned, in any context:

- (1) the payment of principal;
- (2) purchase prices in connection with a redemption of Notes;
- (3) interest; or
- (4) any other amount payable on or with respect to any of the Notes or any Notes Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay (and will indemnify the Holder for) any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest, penalties or additions to tax) or any other excise, property or similar taxes or similar charges or levies (including any related interest, penalties or additions to tax) that arise in a Relevant Taxing Jurisdiction from the execution, delivery or registration of any Notes, any Notes Guarantee, the Security Documents, the Indenture, or any other document or instrument in relation thereto (other than, in each case, in connection with a transfer of the Notes after this Offering) or the receipt of any payments with respect thereto or any such taxes or similar charges or levies (including any related interest, penalties, collection duties or additions to tax) imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes or any Notes Guarantee or any Security Documents (limited, solely in the case of any such taxes or similar charges or levies attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Relevant Taxing Jurisdiction that are not excluded under clauses (1) through (3) and (5) through (8) or any combination thereof) excluding, for the avoidance of doubt, any registration, stamp duty, documentary or other similar tax, charge or levy arising from the execution of any formality made directly by, or on behalf of the Holder and not necessary to maintain, preserve, establish, or enforce the rights of such Holder under the Notes, any Notes Guarantee, any Security Document, the Indenture, or any other document or instrument in relation thereto.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading “*Change of Control*”, each Holder will have the right to require the Issuer to repurchase all or any part of such Holder’s Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obligated to repurchase any series of Notes as described under this heading, “*Change of Control*”, in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes of such series as described under “—*Optional Redemption*” or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under “—*Optional Redemption*” or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the “**Change of Control Offer**”) to each Holder of any such Notes, with a copy to the Trustee:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder’s Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the “**Change of Control Payment**”);
- (2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) and the record date (the “**Change of Control Payment Date**”);
- (3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;
- (4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;
- (5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and
- (6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;
- (3) deliver or cause to be delivered to the Trustee an Officer’s Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Principal Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and
- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility. In addition, certain events that may constitute a change of control under the Revolving Credit Facility and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See *"Risk Factors—Risks Related to the Notes, the Collateral and any Future Notes Guarantees—Future liquidity and cash flow difficulties could prevent us from repaying the Notes when due or repurchasing the Notes when we are required to do so pursuant to certain events constituting a change of control or otherwise, and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events."*

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above. Notwithstanding anything herein to the contrary, the sale of assets, property and Capital Stock pursuant to a Specified Asset Disposition will not constitute "substantially all assets" for any purpose under the Indenture.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if, on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), (1) to the extent that the Indebtedness is not Senior Secured Indebtedness or Junior Lien Indebtedness, either, at the Issuer's election, (x) the Consolidated Total Net Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 5.5 to 1.0 or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0; (2) to the extent that the Indebtedness is Junior Lien Indebtedness, the Consolidated Total Net Leverage

Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 5.5 to 1.0; and (3) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 4.5 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

- (1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of (i) €135.0 million and (ii) 100% of Consolidated EBITDA, *plus* (iii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;
- (2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture; or
 - (b) without limiting the covenant described under "*—Limitation on Liens*", Indebtedness arising by reason of any Lien granted by or applicable to any Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;
- (3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary
- (4) (a) Indebtedness represented by the Notes (other than any Additional Notes) outstanding on the Issue Date, the related Notes Guarantees, and any related "parallel debt" obligations under the Intercreditor Agreement and the Security Documents, (b) any Indebtedness (other than Indebtedness Incurred under the Revolving Credit Facility and Indebtedness described in clauses (3) and (18) of this paragraph) outstanding on the Issue Date, after giving effect to the Transactions, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (d) Indebtedness under or in respect of Cash Management Services and (e) Management Advances;
- (5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which any Person became a Restricted Subsidiary or was Incurred to make any other acquisition, Permitted Investment or capital expenditure; not to exceed:

(A) the greater of (x) an amount equal to 30% of Consolidated EBITDA and (y) €40.0 million; plus

(B) unlimited additional Indebtedness; *provided, however*, with respect to this clause (5)(B), that, after giving *pro forma* effect to such transaction, acquisition, investment or capital expenditure and to the related Incurrence of Indebtedness (including pursuant to this clause (5)) (1)(x) to the extent that the Indebtedness Incurred under this clause (5)(B) is not Senior Secured Indebtedness or Junior Lien Indebtedness, either, at the Issuer's election, (A) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to clauses (1)(x) or (1)(y) of the first paragraph of this covenant; (B) the Consolidated Total Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such transaction, acquisition, investment or capital expenditure and to the related Incurrence of Indebtedness; or (C) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction, acquisition, investment or capital expenditure and to the related Incurrence of Indebtedness; (y) to the extent that the Indebtedness Incurred under this clause (5)(B) is Junior Lien Indebtedness, either (A) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to clause (2) of the first paragraph of this covenant; or (B) the Consolidated Total Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such transaction, acquisition, investment or capital expenditure and to the related Incurrence of Indebtedness; and (z) to the extent that the Indebtedness Incurred under this clause (5)(B) constitutes Senior Secured Indebtedness, either (A) the Issuer would have been able to Incur €1.00 of additional Senior Secured Indebtedness pursuant to clause (3) of the first paragraph of this covenant or (B) the Consolidated Senior Secured Net Leverage Ratio for the Issuer would not be greater than it was immediately prior to giving effect to such transaction, acquisition, investment or capital expenditure and to the related Incurrence of Indebtedness; or

(C) in the case of Acquired Indebtedness, such Indebtedness is discharged within 6 months of Incurrence or would otherwise constitute Indebtedness permitted to be incurred pursuant to the first paragraph or another clause of the second paragraph of this covenant;

- (6) Indebtedness in respect of Hedging Obligations not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);
- (7) Indebtedness consisting of Lease Obligations, mortgage financings, Purchase Money Obligations or other financings Incurred for the purpose of financing or refinancing 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 in connection with or to refinance 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 lease of assets, the direct purchase of assets or the purchase of Capital Stock of any Person owning such assets or otherwise, and any Indebtedness which refinances, replaces or refunds such Indebtedness (i) which is Incurred in the ordinary course of business or (ii) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness outstanding pursuant to this clause (7)(ii), will not exceed at any time the greater of 50% of Consolidated EBITDA or €70.0 million;
- (8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, unemployment insurance (including premiums related thereto), other types of social security, pension obligations, vacation pay, health, disability or other employee benefits, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT (including interest and penalties with respect thereto) or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or consistent with past practice or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, consistent with past practice or in respect of any governmental requirement, *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business or consistent with past practices, (d) any customary treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of checks and direct debits, cash pooling and other cash management arrangements, in each case, in the ordinary course of business or consistent with past practice and (e) Indebtedness representing (i) deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent, the Issuer or any of its Subsidiaries in the ordinary course of business or consistent with past practice or (ii) deferred compensation or other similar arrangements in connection with the Transactions, the Multiversity Investment or any other Investment or acquisition permitted hereby;
- (9) Indebtedness arising from agreements providing for customary 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, in the case of a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;
- (10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business or consistent with past practice; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;
- (b) customer deposits and advance payments received in the ordinary course of business or consistent with past practice from customers for goods or services purchased in the ordinary course of business or consistent with past practice and Indebtedness consisting of obligations owing under any customer or supplier incentive, supply, license or similar agreements in the ordinary course of business or consistent with past practice;

- (c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business or consistent with past practice of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries;
 - (d) Indebtedness Incurred in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business or consistent with past practice;
 - (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 in the ordinary course of business or consistent with past practice;
 - (f) Guarantees Incurred in the ordinary course of business or consistent with past practice in respect of obligations of (or to) suppliers, customers, franchisees, distribution parties, lessors and licensees that, in each case, are not Affiliates of the Issuer and
 - (g) any joint and/or several liability between any members of the Group and/or Parent Entities as a result of a fiscal or tax unity or as a result of any election made by a member of the Group not to have to prepare and/or file financial statements as its financials will be included within consolidated accounts;
- (11) Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness outstanding pursuant to this clause (11), will not exceed the greater of 50% of Consolidated EBITDA or €70.0 million;
- (12) Indebtedness Incurred pursuant to factoring, securitizations, receivables financings or similar arrangements, including (without limitation) by a Receivables Subsidiary in a Qualified Receivables Financing, that is either (a) non-recourse to the Issuer or any Restricted Subsidiary other than as set out in the definition of Receivables Subsidiary, or other than to the extent customary in the good faith determination of the Issuer for such type of arrangement, or other than Standard Securitization Undertakings (b) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this sub-clause (12)(b) and then outstanding, does not exceed the greater 50% of Consolidated EBITDA and €70.0 million;
- (13) Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness outstanding pursuant to this clause (13), will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary or the Issuer) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, the Equity Contribution, Excluded Amounts or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, the Equity Contribution, Excluded Amounts or an Excluded Contribution) of the Issuer or any of its Restricted Subsidiaries, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (11) of the fourth paragraph of the covenant described below under “—*Limitation on Restricted Payments*” to the extent the Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (11) of the fourth paragraph of the covenant described below under “—*Limitation on Restricted Payments*” in reliance thereon;
- (14) Indebtedness in connection with Investments in Associates not exceeding the greater of 20% of Consolidated EBITDA and €30.0 million;
- (15) Indebtedness under daylight borrowing facilities Incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within ten days of the date on which such Indebtedness is Incurred;
- (16) Indebtedness under local Credit Facilities in an aggregate principal amount not to exceed, at any one time outstanding, the greater of 50% of Consolidated EBITDA and €70.0 million;
- (17) Indebtedness in an aggregate principal amount which, when taken together with the principal amount of all other Indebtedness outstanding pursuant to this clause (17), will not exceed an amount equal to 100% of the

Available RP Capacity Amount provided that to the extent Available RP Capacity Amount is used to Incur Indebtedness pursuant to this clause (17), the Incurrence of such Indebtedness shall reduce the capacity to make Restricted Payments at such time pursuant to the relevant Restricted Payment provisions under the first paragraph of the covenant described under “—*Limitation on Restricted Payments*” or pursuant to the relevant Permitted Payment provisions under the second paragraph of the covenant described 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 under this provision); and

(18) Indebtedness under the Bridge to Cash Facility until repaid in full.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one (or more, if applicable) of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that any Indebtedness Incurred pursuant to clauses (7), (11), (12)(b), (13), (14), (16) and (17) of the second paragraph of this covenant shall cease to be deemed Incurred or outstanding pursuant to such clauses (7), (11), (12)(b), (13), (14), (16) and (17), as applicable, but shall be deemed Incurred and outstanding pursuant to the first paragraph of this covenant from and after the first date on which the Issuer or its Restricted Subsidiaries, as the case may be, could have Incurred such Indebtedness thereunder (to the extent the Issuer or its Restricted Subsidiaries are able to Incur any Liens related to such Indebtedness as Permitted Liens or Permitted Collateral Liens after such reclassification); *provided* that the Issuer may in its sole discretion further reclassify such Indebtedness into other applicable clauses under the first and second paragraphs of this covenant;
- (2) (a) Indebtedness Incurred under the Bridge to Cash Facility shall be deemed to have been Incurred under clause (18) of the second paragraph of this covenant and may not be reclassified; and (b) all Indebtedness Incurred under any Credit Facility (including the Revolving Credit Facility) that is secured by Liens on the Collateral that are accorded super senior priority status under the Intercreditor Agreement shall be deemed to have been Incurred under clause (1) of the second paragraph of this covenant and may not be reclassified;
- (3) Guarantees of, or obligations in respect of letters of credit, bankers’ acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (4) if obligations in respect of letters of credit, bankers’ acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to the first or second paragraph above and the letters of credit, bankers’ acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;
- (7) for the purposes of determining “Consolidated EBITDA” *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Total Net Leverage Ratio for the Issuer and its Restricted Subsidiaries and as otherwise set out in this “*Description of the Notes*” as applicable;
- (8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of GAAP;
- (9) the amount of Indebtedness that may be Incurred pursuant to any provision of this covenant or secured pursuant to the covenant set forth under “—*Limitation on Liens*” (a) shall be deemed to include all amounts necessary to renew, refund, redeem, refinance, replace, restructure, defease or discharge any such Indebtedness Incurred and/or secured pursuant to such provisions, including after giving effect to additional

Indebtedness in an amount equal to the aggregate amount of fees, premia and other costs and expenses Incurred in connection with such renewal, refund, redemption, refinancing, replacement, restructuring, defeasance or discharge; and (b) in any case where such amounts are or may be based on Consolidated EBITDA (or any ratio of which Consolidated EBITDA is a component), shall not be deemed to be exceeded, with respect to such Incurrence or grant of Lien, due solely to the result of fluctuations in the amount of Consolidated EBITDA (and, for the avoidance of doubt, such Indebtedness and such Lien will be permitted to be refinanced or replaced notwithstanding that, after giving effect to such refinancing or replacement, such excess (and without prejudice to any deemed inclusions under (a) above) will continue); and

- (10) in the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur Indebtedness or commits to Incur any Lien pursuant to clauses (10), (28), (29) or (32) of the definition of “Permitted Liens” or any Permitted Collateral Lien, the Incurrence thereof for all purposes under the Indenture, including, without limitation, for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Total Net Leverage Ratio or the Consolidated Senior Secured Net Leverage Ratio, as applicable, or use of clauses (1) through (18) of the preceding paragraph (if any) for borrowings and re-borrowings thereunder (and including issuance and creation of letters of credit and bankers’ acceptances thereunder) will, at the Issuer’s option, either (a) be determined, at the Issuer’s election, on the date of such revolving credit facility or such entry into or increase in commitments (assuming that the full amount thereof has been borrowed as of such date, *provided* that in the case of making any calculation under the Indenture, such assumption should only be made to the extent that a *pro forma* adjustment is being taken into account in determining Consolidated EBITDA in connection with the proceeds of the use thereof (unless the Issuer elects otherwise)) or other Indebtedness, and, if such Fixed Charge Coverage Ratio, Consolidated Total Net Leverage Ratio or Consolidated Senior Secured Net Leverage Ratio, as applicable, test or other provision of the Indenture is satisfied with respect thereto at such time, any borrowing or re-borrowing thereunder (and the issuance and creation of letters of credit and bankers’ acceptances thereunder) will be permitted under this covenant and under the covenant described under “—*Limitation on Liens*” irrespective of the Fixed Charge Coverage Ratio, Consolidated Total Net Leverage Ratio, Consolidated Senior Secured Net Leverage Ratio, as applicable, or other provision of the Indenture at the time of any borrowing or re-borrowing (or issuance or creation of letters of credit or bankers’ acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers’ acceptances) on a date pursuant to the operation of this clause (a) shall be the “**Reserved Indebtedness Amount**” as of such date for purposes of the Fixed Charge Coverage Ratio, Consolidated Total Net Leverage Ratio, Consolidated Senior Secured Net Leverage Ratio, as applicable and subject to the terms of such definitions, or other provision of the Indenture, and, to the extent the usage of clauses (1) through (18) of the second preceding paragraph (if any), shall be deemed to be Incurred and outstanding under such clauses, to the extent it would, if actually borrowed, be Incurred and outstanding under such clauses) or (b) be determined on the date such amount is borrowed pursuant to any such facility or increased commitment, and, in each case, the Issuer may revoke such determination at any time and from time to time.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in GAAP will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this “—*Limitation on Indebtedness*”. Except as otherwise specified, the amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this “—*Limitation on Indebtedness*”, the Issuer will not be permitted to designate such Unrestricted Subsidiary as a Restricted Subsidiary and any such designation will not be deemed operative under the Indenture).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred or, at the option of the Issuer, first committed; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro- denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the

date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) if and as elected by the Issuer, the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date or on the date on which such Indebtedness was originally Incurred or committed; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will, if elected by the Issuer, be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing or, at the option of the Issuer, the date when such Indebtedness was first committed.

No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:
 - (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and
 - (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its relevant class of Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis);
- (2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));
- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");
- (4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or
- (5) make any Restricted Investment in any Person,

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "**Restricted Payment**"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

- (a) other than in respect of a payment utilising clause (viii) below, a Material Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom); or
- (b) unless such payment is utilising clause (viii) below, the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

- (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5) and (11) of the third succeeding paragraph, but excluding all other Restricted Payments permitted by the third succeeding paragraph) would exceed the sum of (without duplication):
- (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available, with no deduction(s) for any negative Consolidated Net Income;
 - (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (u) the Equity Contribution, (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the third succeeding paragraph and (y) Excluded Contributions, Excluded Amounts or Parent Debt Contributions);
 - (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (u) the Equity Contribution, (v) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (w) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the third succeeding paragraph, and (x) Excluded Contributions or Parent Debt Contributions;
 - (iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;
 - (v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment";
 - (vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, *provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clause (iv), (v) or (vi);
 - (vii) Declined Proceeds (as defined herein); and
 - (viii) the greater of (x) an amount equal to 35% of Consolidated EBITDA and (y) €50.0 million.

Notwithstanding the foregoing, any amounts (such amounts, the “**Excluded Amounts**”) that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clause (ii) or (iii) of the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of Net Cash Proceeds or property or assets or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control pursuant to the definition thereof, (2) the purpose and effect of the receipt of such Net Cash Proceeds or property or assets or marketable securities was to repay indebtedness to reduce the Consolidated Total Net Leverage Ratio of the Issuer so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such Net Cash Proceeds or property or assets or marketable securities and (3) no Change of Control Offer is made in accordance with the requirements of the Indenture.

The fair market value of property or assets other than cash covered by the preceding two sentences shall be the fair market value thereof as determined in good faith by an Officer of the Issuer, or by the Board of Directors.

The foregoing provisions will not prohibit any of the following (collectively, “**Permitted Payments**”):

- (1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock, Designated Preference Shares or Excluded Amounts), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Excluded Amounts or Parent Debt Contribution) of the Issuer; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (b)(ii) of the preceding paragraph;
- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—Limitation on Indebtedness” above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “—Limitation on Indebtedness” above, and that in each case, constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:
 - (a) from Net Available Cash to the extent permitted under “—*Limitation on Sales of Assets and Subsidiary Stock*” below, but only if the Issuer shall have first complied with the terms described under “—*Limitation on Sales of Assets and Subsidiary Stock*”;
 - (b) following the occurrence of a Change of Control (or other similar event described therein as a “change of control”), but only if the Issuer shall have first complied with the terms described under “—*Change of Control*” and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness; or
 - (c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such transaction or series of transactions);
- (5) any dividends paid within or redemption or repurchase consummated within 60 days after the date of declaration or the giving of the redemption or repayment notice if at such date of declaration or notice such dividend or redemption or repayment, as the case may be, would have complied with this covenant;
- (6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent or

Special Purpose Vehicle to permit any Parent or Special Purpose Vehicle to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors;

- (7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “—*Limitation on Indebtedness*”;
- (8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;
- (9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):
 - (a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or
 - (b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred
 - (i) in connection with the Transactions or disclosed in the Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under “—*Limitation on Affiliate Transactions*”;
- (10) the prepayment, redemption, defeasance, repurchase, exchange or other acquisition or retirement of, or other payments (including Restricted Payments) to facilitate any of the foregoing in respect of, Subordinated Indebtedness of the Issuer or any Restricted Subsidiary and any Indebtedness of a Parent Entity (and, without double counting, any proceed loans in respect of the foregoing) (excluding, for the avoidance of doubt, Subordinated Shareholder Funding):
 - (i) in an aggregate amount not to exceed the greater of (x) 35.0% of Consolidated EBITDA and (y) €50.0 million, plus any Declined Proceeds;
 - (ii) if immediately after giving *pro forma* effect to the prepayment, redemption, defeasance, repurchase, exchange or other acquisition or retirement of, or other Restricted Payment to facilitate any of the foregoing in respect of, any such indebtedness, the Consolidated Total Net Leverage Ratio shall be no greater than 4.00:1.00; or
 - (iii) if immediately after giving *pro forma* effect to the prepayment, redemption, defeasance, repurchase, exchange or other acquisition or retirement of, or other Restricted Payment to facilitate any of the foregoing in respect of, any such indebtedness, the Consolidated Total Net Leverage Ratio shall be no greater than 4.50:1.00 and the Issuer or any Restricted Subsidiary prepays, redeems defeases, repurchases, exchanges, acquires or retires any Senior Secured Indebtedness and Notes on a *pro rata* basis, or has offered to do so even if any such offer is not accepted;
- (11) the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Excluded Amounts or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) 7% of the Market Capitalization and (ii) 7% of the IPO Market Capitalization;
- (12) so long as no Event of Default had occurred and is continuing (or would result therefrom), any Restricted Payments in an aggregate amount not to exceed the greater of 30% of Consolidated EBITDA and €40.0 million in any fiscal year;
- (13) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);

- (14) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (14);
- (15) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a factoring financing, securitization, Receivables Financing, Settlement Obligations or similar arrangements;
- (16) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided, however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (16) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution, Excluded Amounts or a Parent Debt Contribution or, in the case of Designated Preference Shares by Parent or an Affiliate the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;
- (17) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;
- (18) so long as no Event of Default had occurred and is continuing (or would result therefrom), any Restricted Payment made with Net Available Cash from Specified Asset Dispositions; *provided* that the Consolidated Senior Secured Net Leverage Ratio does not exceed 4.00:1.00 on a *pro forma* basis after giving effect to any such Specified Asset Disposition and Restricted Payment;
- (19) dividends or other distributions in amounts required for a direct or indirect Parent of the Issuer to pay interest on Indebtedness the proceeds of which have been contributed to the Issuer or any of its Restricted Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under “—*Limitation on Indebtedness*”;
- (20) 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*”;
- (21) Restricted Payments in an amount equal to any post-closing purchase price adjustment payment (including due to completion accounts) or other receipt under an acquisition agreement (or similar) (including pursuant to any indemnity or warranty claim) received by the Group;
- (22) so long as no Event of Default had occurred and is continuing (or would result therefrom), any Restricted Payment; *provided* that the Consolidated Senior Secured Net Leverage Ratio does not exceed 3.75 to 1.0 on a *pro forma* basis after giving effect to any such Restricted Payment;
- (23) so long as no Material Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment made in relation to a Specified Change of Control Event; *provided* that the Consolidated Total Net Leverage Ratio does not exceed 3.50 to 1.00 on a *pro forma* basis after giving effect to any such Specified Change of Control Event and Restricted Payment;
- (24) dividends, repayments of equity, reductions of capital or any other distribution or other Restricted Payment to any Parent Entity that is a member of the same fiscal or tax unity for corporate income tax, trade tax or value added tax or similar purposes; and
- (25) any Restricted Payment in respect of any equity contribution to the Issuer or its Restricted Subsidiaries or any Subordinated Shareholder Funding, to the extent that the original proceeds of the equity contribution or Subordinated Shareholder Funding were invested to fund a Permitted Acquisition or Permitted Investment, capital expenditure or a Group Initiative or other purpose on a bridge basis *provided* that such repayment is effected within six months of the relevant equity contribution or Subordinated Shareholder Funding being made and financed with the proceeds of Permitted Indebtedness.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) through (25) of the fourth paragraph of this covenant, or is permitted pursuant to the first paragraph of this covenant and/or one or more of the clauses contained in the definition of “Permitted Investment,” the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as an Investment pursuant to one of more clauses contained in the definition of “Permitted Investment”.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “**Initial Lien**”), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Notes Guarantee in the case of Liens of a Guarantor) are directly secured, subject to the Agreed Security Principles, equally and ratably with, or prior to, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under “—*Security—Release of Liens*”. Unless elected otherwise by the Issuer, property or assets which are only subject to a floating charge or general business charge under the Security Documents shall not constitute Collateral for the purposes of the Indenture or any other Notes Document (except the Security Document creating such charge).

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;
- (B) make any loans or advances to the Issuer or any Restricted Subsidiary; or
- (C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility), (b) the Intercreditor Agreement, (c) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date or (d) any other agreement or instrument with respect to the Transactions in effect at or entered into on the Issue Date;
- (2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company (as defined under “—*Merger and Consolidation*”), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

- (3) any encumbrance or restriction pursuant to an agreement or instrument that extends, renews, refinances or replaces any of the encumbrances or restrictions referred to in clause (1) or (2) of this paragraph or this clause (3) (an “**Initial Agreement**”) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);
- (4) any encumbrance or restriction:
- (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;
 - (b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or
 - (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;
- (5) any encumbrance or restriction pursuant to Purchase Money Obligations and Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;
- (6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business or consistent with past practice;
- (8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority or any governmental licenses;
- (9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers, or as required by insurance, surety or bonding companies or indemnities in each case under agreements or policies entered into in the ordinary course of business or consistent with past practice;
- (10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “—*Limitation on Indebtedness*” if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or the Issuer determines that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments under the Notes or (b) constituting an Additional Intercreditor Agreement;
- (12) any encumbrance or restrictions effected in connection with factoring, securitizations, receivables financings or similar arrangements, including (without limitation) by a Receivables Subsidiary in a Qualified Receivables Financing or Settlement Obligations that, in the good faith determination of the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such factoring, securitizations, receivables financings or similar arrangements or Settlement Obligations;
- (13) any encumbrance or restriction existing by reason of any Lien permitted under “—*Limitation on Liens*”;
- (14) any encumbrance or restriction existing by reason of a Permitted Reorganization effected in compliance with the definition thereof;

- (15) provisions restricting assignment of any agreement entered into in the ordinary course of business or consistent with past practice; or
- (16) customary restrictions included in shareholder agreements, including, without limitation, those relating to non-wholly owned Subsidiaries.

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless: the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Issuer's Board of Directors).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 24 months of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or any Restricted Subsidiary to:

- (A) (i) prepay, repay, purchase or redeem (including through open market purchases, voluntary tender offers or private negotiated transactions at market prices) any Indebtedness Incurred under clause (i) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*” or any Refinancing Indebtedness in respect thereof; (ii) unless included in (A)(i), prepay, repay, purchase or redeem (including through open market purchases, voluntary tender offers or private negotiated transactions at market prices) Notes or Indebtedness that is secured by a Lien on the Collateral that is not subordinated in right of payment to the Notes at a price of no more than 100% of the principal amount of the Notes or such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption plus any applicable premia or make-whole; (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that the Issuer shall prepay, repay, purchase or redeem Public Debt (other than the Notes) pursuant to clause (ii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum total aggregate principal amount of the Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Notes) or (iv) prepay, repay, purchase or redeem (including through open market purchases, voluntary tender offers or private negotiated transactions at market prices) Subordinated Indebtedness and/or any indebtedness of a Parent Entity (and any proceed loans in respect of the foregoing) (or make any payment in order to facilitate any such prepayment, repayment, purchase or redemption) if the Issuer or its Restricted Subsidiaries would be permitted to do so at such time under clause (10)(ii) and/or (iii) of the second paragraph of the covenant described under “—*Limitation on Restricted Payments*”;
- (B) purchase any series of Notes pursuant to an offer to all Holders of such series of Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) (to the extent Holders elect not to tender their Notes for such purchase, the amount of Net Available Cash equal to such amount not tendered shall not increase the amount of Excess Proceeds (as defined below)), or redeem any series of Notes pursuant to the redemption provisions of the Indenture or by making an Asset Disposition Offer to all Holders of the Notes (in accordance with the procedures set out below);
- (C) invest in any Replacement Assets;
- (D) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;
- (E) make a capital expenditure;
- (F) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;
- (G) consummate any combination of the foregoing; or
- (H) enter into a binding commitment to apply the Net Available Cash pursuant to clause (A), (C), (D), (E) or (F) of this paragraph or a combination thereof, *provided* that, a binding commitment shall be treated as a

permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such application is consummated, (y) the 180th day following the expiration of the aforementioned 24 month period (such 180 day period being the **Binding Commitment Period**) or, if that legally binding commitment has been terminated during the Binding Commitment Period, the 180th day after the date on which that legally binding commitment was so terminated (the “**Extended Binding Commitment Period**”), if such application has not been consummated by that date.

The amount of such Net Available Cash not so used as set forth in this paragraph shall constitute “**Excess Proceeds**” in the following amounts and such determination may be made by the Issuer on any date on or after such Asset Disposition at the Issuer’s election:

- (1) if the Consolidated Senior Secured Net Leverage Ratio of the Issuer and its Restricted Subsidiaries exceeds 4.25:1.00, 100% of such Net Available Cash; or
- (2) if the Consolidated Senior Secured Net Leverage Ratio of the Issuer and its Restricted Subsidiaries exceeds 3.75:1.00 but does not exceed 4.25:1.00, 50% of such Net Available Cash; or
- (3) if the Consolidated Senior Secured Net Leverage Ratio of the Issuer and its Restricted Subsidiaries does not exceed 3.75:1.00, 0% of such Net Available Cash,

and any Net Available Cash that will not constitute Excess Proceeds pursuant to this paragraph shall be immediately available to the Issuer and its Restricted Subsidiaries for any purposes permitted by the Indenture, including to make Restricted Payments in accordance with clause (20) of the definition of “*Permitted Payments*,” without regard to the periods specified in the second paragraph of this covenant.

Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest or use such Net Available Cash in any manner that is not prohibited by the terms of the Indenture.

On the day after the end of the 24 month period above (or 1st day after the end of either the Binding Commitment Period or Extended Binding Commitment Period, as applicable, if a binding commitment as described in clause (H) is entered into) after an Asset Disposition, or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds (i) 20% of Consolidated EBITDA and €30.0 million in a single transaction or a series of related transactions or (ii) 30% of Consolidated EBITDA and €40.0 million per year (excluding any Excess Proceeds under the foregoing sub-clause (i) of this paragraph), the Issuer will be required within 10 Business Days thereof to make an offer (an “**Asset Disposition Offer**”) to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Senior Secured Indebtedness or Pari Passu Indebtedness that is secured by a Lien on the Collateral on a pari passu basis with the Loans to prepay, repay or repurchase the maximum principal amount of Notes and any such Senior Secured Indebtedness and Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased, redeemed or prepaid out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Senior Secured Indebtedness or Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, redemption or prepayment plus any premia or make-whole, in accordance with the procedures set forth in the Indenture or the agreements governing the Senior Secured Indebtedness or Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof in the case of the Notes.

To the extent that the aggregate amount of Notes and such Senior Secured Indebtedness or Pari Passu Indebtedness so validly tendered (or in respect of which holders or lenders thereof accepted such offer) and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds any purpose not prohibited by the covenants in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Senior Secured Indebtedness or Pari Passu Indebtedness surrendered by holders or lenders (or in respect of which holders or lenders thereof accepted such offer), collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes, Senior Secured Indebtedness and Pari Passu Indebtedness to be prepaid, redeemed or purchased on a pro rata basis on the basis of the aggregate principal amount of Notes, Senior Secured Indebtedness and Pari Passu Indebtedness tendered (or in respect of which offers were accepted). For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent the Issuer or any Restricted Subsidiary has elected or otherwise offered or been required to prepay, repay, redeem or purchase any amount of Notes, Senior Secured Indebtedness or other Pari Passu Indebtedness at

a price of no less than 100% of the principal amount thereof under this covenant (including pursuant to any Asset Disposition Offer), to the extent the Holders of the Notes or the creditors in respect of such Senior Secured Indebtedness or Pari Passu Indebtedness elect not to tender their Notes, Senior Secured Indebtedness or Pari Passu Indebtedness or accept any such offer for such prepayment, repayment, redemption or purchase or have declined or refused any prepayment, repayment, redemption or purchase, such amount not tendered or accepted, or such amount which is declined or refused, shall be deemed **“Declined Proceeds.”**

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the **“Asset Disposition Offer Period”**). No later than five Business Days after the termination of the Asset Disposition Offer Period (or, in respect of other Senior Secured Indebtedness or Pari Passu Indebtedness, if different, such other period prescribed by the terms thereof) (each an **“Asset Disposition Purchase Date”**), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Senior Secured Indebtedness or Pari Passu Indebtedness required to be repaid, prepaid or purchased by it pursuant to this covenant (the **“Asset Disposition Offer Amount”**) or, if less than the Asset Disposition Offer Amount has been so validly tendered or accepted, all Notes, Senior Secured Indebtedness and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the applicable Asset Disposition Purchase Date, the Issuer (or relevant Restricted Subsidiary, if applicable) will, to the extent lawful, accept for payment (or make payment), on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes, Senior Secured Indebtedness and Pari Passu Indebtedness or portions of Notes, Senior Secured Indebtedness and Pari Passu Indebtedness so validly tendered (or in respect of which holders or lenders thereof accepted such offer) and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes, Senior Secured Indebtedness and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer’s Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer’s Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an **“Affiliate Transaction”**) involving aggregate value in excess of the greater of (i) 15% Consolidated EBITDA and (ii) €20.0 million unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm’s-length dealings with a Person who is not such an Affiliate; and
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of the greater of (i) 25% Consolidated EBITDA and (ii) €35.0 million, the terms of such transaction or series of related transactions

have been approved by a resolution of the majority of the members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under “—*Limitation on Restricted Payments*”, any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under “—*Limitation on Restricted Payments*”) or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);
- (2) any issuance, transfer or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants’ plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business or consistent with past practice;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or between or among any member of the Group and any Receivables Subsidiary;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
- (6) (i) transactions to effect the Transactions and payment of all transaction, underwriting, commitment and other fees and expenses related to the Transactions (including any Transactions costs), (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date or described in “*Related Party Transactions*” in the Offering Memorandum, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;
- (7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business or consistent with past practice;
- (8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, including in respect of Settlement Obligations or other similar arrangements, distribution partners or franchisees, in each case in the ordinary course of business or consistent with past practice, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (9) any transaction in the ordinary course of business or consistent with past practice between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding

are approved by a majority of the members of the Board of Directors in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

- (11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed the greater of (i) 5% Consolidated EBITDA and (ii) €10.0 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors in good faith;
- (12) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;
- (13) investments by any of the Investors in securities of any of the Issuer's Restricted Subsidiaries (and the payment of reasonable out-of-pocket expenses of the Investors in connection therewith) so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favorable terms and (iii) the investment constitutes less than 10% of the proposed issue amount of such class of securities;
- (14) any transaction effected as part of a Qualified Receivables Financing or Settlement Obligations;
- (15) any participation in a public tender or exchange offers for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arms' length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer;
- (16) pledges of Capital Stock or receivables owing from Unrestricted Subsidiaries;
- (17) any contribution to the equity of the Issuer in exchange for Capital Stock (other than Disqualified Stock and Preferred Stock) or any investments by any Permitted Holders in securities of any Restricted Subsidiary (and the payment of reasonable out-of-pocket expenses of the Permitted Holders in connection therewith); and
- (18) any transaction as part of or in connection with a Permitted Reorganization or in connection with an Initial Public Offering in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

- (1) within 150 days after the end of the fiscal year of the Issuer ending December 31, 2021 and within 120 days after the end of each fiscal year thereafter, annual reports containing, to the extent applicable: (i) an operating and financial review of the audited financial statements, including a discussion of the results of operation, financial condition and liquidity and capital resources; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates; *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of the Issuer, material affiliate transactions and a description of all material debt instruments; (v) a description of material operational risk factors and material subsequent events; and (vi) consolidated EBITDA; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;
- (2) within 90 days following the financial quarter ending September 30, 2021 and thereafter within 60 days after the end of each of the first three fiscal quarters in each fiscal year of the Issuer (or 75 days for the first

four full applicable fiscal quarters in respect of which quarterly financial statements are required to be delivered under this clause 2) quarterly financial statements containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates, *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, consolidated EBITDA and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

- (3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a change in senior executive officer or director at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's website and if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, by posting such reports on the official website of the Luxembourg Stock Exchange (www.bourse.lu). Notwithstanding the foregoing, in the event the Issuer posts copies of the reports specified in clauses (1), (2) and (3) of the first paragraph of this covenant on such website, it will be deemed to have furnished such reports to the Trustee.

All financial statement information shall be prepared in all material respects in accordance with GAAP as in effect on the date of such report or financial statement (or otherwise on the basis of GAAP as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information or set out therein and/or except as may be required or necessary to reflect financial or related definitions in the Indenture and, in the case of the reports prepared pursuant to clause (2) above, subject to year-end adjustments and having regard to the fact they were not prepared for audit purposes; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in GAAP, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type customary included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "Reports" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All reports provided pursuant to this "Reports" covenant shall be made in the English language.

Subject to compliance with the paragraph below, in the event that, and for so long as, the equity securities of the Issuer or any Parent or IPO Entity are listed on the Main Market of the London Stock Exchange, the Euronext Amsterdam Stock Exchange, the Milan Stock Exchange, the Frankfurt Stock Exchange, the New York Stock Exchange, NASDAQ or any regulated stock exchange established in a Member State of the European Union, and the Issuer or such Parent or IPO Entity is subject to the admission and disclosure standards applicable to issuers of equity securities admitted to trading on the Main Market of the London Stock Exchange, the Euronext Amsterdam Stock Exchange, the Milan Stock Exchange, the Frankfurt Stock Exchange, the New York Stock

Exchange, NASDAQ or any regulated stock exchange established in a Member State of the European Union, for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer or such Parent or IPO Entity is, or would be, required to file with such stock exchange. Upon complying with the foregoing requirements, and provided that such requirements require the Issuer or any Parent or IPO Entity to prepare and file annual reports, information, documents and other reports with the Main Market of the London Stock Exchange, the Euronext Amsterdam Stock Exchange, the Milan Stock Exchange, the Frankfurt Stock Exchange, the New York Stock Exchange, NASDAQ or any regulated stock exchange established in a Member State of the European Union, as applicable, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

The Issuer may comply with any requirement to provide reports or financial statements under this “Reports” covenant by providing any report or financial statements (x) of Multiversity S.r.l. (prior to the Post-Closing Reorganisation) or (y) of a Parent, in each case, in lieu of those for the Issuer, so long as such reports (if an annual or quarterly report) meet the relevant requirements (including as to content and time of delivery) of this “Reports” covenant as if references to the Issuer therein were references to Multiversity Group or a Parent, as the case may be, (as determined at the sole discretion of the Issuer). Upon complying with the requirements set forth in the preceding sentence, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs. For the avoidance of doubt, if delivering reports or financial statements of a Parent, no indebtedness of any Parent shall be taken into account when making any calculations otherwise required under the Indenture. To the extent any material differences exist between the management, business, assets, shareholding or results of operations or financial condition of the Issuer, Multiversity Group or any Parent that is the reporting entity (if applicable), the annual and quarterly reports shall include an explanation and an unaudited reconciliation of such material differences.

Any reports in respect of periods commencing prior to the Acquisition Closing Date (including in respect of any comparative information) may, upon the election of the Issuer, include only the consolidated financial information of the Target Group without any other financial information, but after giving pro forma effect to the Transactions. For purposes of this covenant and any determination or calculation to be made under the Indenture, the Issuer may use financial statements of the Target Group for reporting or making calculations with respect to periods commencing prior to the Acquisition Closing Date.

Notwithstanding anything in the Indenture to the contrary, in the event that any period specified in the Indenture for the Group to deliver any financial statements, documents or other information expires on a day which is not a Business Day, that period shall be extended so as to expire on the next Business Day.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one transaction or a series of related transactions to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the “**Successor Company**”) will be a Person organized and existing under the laws of any member state of the European Union (or former member of the European Union), the United Kingdom, or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such

transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

- (3) immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under “—*Limitation on Indebtedness*” or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and
- (4) the Issuer shall have delivered to the Trustee an Officer’s Certificate, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been authorized, executed and delivered and is, subject to customary qualifications and assumptions, a legal, valid and binding agreement enforceable against the Successor Company (in each case, subject to customary qualifications and assumptions, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Person that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under “—*Limitation on Indebtedness*”.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all of its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this “*Merger and Consolidation*” covenant) shall not apply to (i) any transactions which constitute an Asset Disposition if the Issuer has complied with the covenant described under “—*Limitation on Sales of Assets and Subsidiary Stock*” and (ii) the creation of a new subsidiary as a Restricted Subsidiary.

The Guarantors

No Guarantor (other than a Guarantor whose guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement and any Additional Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);
- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the assets of such Guarantor and its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into it unless:
 - (A) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or, subject to the Agreed Security Principles, becomes a Guarantor;
 - (B) (1) either (x) a Guarantor is the continuing Person or (y) subject to the Agreed Security Principles, the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Notes Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee); and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and be continuing; or
 - (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all of the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture,

provided however, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (A) and (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses.

The provisions set forth in this “*Merger and Consolidation*” covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) a Guarantor transferring all or part of its properties and assets to a Restricted Subsidiary that is not a Guarantor in order to comply with any law, rule, regulation or order, recommendation or directions of, or agreement with, any regulatory authority having jurisdiction over the Issuer or any of its Restricted Subsidiaries; (iv) any consolidation or merger of the Issuer into any Guarantor; *provided that*, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading “—*The Issuer*” shall apply to such transaction; (v) a Permitted Reorganization or the liquidation or winding up of any Restricted Subsidiary that is not a Guarantor; (vi) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided, however*, that clauses (1), (2) and (4) under the heading “—*The Issuer*” or clauses (3)(A) or (3)(B) under the heading “—*The Guarantors*”, as the case may be, shall apply to any such transaction and (vii) Specified Asset Disposition.

Post-Closing Reorganisation

The Issuer shall use its commercially reasonable efforts, for a period of 18 months following the Issue Date (and subject to any relevant approval and/or authorisation by any competent authority) to complete the Post-Closing Reorganisation, provided that if the Post-Closing Reorganisation is not completed, such failure to complete the Post-Closing Reorganisation shall not constitute a Default or an Event of Default, and provided further that holders of the Notes agrees for the purposes of Articles 2503 and 2503-bis (et seq.) of the Italian Civil Code to the consummation of the Post-Closing Reorganisation and the assumption by Multiversity of all obligations of the Issuer in respect of the Notes Documents in accordance with the Indenture upon completion of the Post-Closing Reorganisation.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a “**Suspension Event**”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the “**Reversion Date**”), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

- (1) “—*Limitation on Restricted Payments*”;
- (2) “—*Limitation on Indebtedness*”;
- (3) “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*”;
- (4) “—*Limitation on Affiliate Transactions*”;
- (5) “—*Additional Notes Guarantees*”;
- (6) “—*Limitation on Sales of Assets and Subsidiary Stock*”; and
- (7) the provisions of clause (3) of the first paragraph of the covenant described under “—*Merger and Consolidation*”,

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard

to actions of the Issuer or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The “*Limitation on Restricted Payments*” covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness

Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”. In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee upon the occurrence of a Suspension Event or a Reversion Date, *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens and may effect a Permitted Reorganization and the Collateral may be discharged and released and retaken, if applicable, in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement and (ii) the applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, from time to time to cure any ambiguity, mistake, omission, defect or inconsistency therein; *provided, however*, that in the case of clause (i) above, except with respect to any discharge or release in accordance with the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Documents may not be amended, extended, renewed, restated, supplemented, released and retaken, if applicable, or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Notes Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Credit Facility, any Credit Facility which is a term facility which constitutes Senior Secured Indebtedness or Junior Lien Indebtedness or any other Public Debt, in each case of the Issuer or a Guarantor unless (subject to the Agreed Security Principles) such Restricted Subsidiary is or becomes a Guarantor by no later than 10 Business Days after the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture pursuant to which such Restricted

Subsidiary will provide a Notes Guarantee, which Notes Guarantee will be senior to or pari passu with such Restricted Subsidiary's Guarantee of such other Indebtedness; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Notes Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses Incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (2) undertaken in connection with such Guarantee which cannot be avoided through measures reasonably available to the Issuer or any Restricted Subsidiary. At the option of the Issuer, any Notes Guarantee may contain limitations on such Guarantor's liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, 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 Notes Guarantees granted pursuant to this provision shall be released as set forth under “—*Notes Guarantees*”. A Notes Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Notes Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in “*Risk Factors*”.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any Indebtedness permitted pursuant to the covenant described under “—*Limitation on Indebtedness*”, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an “**Additional Intercreditor Agreement**”) or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including substantially the same terms with respect to release of Notes Guarantees and priority and release of the Security Interest; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under “*Amendments and Waivers*” or as permitted by the terms of the Intercreditor Agreement or any Additional

Intercreditor Agreement, and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described under “—*Limitation on Restricted Payments*”.

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices or at the offices of the listing agent.

Financial Calculations

When determining the availability under any basket or ratio under the Indenture in connection with any transaction or making any calculation as to whether such transaction is permitted under the Indenture (including, for the avoidance of doubt and without limitation, any Incurrence or assumption of Indebtedness or Liens, the making of any Restricted Payment, Permitted Payment or Investment, any Asset Disposition, any acquisition, merger, joint venture, consolidation, amalgamation or other business combination and any other transaction requiring the testing of any basket, including, without limitation, in determining whether a Change of Control constitutes a Specified Change of Control Event), the date of determination of such basket or ratio or the testing of any such transaction and of any Default or Event of Default shall, at the option of the Issuer, be any Relevant Transaction Date, and such baskets or ratios may, at the option of the Issuer, be calculated with such *pro forma* adjustments as are contemplated by the *pro forma* provisions set forth in the definition of Consolidated EBITDA and the definition of Consolidated Total Net Leverage Ratio and as otherwise contemplated by the Indenture after giving effect to such transaction and other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such transaction (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Consolidated Net Income or Consolidated EBITDA of the Issuer or that arises from an asset or a target company subject to such transaction) subsequent to such date of determination and at or prior to the consummation of the relevant transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transaction is permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such transaction or related transactions, unless otherwise elected by the Issuer; *provided* that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement or other Relevant Transaction Date which is prior to the transaction occurring and elect to make *pro forma* adjustments as though they had occurred, any such transactions (including any Incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered or such Relevant Transaction Date and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such transaction. To the extent the date of determination of a basket or ratio is tested prior to the date of consummation of a transaction, such basket or ratio shall be deemed utilized to the same extent until the earlier of the date of consummation of such transaction or the date such transaction is terminated or expires without consummation, except that in the case of an acquisition, merger or consolidation, any calculation for purposes other than Incurrences of Indebtedness or Liens or the making of Restricted Payments (not related to such acquisition, merger or consolidation) shall not reflect such transaction until it has been consummated.

For any relevant basket set by reference to a fiscal year, a calendar year, a four-quarter period, a twelve-month period or any other similar annual period (each an “**Annual Period**”):

- (1) at the option of the Issuer, the maximum amount so permitted under such basket during such Annual Period may be increased by: (i) 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 (ii) 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

- (2) to the extent that the maximum amount so permitted under such basket during such Annual Period is increased in accordance with clause (1) above, any usage of such basket during such Annual Period shall be deemed to be applied in the following order: (i) first, against the Carry Forward Amount; (ii) second, against the maximum amount so permitted during such Annual Period prior to any increase in accordance with clause (1) above; and (iii) third, against the Carry Back Amount.

Events of Default

Each of the following is an “**Event of Default**” under the Indenture:

- (1) default in any payment of interest on any Note issued under the Indenture when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Issuer or any of its Restricted Subsidiaries to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;
- (4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed (other than, for the avoidance of doubt, indebtedness under any Hedging Obligations or Subordinated Shareholder Funding or ancillary facilities made available under the Revolving Credit Facility) by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:
 - (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness (“**payment default**”); or
 - (b) results in the acceleration of such Indebtedness prior to its maturity (the “**cross acceleration provision**”),

and, in each case, either the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, and such payment default and acceleration are continuing, aggregates the greater of (i) 65% of Consolidated EBITDA and (ii) €90.0 million or more;

- (5) certain events of bankruptcy, insolvency or court protection of the Parent Security Provider, the Issuer or a Significant Subsidiary (the “**bankruptcy provisions**”);
- (6) failure by the Issuer or any Significant Subsidiary to pay final judgments aggregating the greater of (i) 65% of Consolidated EBITDA and (ii) €90.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the “**judgment default provision**”);
- (7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture and except through the gross negligence or willful misconduct of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of (i) 65% of Consolidated EBITDA and (ii) €90.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert in writing that any such security interest is invalid, or unenforceable and any such Default continues for 10 days, in each case, which is materially adverse to Noteholders’ interest as a whole under the Note Documents;

- (8) any Notes Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared invalid, materially adverse to Noteholders' interest as a whole or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for 10 days which is materially adverse to Noteholders' interest as a whole under the Notes Documents; and
- (9) failure by the Issuer, any Parent or Restricted Subsidiary to provide security over the Collateral as described above under the caption "*—Security—General*" and such Event of Default continues for 30 days.

However, a default under clauses (3), (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice. A notice of Default, notice of acceleration or instruction to the Trustee to provide a notice of Default, notice of acceleration or to take any other action with respect to an alleged Default or Event of Default may not be given with respect to any action taken or any event which has occurred and been reported to the Noteholders by the Trustee or reported publicly more than two years prior to such notice of Default, notice of acceleration or other instruction to the Trustee.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Any notice of Default under the first paragraph of this section, notice of acceleration with respect to an Event of Default under the first paragraph of this section or instruction to the Trustee to provide a notice of Default under the first paragraph of this section, notice of acceleration with respect to an Event of Default under the first paragraph of this section or direction to take (or refrain from taking) any other action with respect to an alleged Default or Event of Default the first paragraph of this section (a "*Noteholder Direction*") provided by any one or more Holders (each, a "*Directing Holder*") must be accompanied by a written representation from each such Holder to the Issuer and the Trustee that such Holder is not, or, in the case such Holder is a nominee of Euroclear or Clearstream, as applicable, that such Holder is being instructed solely by beneficial owners that are not, Net Short (a "*Position Representation*"), which representation, in the case of a Noteholder Direction relating to a notice of Default shall be deemed repeated at all times until the resulting Event of Default is cured or otherwise ceases to exist or the Notes are accelerated. The principal amount of the outstanding Notes held by any Directing Holder that does not provide a Position Representation in respect of any Noteholder Direction shall be deemed to be zero for the purposes of both the numerator and denominator in determining whether any requisite proportion of Holders of Notes have given the Trustee a particular instruction in respect of the Notes. In addition, each Directing Holder must, at the time of providing a Noteholder Direction, covenant to provide the Issuer with such other information as the Issuer may reasonably request from time to time in order to verify the accuracy of such Directing Holder's Position Representation within five Business Days of request thereof (a "*Verification Covenant*"). In any case in which the Holder is Euroclear or Clearstream or its nominee, any Position Representation or Verification Covenant required hereunder shall be provided by the beneficial owner of the Notes in lieu of Euroclear or Clearstream, as applicable, or its nominee.

If, following the delivery of a Noteholder Direction, but prior to acceleration of the Notes, the Issuer determines in good faith that there is a reasonable basis to believe a Directing Holder was, at any relevant time, in breach of its Position Representation and the Issuer provides to the Trustee an Officer's Certificate (which shall also be provided to any such Holder) certifying that the Issuer (i) believes in good faith that there is a reasonable basis to

believe a Directing Holder was at any relevant time in breach of its Position Representation or its Verification Covenant and (ii) has initiated litigation in a court of competent jurisdiction seeking a determination that such Directing Holder was, at such time, in breach of its Position Representation, and seeking to invalidate any Event of Default that resulted from the applicable Noteholder Direction, the cure period with respect to such Event of Default shall be automatically stayed and the cure period with respect to such Event of Default shall be automatically reinstituted and any remedy stayed pending a final and non-appealable determination of a court of competent jurisdiction on such matter. If such Officer's Certificate has been delivered to the Trustee, the Trustee shall refrain from acting in accordance with such Noteholder Direction until such time as the Issuer provides to the Trustee an Officer's Certificate stating that (i) a Directing Holder has satisfied its Verification Covenant or (ii) a Directing Holder has failed to satisfy its Verification Covenant, and during such time the cure period with respect to any Default shall be automatically stayed and the cure period with respect to any Event of Default that resulted from the applicable Noteholder Direction shall be automatically reinstituted and any remedy stayed pending satisfaction of such Verification Covenant. Any breach of the Position Representation shall result in such Directing Holder's participation in such Noteholder Direction being disregarded; and, if, without the participation of such Directing Holder, the percentage of Notes held by the remaining Holders that provided such Noteholder Direction would have been insufficient to validly provide such Noteholder Direction, such Noteholder Direction shall be void ab initio, with the effect that such Event of Default shall be deemed never to have occurred, and any related acceleration rescinded, and the Trustee shall be deemed not to have received such Noteholder Direction or any notice of such alleged Default or Event of Default, shall not be permitted to act thereon and shall be restricted from accepting and acting on any future Noteholder Direction in relation to such Event of Default. If the Directing Holder has satisfied its Verification Covenant, then the Trustee shall be permitted to act in accordance with such Noteholder Direction. Notwithstanding the above, if such Directing Holder's participation is not required to achieve the requisite level of consent of Holders required under the Indenture to give such Noteholder Direction, the Trustee shall be permitted to act in accordance with such Noteholder Direction notwithstanding any action taken or to be taken by the Issuer (as described above). The Trustee shall be entitled to conclusively rely on any Noteholder Direction or Officer's Certificate delivered to it in accordance with the Indenture without verification, investigation or otherwise as to the statements made therein.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security and/or prefunding satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such Holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such Holders have offered the Trustee security and/or indemnity and/or prefunding satisfactory to it against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity and/or prefunding; and
- (5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct

of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security and/or prefunding satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year (or 150 days for the fiscal year ending on December 31, 2021), an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (A) if a Default (including an Event of Default) has occurred but is no longer continuing (a **"Cured Default"**), any other Default or Event of Default which would not have arisen but for the Cured Default having occurred shall be deemed not to be continuing automatically upon, and simultaneous with the remedy, cure or waiver of the Cured Default, (B) if a Default (including an Event of Default) occurs for a failure to report or failure to deliver a required certificate, notice or other document in connection with another default (an **"Initial Default"**) then at the time such Initial Default is remedied or waived, such Default (including an Event of Default) for a failure to report or deliver a required certificate, notice or other document or information in connection with the Initial Default will also be cured without any further action and (C) any Default (including an Event of Default) for the failure to comply with the time periods prescribed in the covenant **"Reports"** herein, or otherwise to deliver any notice, certificate or other document, as applicable, even though such delivery is not within the prescribed period specified in the Indenture or any other Notes Document shall be deemed to be cured and remedied upon the delivery of any such report or statements or information required by such covenant or notice, certificate or other document or performance of such obligation, as applicable, even though such delivery is not within the prescribed period specified in the Indenture or any other Notes Document.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or prefunding to its satisfaction. It may not be possible for the Trustee to take certain actions, steps or proceedings in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action, steps or proceedings directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of Holders holding not less than 75% of the then outstanding principal amount of the Notes affected, then outstanding, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

- (1) reduce the proportion of the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Note;
- (3) reduce the principal of or extend the Stated Maturity of any Note;
- (4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under **"—Optional Redemption"**;
- (5) make any Note payable in money other than that stated in the Note;
- (6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;
- (7) make any change in the provision of the Indenture described under **"Withholding Taxes"** that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a

way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

- (8) release any security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Intercreditor Agreement, any applicable Additional Intercreditor Agreement, the Indenture or the applicable Security Documents;
- (9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);
- (10) release any Guarantor from any of its obligations under its Notes Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement;
- (11) make any change in the amendment or waiver provisions which require the Holders' consent described in clauses (1) through (10) of this sentence,

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;
- (3) add to the covenants or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;
- (4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;
- (5) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Notes;
- (6) to provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or "*Certain Covenants—Additional Notes Guarantees*", to add Notes Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (7) to conform the text of the Indenture, the Security Documents, the Escrow Agreement or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents, the Escrow Agreement or the Notes;
- (8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;
- (9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility, in any property which is required by the Security Documents or the Revolving Credit Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with; or
- (10) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*".

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of any amendment, supplement and waiver may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Meeting of Holders of Notes

All meetings of Holders of the Notes will be held in accordance with Italian applicable laws and regulations.

In addition to and without prejudice to the provisions described above under the caption “—*Amendments and Waivers*”, in accordance with the provisions set forth under the Italian Civil Code, the Indenture will include provisions for the convening of meetings of the Holders of the Notes to consider any matter affecting their interests, including, without limitation, the modification or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. A meeting may be convened either (i) by the Board of Directors of the Issuer, (ii) by the Noteholders' Representative (as defined below) or (iii) upon request by holders of at least 5.0% of the aggregate principal amount of the outstanding Notes.

In accordance with the Italian Civil Code, the vote required to pass a resolution by a meeting of the Holders of Notes will be (i) in the case of the first meeting, one or more persons that hold or represent Holders of more than one half of the aggregate principal amount of the outstanding Notes, and (ii) in the case of the second and any further adjourned meeting, one or more persons that hold or represent Holders of at least two-thirds of the aggregate principal amount of the Notes so present or represented at such meeting. Any such second or further adjourned meeting will be validly held if there are one or more persons present that hold or represent Holders of more than one-third of the aggregate principal amount of the outstanding Notes; *provided, however*, that the Issuer's bylaws may provide for a higher quorum (to the extent permitted under Italian law). Certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3 of the Italian Civil Code (namely, the amendment of the economic terms and conditions of the Notes) may only be approved by an extraordinary resolution passed at a meeting of Holders of the Notes (including any adjourned meeting) by one or more persons present that hold or represent holders of not less than one-half of the aggregate principal amount of the outstanding Notes.

With respect to the matters set forth in the second paragraph under “—*Amendments and Waivers*”, and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of the aggregate principal amount of Notes otherwise required by Article 2415 of the Italian Civil Code to pass an extraordinary resolution with respect to such matters from 50% to 75% of the aggregate principal amount of the outstanding Notes. See “*Risk Factors—Risks Related to the Notes, the Collateral and any Future Notes Guarantees— The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all holders of the Notes with the vote of either 75% or 50% of the outstanding aggregate principal amount of the Notes*”. Any resolution duly passed at any such meeting shall be binding on all the holders of the Notes, whether or not such holder was present at such meeting or voted to approve such resolution. To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of Holders of the Notes can be challenged by Holders pursuant to Articles 2377 and 2379 of the Italian Civil Code.

The Indenture will provide that the provisions described under this “—*Meeting of Holders of Notes*” will be in addition to, and not in substitution of, the provisions described under the caption “—*Amendments and Waivers*”. As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this “—*Meeting of Holders of Notes*” must also comply with the other provisions described under “—*Amendments and Waivers*”.

Security Representative and Noteholders' Representative

Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the Holders of the Notes of the initial appointment as of the Issue Date of Deutsche Bank AG, London Branch, as security representative (*rappresentante per le garanzie*) pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code (the “**Security Representative**”) in order to create and grant in its favor security interests and guarantees securing and guaranteeing the Notes and entitle it to exercise in the name and on behalf of the Holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to such security interests and guarantees. Pursuant to the terms of the Indenture each holder of the Notes from time to time, by accepting a Note, shall be deemed to have agreed to, and accepted, the appointment of Deutsche Bank AG, London Branch as Security Representative.

Moreover, a representative of the Holders of the Notes (*rappresentante comune*) (the “**Noteholders' Representative**”) may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the Holders of the Notes in order to represent the interests of the Holders of the Notes pursuant to Article 2418 of the Italian Civil Code as well as to give effect to resolutions passed at a meeting of the Holders of the Notes. If the Noteholders' Representative is not appointed by a meeting of the Holders of the Notes, the Noteholders' Representative shall be appointed by a decree of the Court where the Issuer has its registered office upon request by one or more Holders of the Notes or upon request by the directors of the Issuer. The Noteholders' Representative remains appointed for a maximum period of three financial years but may be subsequently reappointed thereafter.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Notes and the Indenture (“**legal defeasance**”) and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under “*Certain Covenants*” (other than clauses (1) and (2) of “—*Certain Covenants—Merger and Consolidation*”) and “*Change of Control*” and the default provisions relating to such covenants described under “*Events of Default*” above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under “*Events of Default*” above (“**covenant defeasance**”).

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under “—*Certain Covenants—Merger and Consolidation*”), (4), (5) (with respect only to the Issuer and Significant Subsidiaries), (6), (7) or (8) under “*Events of Default*” above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the “**defeasance trust**”) with the Trustee (or another entity designated by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel in the United States to the effect that Holders of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

- (2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;
- (3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;
- (4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and
- (5) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Principal Paying Agent for cancellation; or (b) all Notes not previously delivered to the Principal Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Principal Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated by the Trustee for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Principal Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee to apply the funds deposited towards the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

If requested in writing by the Issuer, which request may be included in the applicable notice of redemption or pursuant to the applicable Officer's Certificate, the Trustee or the Paying Agent (or such other entity directed, designated or appointed (as agent) by the Trustee, for this purpose) shall distribute any amounts deposited to the Holders prior to the applicable redemption date, provided, however, that Holders shall have received at least three Business Days' notice from the Issuer of such earlier repayment (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the applicable redemption date as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts. To the extent the Notes are represented by a Global Note deposited with a common depository for a clearing system, any payment to the beneficial holders holding Book-Entry Interests as participants of such clearing system will be subject to the then applicable procedures of such clearing system. The Trustee and the Paying Agent shall not be liable to any Holder by virtue of the Issuer instructing the Trustee or the Paying Agent to make an early distribution of funds as described in this paragraph.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

BNY Mellon Corporate Trustee Services Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer

of the Trustee has written notice, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has 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.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee, the Security Agent or any Agent will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, (b) fails to meet certain eligibility requirements or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

For so long as any of the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices with respect to the Notes of the Issuer will be published in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. Such notices may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) in lieu of publication in the *Luxemburger Wort* so long as the rules of the Luxembourg Stock Exchange allow.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided that*, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. For so long as any Notes are represented by Global Notes, notices to Holders of the Notes may be delivered via Euroclear and Clearstream in lieu of notice via registered mail.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with the Notes and the Notes Guarantees, if any, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which

the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors, if any, will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors, if any, will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market thereof. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes on the Euro MTF Market will be approved and settlement of the Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since substantially all the assets of the Issuer are located outside the United States, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement, the Escrow Agreement, the Escrow Charge and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

"Acquired Indebtedness" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"Acquisition" has the meaning ascribed to such term in this Offering Memorandum.

"Acquisition Closing Date" means the date of consummation of the Acquisition.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control"

when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**Agreed Security Principles**” means the agreed security principles appended to the Revolving Credit Facility, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

“**Applicable Premium**” means, with respect to any Note the greater of:

- (a) 1% of the principal amount of such Note; and
- (b) the excess (to the extent positive) of:
 - (i) the present value at such redemption date of (1) the redemption price of such Note at October 30, 2022 (such redemption price (expressed in percentage of principal amount) being set forth in the first paragraph under the heading “*Optional Redemption*” (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such Note to and including October 30, 2022 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate (*provided that, the Bund Rate shall never be less than 0%*) at such redemption date plus 50 basis points and assuming that the rate of interest on the Notes for the period from the redemption date through October 30, 2022 will equal the rate of interest on the Notes in effect on the date on which the applicable notice of redemption is given; over
 - (ii) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee, the Calculation Agent, or any Paying Agent or Registrar.

“**Asset Disposition**” means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business or consistent with past practice), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business or consistent with past practice), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Restricted Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “disposition”) by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items (the “**Permitted Dispositions**”) shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business or consistent with past practice;
- (4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;
- (5) transactions permitted under “—*Certain Covenants—Merger and Consolidation*” or a transaction that constitutes a Change of Control or any transaction effected as a part of a Permitted Reorganization;
- (6) an issuance, transfer or other disposition of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer or the issuance of directors’ qualifying shares and shares issued to individuals as required by applicable law;
- (7) any issuance, transfer or other dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of less than the greater of 20% Consolidated EBITDA and €30.0 million;
- (8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under “—*Certain Covenants—Limitation on Restricted Payments*” and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”, asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

- (9) the granting of Liens not prohibited by the covenant described above under the caption “—*Certain Covenants—Limitation on Liens*”;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or consistent with past practice or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;
- (11) the licensing, sub-licensing, lease or assignment of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases or assignments of other property, in each case, in the ordinary course of business or consistent with past practice;
- (12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business or consistent with past practice, or the conversion or exchange of accounts receivable for notes receivable;
- (14) sales or dispositions of receivables and related assets in connection with any Qualified Receivables Financing, or any factoring transaction or in the ordinary course of business or consistent with past practice;
- (15) any issuance, sale, pledge or other disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (16) any issuance, transfer or other disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom a Restricted Subsidiary was acquired, or from whom a Restricted Subsidiary acquired its business and assets, made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (17) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims of any kind;
- (18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed the greater of 20% of Consolidated EBITDA and €30.0 million;
- (19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Stock that is permitted by the covenant described above under “—*Certain Covenants—Limitation on Indebtedness*” or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;
- (20) sales, transfers or other dispositions of Investments (including Capital Stock) in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; provided that any cash or Cash Equivalents received in such sale, transfer or disposition are applied in accordance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”;
- (21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture;
- (22) the unwinding of any Cash Management Services or Hedging Obligations;
- (23) dispositions in connection with any Settlement and dispositions of Settlement Assets and Merchant Agreements; and
- (24) Specified Asset Dispositions.

In the event that a transaction (or any portion thereof) meets the criteria of a Permitted Disposition and would also be a Permitted Investment or an Investment permitted under “*Certain Covenants—Limitation on Restricted Payments*,” the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or any portion thereof) as a Permitted Disposition and/or one or more of the types of Permitted Investments or Investments permitted under “*Certain Covenants—Limitation on Restricted Payments*”.

References to any transaction being in the “ordinary course of business” of the Issuer or any of its Restricted Subsidiaries (or the Group) in the above definition and for all other purposes under the Indenture shall include (without limitation as to its meaning under the laws if the State of New York) any transaction that is consistent with industry practice in the industries in which the Group operates (or, if the transaction is not specific to the Group’s industry, any industry generally) or consistent with past practice of any member of the Group.

“**Associate**” means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

“**Available RP Capacity Amount**” means, at the time of determination,

- (1) the aggregate amount of Restricted Payments that could be made as of the date of determination pursuant to the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*” plus the aggregate amount of Permitted Payments that could be made as of that date of determination pursuant to clauses (10), (11), (12), (18), (22) and (23) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*;” minus
- (2) an amount equal to the aggregate amount of:
 - (a) Restricted Payments made (and not returned or rescinded or repaid) by the Issuer or any Restricted Subsidiary in reliance on the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*;” and
 - (b) Permitted Payments made (and not returned or rescinded or repaid) by the Issuer or any Restricted Subsidiary pursuant to clauses (10), (11), (12), (18), (22) and (23) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*.”

“**Bankruptcy Law**” means the laws of any applicable jurisdiction validly accepting jurisdiction in respect of bankruptcy, insolvency, receivership, winding up, liquidation or relief of debtors in respect of such Person.

“**Bridge to Cash Facility**” means the floating rate secured bridge facility in a principal amount of €250.0 million established pursuant to a secured bridge facility agreement dated on or about October 25, 2021, among, *inter alios*, the Issuer, the lender (as named therein), UniCredit S.p.A., as agent and security agent.

“**Board of Directors**” means (1) with respect to the Issuer or any corporation, the board of directors or managers or the sole director, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). The obligations of the “Board of Directors of the Issuer” under the Indenture may be exercised by the Board of Directors of a Restricted Subsidiary or a Parent pursuant to a delegation of powers of the Board of Directors of the Issuer.

“**Bund Rate**” means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to October 30, 2022; *provided, however*, that if the period from the redemption date to October 30, 2022 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 30, 2022 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

“**Business Day**” means each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy or London, United Kingdom are authorized or required by law to close and, with respect to payments to be made under the Indenture, other than any day which is not a TARGET Settlement Day.

“**Capital Stock**” of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

“Cash Equivalents” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;
- (2) certificates of deposit, time deposits, eurodollar or other recognized time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof (a **“Deposit”**) or cash in credit balance or deposit which are freely transferable or convertible within 90 days issued or held by any lender party to the Revolving Credit Facility or by any bank or trust company (a) if at any time since January 1, 2010 the Issuer or any of its Subsidiaries held Deposits with such bank or trust company (or any branch or subsidiary thereof), (b) whose commercial paper is rated at least “A-3” or the equivalent thereof by S&P or at least “P-3” or the equivalent thereof by Moody’s (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization), (c) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250.0 million or (d) in the case of a non-U.S. or non-European foreign commercial bank, having capital and surplus in excess of \$100.0 million;
- (3) *Reserved*;
- (4) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;
- (5) commercial paper rated at the time of acquisition thereof at least “A-3” or the equivalent thereof by S&P or “P-3” or the equivalent thereof by Moody’s or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named Rating Agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;
- (6) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, a Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody’s or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;
- (7) Indebtedness or preferred stock issued by Persons with a rating of “BBB-” or higher from S&P or “Baa3” or higher from Moody’s (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;
- (8) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (9) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (8) above;
- (10) for purposes of clause (2) of the definition of “Asset Disposition”, the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date; and
- (11) in the case of any Subsidiary of the Issuer organized or having its principal place of business outside of a Permissible Jurisdiction, investments denominated in the currency of the jurisdiction in which such Subsidiary is organized or has its principal place of business which are similar (including as to tenor and credit quality) to the items specified in clauses (1) through (10) above and customarily utilized in the country where such Subsidiary is organized or has its principal place of business.

“Cash Management Services” means any customary cash management, cash pooling or netting or setting off arrangements or arrangements for the honoring of checks, drafts or similar instruments, including automated clearing house transactions, treasury, depository, credit or debit card, purchasing card, stored value card, electronic fund transfer services, operational intra-group balances and/or cash management services, controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts and merchant services or other cash management arrangements in the ordinary course of business or consistent with past practice.

“Change of Control” means the occurrence of any of the following:

- (a) the Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any “*person*” or “*group*” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Acquisition Closing 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 Acquisition Closing Date) of more than 50% of the total voting power of the Voting Stock of the Issuer other than in connection with any transaction or series of transactions in which the Issuer shall become the wholly owned subsidiary of a Parent Entity so long as no person or group, as noted above, other than a Permitted Holder, holds more than fifty 50% of the total voting power of the Voting Stock of such Parent Entity; or
- (b) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole (other than a Specified Asset Disposition) to a Person, other than the Issuer or any of its Restricted Subsidiaries or one or more Permitted Holders.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer becoming a direct or indirect wholly-owned subsidiary of a holding company if (A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Issuer’s Voting Stock immediately prior to that transaction or (B) immediately following that transaction no person (other than a holding company satisfying the requirements of this sentence or any Permitted Holder) is the beneficial owner, directly or indirectly, of more than 50% of the total voting power 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; (c) a person or group shall not be considered or deemed to beneficially own Voting Stock subject to a stock or asset purchase agreement, merger agreement, option agreement, warrant agreement or similar agreement (or voting or option or similar agreement related thereto) until the consummation of the acquisition of the Voting Stock in connection with the transactions contemplated by such agreement; (d) any Voting Stock of which any Permitted Holder is the “beneficial owner” (as so defined) shall not be included in any Voting Stock of which any “person” or “group of related persons” is the “beneficial owner” (as so defined) unless that person or group is not a Permitted Holder or an Affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock than such Permitted Holders; and (e) a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

“Clearstream” means Clearstream Banking S.A., as currently in effect or any successor securities clearing agency.

“Collateral” means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter, in each case, pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Note Guarantee except for, unless elected otherwise by the Issuer, property or assets which are only subject to a floating charge or general business charge under the Security Documents.

“Commodity Hedging Agreements” means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

“Consolidated EBITDA” means for the period of the four most recent fiscal quarters (or other Relevant Period) ending prior to the relevant date of measurement for which internal consolidated financial statements are available, means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Fixed Charges, Consolidated Interest Expense and other financing or interest costs or charges;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization or impairment expense;
- (5) any expenses, charges, fees or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or

the Incurrence, issuance, redemption or refinancing of any Indebtedness permitted by the Indenture or any amendment, waiver, consent or modification to any document governing any such Indebtedness (whether or not successful), in each case, including such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

- (6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;
- (7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*”;
- (8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) or other cash or non-cash items classified by the Issuer as special, extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);
- (9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;
- (10) payments received or that become receivable with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;
- (11) any Receivables Fees and discounts on the sale of accounts receivable in connection with any Qualified Receivables Financing or Settlement Obligations representing, in the Issuer’s reasonable determination, the implied interest component of such discount for such period;
- (12) (i) the “run rate” adjustments (including on a pro forma basis) required to give effect to synergies, cost savings and operating expense reductions, operating cost improvements, revenue increases, revenue enhancements and any other expense and cost reductions or (in each case) similar items that (A) have been realized (in full or in part) for some, but not all, of such period or (B) are expected (in good faith) to be realized, in each case, as a result of actions relating to any acquisition or investment (including the Transactions), disposition, divestiture, restructuring, cost savings or efficiencies initiative, operational improvements, procurement rationalization, information and technology system establishment, modernization or modification, entry into new contracts, modification or renegotiation of contracts (including the effect of increased pricing in customer contracts or the renegotiations of contracts or other arrangements) or any other similar initiative (calculated on a *pro forma* basis as though such synergies, cost savings or operating expense reductions or other adjustments above had been realized from the first day of such period and during the entirety of such period), net of the amount of actual benefits realized during such period from such transaction or initiative (which adjustments, without double counting, may be incremental to *pro forma* adjustments made pursuant to the definition of “Fixed Charge Coverage Ratio”), if such actions have been taken or commenced or are committed or expected to be taken (in the good faith determination of the Issuer) within 24 months of the relevant determination date; *provided* that no such adjustments shall be added pursuant to this clause (12) to the extent duplicative of any expenses, charges or negative EBITDA contribution otherwise added to Consolidated EBITDA, whether through a *pro forma* adjustment or otherwise, for such period and *provided further* that, in respect of any Relevant Period, any such adjustments expected (in good faith) to be realized pursuant to paragraph (B) of this clause (12) shall not exceed 25% of Consolidated EBITDA (calculated pro forma for (and after fully taking into account) any adjustments under this clause (12) and/or as otherwise permitted by the Indenture) for that Relevant Period; and
- (13) (i) any addbacks and adjustments (including anticipated synergies or costs or expenses) reflected in (or which are consistent with those identified in or which were taken into account when determining) (A) any financial diligence report or any quality of earnings report (in respect of the Transactions and future acquisitions or investments) and/or (B) the calculation of “Adjusted EBITDA” (or any similar or equivalent term) as contained in this Offering Memorandum ; and/or (ii) addbacks for any losses (whether incurred before or after the relevant member of the Group or course first admits or enrolls students) of any member of the Group or course which first admitted or enrolled students no more than 2 years prior to the relevant

calculation being made (including, in respect of any Relevant Period following the end of that 2 year period, to the extent that such losses were incurred in the last year of that 2 year period and are included in the Relevant Period);

- (14) losses, charges and expenses related to the launch or provision of new courses, and any start-up period in respect of any of the foregoing, that are operated or run, or to be operated or run, by the Issuer or any Restricted Subsidiary;
- (15) the amount of any restructuring charge, accrual or reserve (and adjustments to existing reserves), integration cost or other business optimisation expense or cost (including charges directly related to the implementation of cost-savings initiatives) that is deducted (and not added back) in such period in computing Consolidated Net Income, including any one-time costs incurred in connection with acquisitions or divestitures after the Issue Date, including those related to any severance, retention, signing bonuses, relocation, recruiting and other employee related costs, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employment benefit plans (including any settlement of pension liabilities), systems development and establishment costs, future lease commitments and costs related to the opening, relocation, closure and/or consolidation of facilities, schools, campuses or administrative buildings (including overlapping rental costs and related costs and expenses (or additional rental costs and related costs and expenses incurred in connection with unused premises) in each case in respect of such opening, relocation, closure and/or consolidation) and to exiting lines of business and consulting fees incurred with any of the foregoing and fees, costs and expenses associated with acquisition related litigation and settlements thereof.

For purposes of calculating Consolidated EBITDA and all related definitions for the purpose of any basket or ratio under the Indenture, Consolidated EBITDA shall be the Consolidated EBITDA of the Issuer measured for the period of the most recently completed four full consecutive fiscal quarters (or other Relevant Period) ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, with such *pro forma* adjustments (including by giving effect to Indebtedness, acquisitions or Investments, as applicable, since the start of such four fiscal quarters (or other Relevant Period)) as are consistent with the definition thereof and the *pro forma* adjustments set forth in the definition of “Consolidated Total Net Leverage Ratio”.

“**Consolidated Income Taxes**” means taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

“**Consolidated Interest Expense**” means, for any period (in each case, determined on the basis of GAAP), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Lease Obligations;
- (2) amortization of original issue discount (excluding deferred financing fees, debt issuance costs, commissions, fees and expenses and the expensing of any finance costs);
- (3) non-cash interest expense;
- (4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);
- (5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;
- (6) the consolidated interest expense that was capitalized during such period; and
- (7) cash interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under GAAP, (iv) any

Additional Amounts with respect to the Notes included in interest expense under GAAP or other similar tax gross up on any Indebtedness included in interest expense under GAAP and (v) interest expense in respect of Settlement Obligations.

Notwithstanding any of the foregoing, Consolidated Interest Expense shall not include (i) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Funding, (ii) any commissions, discounts, yield and other fees and charges related to Qualified Receivables Financing or (iii) any payments on any operating leases, including without limitation any payment on any lease, sublease, rental or license of property (or guarantee thereof) which would have been considered an operating lease under IFRS as in effect immediately prior to the adoption of IFRS (16) (*Leases*), *provided* that the Issuer has elected to apply IFRS immediately prior to the adoption of IFRS (16) (*Leases*) pursuant to the definition of “GAAP” for the purposes of determining the treatment of leases for any relevant calculation, ratio or determination.

“**Consolidated Net Income**” means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of GAAP; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer’s equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or that could have been distributed, as reasonably determined by an Officer of the Issuer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);
- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”, any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Revolving Credit Facility and the Intercreditor Agreement) and contractual restrictions in effect on the Issue Date with respect to the Issuer and its Restricted Subsidiaries, and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date and (d) restrictions specified in clause (11) of the fourth paragraph of the covenant described under “—*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*”, except that the Issuer’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);
- (3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business or consistent with past practice (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, charge or expense or any charges, expenses or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions or any investments), acquisition costs, business optimization costs, start-up costs, operating improvements (including related to new product introductions and the build-out, renovation, launch, creation and expansion of new courses or other related facilities (including on-line facilities), system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of pandemic, epidemic, natural disasters (including fire, flood and storm and related events);
- (5) any (x) losses, costs and expenses, revenue reductions and other negative impacts relating to any facility, property or supply chain disruptions or closures (including in relation to maintaining underutilised personnel

as a result thereof or being required to operate at a reduced capacity), (y) losses, costs or expenses in relation to any outsourcing contracts (or as a result of in-housing contracts that were previously outsourced) or any contract manufacturing/development and (z) losses, costs and expenses, revenue reductions and other negative impacts relating to any pandemic, epidemic, natural disaster (including fire, flood and storm and related events) or other act outside of the Group's control;

- (6) the cumulative effect of a change or harmonization in accounting principles;
- (7) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "*Certain Covenants—Limitation on Restricted Payments*";
- (8) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;
- (9) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;
- (10) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;
- (11) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;
- (12) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of, or investment in, another Person or business or resulting from any reorganization or restructuring or incurrence of Indebtedness involving the Issuer or its Restricted Subsidiaries;
- (13) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and
- (14) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"Consolidated Senior Secured Net Leverage" means the sum of the aggregate principal outstanding Senior Secured Indebtedness for borrowed money and the Reserved Indebtedness Amount (to the extent such Reserved Indebtedness Amount would constitute Senior Secured Indebtedness for borrowed money) of the Issuer and its Restricted Subsidiaries (excluding in each case Hedging Obligations and any amounts outstanding under any revolving facility (including the Revolving Credit Facility), any working capital facility, any ancillary facilities provided in connection with a revolving facility or working capital facility, any cash management facility (including an overdraft facility) and any liquidity lines, provided that amounts outstanding under a revolving facility (including the Revolving Credit Facility) shall only be excluded if those amounts were drawn or utilised for working capital purposes) less cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis.

"Consolidated Senior Secured Net Leverage Ratio" means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters (or other Relevant Period) ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each case as may be calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Total Net Leverage Ratio (including as to Indebtedness which shall or shall not be given effect to in such *pro forma* calculations, *mutatis mutandis* and, for the avoidance of doubt, references in such definition to "Consolidated Total Net Leverage Ratio" shall be deemed to be references to "Consolidated Senior Secured Net Leverage Ratio" for the purposes of this definition).

"Consolidated Total Net Leverage" means the sum of the aggregate principal outstanding Indebtedness for borrowed money and the Reserved Indebtedness Amount that would constitute borrowed money of the Issuer and

its Restricted Subsidiaries (excluding, in each case, Hedging Obligations and any amounts outstanding under any revolving facility (including the Revolving Credit Facility), any working capital facility, any ancillary facilities provided in connection with a revolving facility or working capital facility, any cash management facility (including an overdraft facility) and any liquidity lines, provided that amounts outstanding under a revolving facility (including the Revolving Credit Facility) shall only be excluded if those amounts were drawn or utilised for working capital purposes) less cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis.

“**Consolidated Total Net Leverage Ratio**” means, as of any date of determination, the ratio of (x) Consolidated Total Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters (or other Relevant Period) ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available.

In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness or has caused any Reserved Indebtedness Amount to be deemed to be Incurred subsequent to the commencement of the period for which the Consolidated Total Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Total Net Leverage Ratio is made (for the purpose of this definition, the “**Calculation Date**”), then the Consolidated Total Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by the Issuer) to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period if it would otherwise be included in Consolidated Total Net Leverage Ratio; *provided, however*, that (other than in connection with making any Restricted Payment pursuant to clauses (18) and (22) of the fourth paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”) the *pro forma* calculation shall not give effect to (unless or except to the extent elected otherwise by the Issuer in respect of any particular calculation) (i) any Indebtedness Incurred on the Calculation Date pursuant to the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*” (other than Indebtedness Incurred under the Consolidated Total Net Leverage Ratio pursuant to clause (5)(ii)(B) in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*”) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*” (other than Indebtedness incurred in reliance on the Consolidated Total Net Leverage Ratio pursuant to clause (5)(ii)(B) in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*”).

In addition, for purposes of calculating the Consolidated Total Net Leverage Ratio:

- (1) acquisitions and Investments (each, for the purpose of this definition, a “**Purchase**”) that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, shall be given *pro forma* effect (as determined in good faith by the Issuer and may include anticipated synergies, cost savings and operating expense reductions, operating cost improvements, revenue increases, revenue enhancements and any other expense and cost reductions or (in each case) similar) as if they had occurred on the first day of the reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including anticipated synergies, cost savings and operating expense reductions, operating cost improvements, revenue increases, revenue enhancements and any other expense and cost reductions or (in each case) similar) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;
- (2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with GAAP, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, shall be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated synergies, cost savings and operating expense reductions, operating cost improvements, revenue increases, revenue enhancements and any other expense and cost reductions or (in each case) similar resulting from any such disposal, as determined in good faith by the Issuer);

- (3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with GAAP, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period;
- (6) if any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness, and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Total Net Leverage shall be treated in accordance with GAAP); and
- (7) the reasonably anticipated full run rate effect of synergies, cost savings and operating expense reductions, operating cost improvements, revenue increases, revenue enhancements and any other expense and cost reductions or (in each case) similar (as determined in good faith by the Issuer) projected to result from actions taken or commenced or expected to be taken or committed to be taken by the Issuer or its Restricted Subsidiaries shall be included as though such synergies, cost savings and operating expense reductions, operating cost improvements, revenue increases, revenue enhancements and any other expense and cost reductions or (in each case) similar had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, and *provided* that such adjustments are not duplicative of any of those items already included for such period.

For the purposes of the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, calculations will be determined in accordance with the terms set forth above and those defined terms.

“Contingent Obligations” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (**“primary obligations”**) of any other Person (the **“primary obligor”**), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
 - (a) for the purchase or payment of any such primary obligation; or
 - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“Credit Facility” means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, funds, governmental or quasi-governmental agencies, institutions or entities (including government or quasi government backed agencies, institutions or entities) or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions, entities or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other arrangements, agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement,

mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “**Credit Facility**” shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“**Currency Agreement**” means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

“**Default**” means any event which is, or after notice or passage of time or both would be, an Event of Default provided that any such event which requires the satisfaction of a condition or determination (including as to materiality) before it becomes an Event of Default shall not be a Default unless that condition or that determination is satisfied.

“**Designated Preference Shares**” means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as “Designated Preference Shares” pursuant to an Officer’s Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”.

“**Disqualified Stock**” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption “—*Certain Covenants—Limitation on Restricted Payments*”. For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

“**Equity Contribution**” has the meaning given to such term in the section entitled “*Summary—The Transactions*” in this Offering Memorandum.

“**Equity Offering**” means (x) a sale of Capital Stock of a Parent, the Issuer or a Restricted Subsidiary (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions and other than offerings to the Issuer or any Restricted Subsidiary), or (y) the sale of Capital Stock or other securities by any Person (other than to the Issuer or a Restricted Subsidiary), the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the Issuer or any of its Restricted Subsidiaries.

“**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 controlled by the Escrow Agent.

“**Escrowed Proceeds**” means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term “*Escrowed Proceeds*” shall include any interest earned on the amounts held in escrow.

“**Euro Equivalent**” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other

than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the “Currency Rates” section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Board of Directors or an Officer of the Issuer) on the date of such determination.

“**Euroclear**” means Euroclear Bank SA/NV or any successor securities clearing agency.

“**European Government Obligations**” means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

“**European Union**” means all members of the European Union as of the date of this Offering Memorandum.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“**Excluded Contribution**” means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares, a Parent Debt Contribution, the Equity Contribution, or an Excluded Amount) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares, a Parent Debt Contribution, the Equity Contribution, or an Excluded Amount) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Issuer.

“**fair market value**” wherever such term is used in this “*Description of the Notes*” or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this “*Description of the Notes*” or the Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“**Fixed Charge Coverage Ratio**” means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters (or other Relevant Period) prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four fiscal quarters (or other Relevant Period).

The Fixed Charge Coverage Ratio may be calculated with such pro forma and other adjustments as are consistent with the pro forma provisions set forth in the definition of Consolidated Total Net Leverage Ratio (including as to Indebtedness which will not be given effect to in such *pro forma* calculations, *mutatis mutandis* and, for the avoidance of doubt, references in such definition to “Consolidated Total Net Leverage Ratio” shall be deemed to be references to “Fixed Charge Coverage Ratio” for the purposes of this definition).

“**Fixed Charges**” means, with respect to any specified Person for any period, the sum, without duplication, of:

- (1) the Consolidated Interest Expense of such Person for such period paid in cash in respect of borrowed money which would be taken into account in the calculation of Consolidated Total Net Leverage (other than any Reserved Indebtedness Amount); *plus*
- (2) Fixed Charges that would have arisen from the Reserved Indebtedness Amount had such Reserved Indebtedness Amount been Incurred as of the date of its classification as a Reserved Indebtedness Amount provided that Fixed Charges would have been calculated on that Reserved Indebtedness Amount under paragraph (1) above if it was outstanding; *plus*
- (3) all cash dividends on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on equity interests payable to the Issuer or a Restricted Subsidiary.

“**GAAP**” means, at the election of the Issuer, (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 if the relevant entity’s financial statements are at such time prepared in accordance with such laws or generally accepted accounting principles applicable to the relevant entity in its jurisdiction of incorporation or

(2) the accounting standards and interpretations adopted by the International Accounting Standard Board (“**IFRS**”) if the Issuer’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 Issuer, as in effect on the Issue 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 GAAP, as applicable, (b) GAAP shall not 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) GAAP shall not be required to be calculated using the same accounting standard across multiple quarters and (d) at any date after the Issue Date and from time to time, the Issuer may decide to establish that the GAAP to be applied to such ratios and calculations are those in effect at any time on or prior to the date of such decision (and may subsequently elect from time to time that the GAAP to be applied are those in effect on the date of this Offering Memorandum).

Solely with respect to all ratios, any calculations and determinations based upon GAAP to be calculated or made, as the case may be, pursuant to the Indenture, on a consistent basis, any lease, concession or license of property and any guarantee in respect thereof shall be accounted for, at the election of the Issuer (i) in accordance with GAAP as per the definition of GAAP herein or (ii) in accordance with IFRS immediately prior to the adoption of IFRS 16 (*Leases*).

“**Group**” means the Issuer and its Restricted Subsidiaries.

“**Guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, however, that the term “Guarantee” will not include endorsements for collection or deposit in the ordinary course of business or consistent with past practice. The term “Guarantee” used as a verb has a corresponding meaning.

“**Guarantor**” means any Person that Guarantees the Notes in accordance with the provisions of the Indenture, and its respective successors and assigns, in each case, until the Notes Guarantee of such Person has been released in accordance with the provisions of the Indenture.

“**Hedging Obligations**” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement or any other agreement providing for the transfer or mitigation of any price or rate risk.

“**Holder**” means each Person in whose name the Notes are registered on the Registrar’s books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

“**Holding Company**” means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

“**Incur**” means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms “Incurred” and “Incurrence” have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be “Incurred” at the time any funds are borrowed thereunder.

“**Indebtedness**” means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn

and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons;
- (8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term “Indebtedness” shall not include (i) Subordinated Shareholder Funding or other amounts in respect of Subordinated Liabilities (as defined in the Intercreditor Agreement), (ii) any lease, concession or license of property (or Guarantee thereof) which would have been considered an operating lease under IFRS as in effect immediately prior to the adoption of IFRS 16 (*Leases*), *provided* that the Issuer has elected to apply IFRS immediately prior to the adoption of IFRS 16 (*Leases*) pursuant to the definition of “GAAP” for the purposes of determining the treatment of leases for any relevant calculation, ratio or determination, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, or (v) any asset retirement obligations.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of GAAP.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (1) Contingent Obligations Incurred in the ordinary course of business or consistent with past practice, obligations under or in respect of Qualified Receivables Financings and accrued liabilities Incurred in the ordinary course of business or consistent with past practice that are not more than 90 days past due;
- (2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business or any other Permitted Acquisition or Investment, (x) any post-closing payment adjustments (contingent or otherwise) to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing, unless such amounts have become due and payable but have not been paid in accordance with their terms, including any grace periods, or if later, within 30 days of becoming due and payable, (y) any earn-out or deferred consideration, contingent or otherwise or (z) any liabilities under any put/call arrangement in respect of a purchase, acquisition or other Investment not prohibited by the Indenture;
- (3) for the avoidance of doubt, any obligations in respect of workers’ compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

- (4) Capital Stock (other than Disqualified Stock of the Issuer and Preferred Stock of a Restricted Subsidiary);
- (5) trade payables and accrued commissions owed to banks in the ordinary course of business;
- (6) Indebtedness of any Parent Entity appearing on the balance sheet of the Issuer solely by reason of push down accounting under GAAP;
- (7) amounts owed to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, taken as a whole, that complies with the covenant described under “—*Certain Covenants—Merger and Consolidation*”;
- (8) Cash Management Services;
- (9) Settlement Obligations; and
- (10) capital, reserves and profit (loss), in each case, pertaining to minority interests on the balance sheet of any member of the Group.

“**Independent Financial Advisor**” means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

“**Initial Investors**” means

- (1) CVC Capital Partners SICAV-FIS S.A. and its subsidiaries and CVC Capital Partners Advisory Group Holding Foundation and its subsidiaries;
- (2) any funds, partnerships, entities or vehicles managed or advised by any person referenced in paragraph (1) above; and
- (3) any investors in such funds, partnerships, entities or vehicles referenced in paragraph (2) above investing directly or indirectly in the Issuer on the Issue Date,

but excluding, in each case:

- (a) any portfolio companies in which the persons described in paragraph (2) above hold an investment or interest; and
- (b) CVC Credit Partners Group Holding Foundation and its direct or indirect subsidiaries and any funds, partnerships, entities or vehicles managed or advised by them that are engaged in the same or a similar business to CVC Credit Partners Group Holding Foundation from time to time.

“**Initial Public Offering**” means an Equity Offering of common stock or other common equity interests of the Issuer or any Successor Company or any Parent or any successor or permitted assignee or transferee of the foregoing (the “**IPO Entity**”) following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

“**Intercreditor Agreement**” means the Intercreditor Agreement dated on or about the Issue Date, by and among, *inter alios*, the Issuer, Deutsche Bank AG, London Branch, as RCF Agent, the Security Agent and the Trustee, as amended from time to time.

“**Interest Rate Agreement**” means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

“**Investment**” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business or consistent with past practice, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of GAAP; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business or consistent with past practice will not

be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the fifth paragraph of the covenant described above under the caption “—*Certain Covenants—Limitation on Restricted Payments*”.

For purposes of “—*Certain Covenants—Limitation on Restricted Payments*”:

- (1) “Investment” will include the portion (proportionate to the Issuer’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer’s option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

“**Investment Grade Securities**” means:

- (1) securities issued or directly and fully guaranteed or insured by the United Kingdom, the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of “BBB–” or higher from S&P or “Baa3” or higher by Moody’s or the equivalent of such rating by such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and
- (5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

“**Investment Grade Status**” shall occur when all of the Notes receive both of the following:

- (1) a rating of “BBB–” or higher from S&P; and
- (2) a rating of “Baa3” or higher from Moody’s,

or the equivalent of such rating by either such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

“**IPO Entity**” has the meaning given it in the definition of Initial Public Offering.

“**IPO Market Capitalization**” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

“**Issue Date**” means October 27, 2021.

“**Issuer**” means Paganini BidCo S.p.A. or any other Successor Company in accordance with the Indenture.

“**Junior Lien Indebtedness**” means Indebtedness which does not constitute Senior Secured Indebtedness but is subject to the Intercreditor Agreement and which is secured on all or substantially all of the Collateral on a junior basis to the Notes.

“**Lease Obligations**” means an obligation in respect of leases that is required to be classified and accounted for as indebtedness for financial reporting purposes on the basis of GAAP. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto and any capitalised amount that will be amortised or otherwise reduced as an

interest cost, expense or charge) prepared in accordance with GAAP, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“Management Advances” means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary 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 of any Parent, the Issuer or any Restricted Subsidiary:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or consistent with past practice or (b) for purposes of funding any such person’s purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Issuer;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding (i) 7.5% of Consolidated EBITDA and €10.0 million in the aggregate outstanding at any time or (ii) 15% of Consolidated EBITDA and €20.0 million following a Public Offering of common stock or common equity interests of a member of the Group or, to the extent the proceeds thereof are contributed to the Group, a Parent.

“Management Investors” means (i) members of the management team of the Issuer or its Subsidiaries who subsequently invest directly or indirectly in the Issuer from time to time, (ii)) any trust, partnership, limited liability company, corporate body or other entity which is or was established by any of the members of the management team referred to in paragraph (i) of this definition for the purposes of holding that management team member’s (direct or indirect) investment in the Issuer and (iii) any entity that may hold shares transferred by departing members of the management team of the Issuer or its Subsidiaries for future redistribution to the management team of the Issuer or its subsidiaries. For the avoidance of doubt, the expression “management team” shall include, but not be limited to, directors, managers, officers or employees or consultants and (executive and non-executive) directors of the Issuer and any of its Restricted Subsidiaries.

“Market Capitalization” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

“Material Event of Default” means an Event of Default under clause (1), (2) or (5) of the section titled “*Events of Default*” above.

“Moody’s” means Moody’s Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“Nationally Recognized Statistical Rating Organization” means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act.

“Net Available Cash” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under GAAP (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of GAAP, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

“Net Cash Proceeds”, with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

“Net Short” means a Holder or a beneficial owner of any Notes that as of a date of determination, either (i) the value of its Short Derivative Instruments exceeds the sum of (x) the par value of its Notes plus (y) the value of its Long Derivative Instruments as of such date of determination or (ii) it is reasonably expected that such would have been the case were a Failure to Pay or Bankruptcy Credit Event (each as defined in the 2014 ISDA Credit Derivatives Definitions) to have occurred with respect to the Issuer or any member of the Group immediately prior to such date of determination.

“Notes Documents” means the Notes (including Additional Notes), the Indenture, the Security Documents, the Escrow Agreement the Intercreditor Agreement and any Additional Intercreditor Agreements.

“Notes Guarantees” means a Guarantee of the Notes by a Guarantor.

“Offering Memorandum” means this Offering Memorandum in relation to the Notes.

“Officer” means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “Officer” for the purposes of the Indenture by the Board of Directors of such Person. The obligations of an “Officer of the Issuer” may be exercised by the Officer of any Restricted Subsidiary who has been delegated such authority by the Board of Directors of the Issuer.

“Officer’s Certificate” means, with respect to any Person, a certificate signed by one Officer of such Person.

“Opinion of Counsel” means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

“Parent” means (1) any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and (2) any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent referred to in clause (1).

“Parent Debt Contribution” means a contribution to the equity of the Issuer or any of its Restricted Subsidiaries or the issuance or sale of Subordinated Shareholder Funding of the Issuer pursuant to which dividends or other distributions may be paid pursuant to clause (19) of the fourth paragraph under “—*Certain Covenants—Limitation on Restricted Payments.*”

“Parent Entity” means any direct or indirect parent of the Issuer.

“Parent Expenses” means:

- (1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;
- (2) customary indemnification obligations of any Parent or Restricted Subsidiary owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries or the Parent in its capacity as a holding company of the Issuer and its Subsidiaries;
- (3) obligations of any Parent or Restricted Subsidiary in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries or the Parent in its capacity as a holding company of the Issuer and its Subsidiaries;

- (4) fees and expenses payable by any Parent in connection with the Transactions;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;
- (6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed the greater of 3% of Consolidated EBITDA and €5.0 million in any fiscal year;
- (7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes provided, however, that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its consolidated Subsidiaries would be required to pay in respect of such taxes for such fiscal year were the Issuer and each of these Subsidiaries to pay such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and such Subsidiaries; and
- (8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness:
 - (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;
 - (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or
 - (c) otherwise on an interim basis prior to completion of such offering so long as any Parent r shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed and costs and expenses equivalent to those set out in clauses (1) to (8) above with respect to a Special Purpose Vehicle.

"Parent Security provider" means Paganini Investments S.à r.l.

"Pari Passu Indebtedness" means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

"Paying Agent" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"Permissible Jurisdiction" means the United Kingdom and any member state of the European Union.

"Permitted Acquisition" means any acquisition, merger or investment not prohibited by the terms of the Indenture.

"Permitted Collateral Liens" means Liens on the Collateral:

- (a) that are described in one or more of clauses (2), (3), (4), (5), (8), (9), (11), (12), (14), (17), (19), (21), (23), (24), (29) and (32) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interest in the Collateral;
- (b) to secure:
 - (i) the Notes (including any Additional Notes);
 - (ii) Indebtedness permitted to be Incurred under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*";
 - (iii) Indebtedness described under clause (1) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*", which Indebtedness may have super seniority priority status not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

- (iv) Indebtedness described under clause (2) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;
 - (v) Indebtedness described under paragraph (a), (c) or (d) of clause (4) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”;
 - (vi) Indebtedness described under clause (5) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”;
 - (vii) Indebtedness described under clause (6) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” which Indebtedness may have super senior priority status not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;
 - (viii) Indebtedness described under clauses (7), (10) (other than in respect of any Indebtedness owing to suppliers or customers), (11), (12) (other than paragraph (a) thereof), (13), (15) (to the extent of the Indebtedness being refinanced), (16) or (17) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”;
 - (ix) Indebtedness of any Parent, the Issuer or any Guarantor secured on the Collateral on a junior basis to the Notes; or
 - (x) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (ix) and this clause (x); or
- (c) Incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries with respect to Indebtedness in an aggregate outstanding principal amount which do not exceed the greater of 15% of Consolidated EBITDA and €20.0 million at any one time outstanding.

For purposes of determining compliance with this definition, (a) Liens need not be Incurred solely by reference to one category of Permitted Collateral Liens described in this definition but are permitted to be Incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Collateral Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

“**Permitted Indebtedness**” means Indebtedness not prohibited by the Indenture.

“**Permitted Holders**” means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Persons specified in clause (1) or (2), (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (or any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies held by such group. Any person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“**Permitted Investment**” means (in each case, by the Issuer or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business or consistent with past practice, including Investments in connection with any factoring, securitization, Qualified Receivables Financing or similar arrangement or Settlement Obligations;

- (5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business or consistent with past practice;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business or consistent with past practice and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”;
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; provided that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date or (ii) as otherwise permitted under the Indenture;
- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with “—*Certain Covenants—Limitation on Indebtedness*”;
- (11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of 40% of Consolidated EBITDA and €55.0 million; *provided that*, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause;
- (12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or consistent with past practice or Liens otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—*Certain Covenants—Limitation on Liens*”;
- (13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;
- (14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*” (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);
- (15) Guarantees not prohibited by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business or consistent with past practice;
- (16) Investments in Associates in an aggregate amount when taken together with all other Investments made pursuant to this clause (16) that are at any time outstanding not to exceed the greater of 40% of Consolidated EBITDA and €55.0 million; *provided that*, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the Indenture, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause;
- (17) Investments in loans under the Revolving Credit Facility, the Notes and any Additional Notes;
- (18) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption “—*Certain Covenants—Merger and Consolidation*” to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

- (19) Investments in licenses, concessions, authorizations, franchises, permits or similar arrangements that are related to the Issuer's or any Restricted Subsidiary's business;
- (20) Investments in joint ventures or a Similar Business, taken together with all other Investments made pursuant to this clause (20) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of 40% of Consolidated EBITDA and €55 million; *provided* that, if an Investment is made pursuant to this clause (20) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "Unrestricted Subsidiary," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;
- (21) Investments in Unrestricted Subsidiaries, taken together with all other Investments made pursuant to this clause (21) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of 30% of Consolidated EBITDA and €40 million; *provided* that, if an Investment is made pursuant to this clause (21) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "Unrestricted Subsidiary," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause; and
- (22) Investments in or constituting Cash Management Services.

For purposes of determining compliance with this definition, (a) Permitted Investments need not be made solely by reference to one category of Permitted Investments described in this definition but are permitted to be made in part under any combination thereof and of any other available exemption and (b) in the event that a Permitted Investment (or any portion thereof) meets the criteria of one or more of the categories of Permitted Investment, the Issuer will, in its sole discretion, classify or reclassify such Permitted Investment (or any portion thereof) in any manner that complies with this definition.

"Permitted Liens" means, with respect to any Person:

- (1) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;
- (2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or securing pension obligations, pension liabilities or partial retirement liabilities or any works council or similar agreement or arrangement in relation to part-time work or working-time accounts or other flexible work arrangements or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements or to secure insurance premium financings), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business or consistent with past practice;
- (3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to GAAP have been made in respect thereof;
- (5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business or consistent with past practice;
- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties

which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

- (7) Liens on assets or property of the Issuer or any Restricted Subsidiary securing (i) Hedging Obligations permitted under the Indenture or (ii) Cash Management Services;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business or consistent with past practice;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business or consistent with past practice; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the second paragraph of the covenant described above under “—*Certain Covenants—Limitation on Indebtedness*” and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;
- (11) Liens arising by virtue of any statutory or common law provisions or customary standard terms relating to banker’s Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;
- (12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business or consistent with past practice;
- (13) Liens (a) existing on, or provided for or required to be granted under written agreements existing on, the Issue Date and (b) entered into in connection with the Transactions;
- (14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided*, however, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (15) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;
- (16) [Reserved];
- (17) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (18) any interest or title of a lessor under any Lease Obligation or operating lease;
- (19) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

- (20) any encumbrance or restriction (including put and call arrangements) with respect to the Capital Stock of, loans to, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (21) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (22) Liens on Receivables Assets Incurred in connection with (i) Qualified Receivables Financing or securing Indebtedness or other financing arrangements described in clause (12)(b) under the second paragraph of “—*Certain Covenants—Limitation on Indebtedness*” or (ii) Settlement Obligations;
- (23) Liens arising under general business conditions in the ordinary course of business, including without limitation the general business conditions of any bank or financial institution with whom the Issuer or any of its Restricted Subsidiaries maintains a banking relationship in the ordinary course of business (including arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement or other trading activities);
- (24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (25) Liens securing Indebtedness or other obligations of a Receivables Subsidiary;
- (26) Liens on Capital Stock or other securities, loans to, assets or property of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (27) any security granted over the marketable securities portfolio described in clause (9) of the definition of “Cash Equivalents” in connection with the disposal thereof to a third party;
- (28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens pursuant to the Intercreditor Agreement and the senior security documents entered into pursuant to the Revolving Credit Facility, (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing or sharing of recoveries as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement and (d) Liens securing Indebtedness under clause (1) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” to the extent the Agreed Security Principles would permit such Lien to be granted to such Indebtedness and not to the Notes;
- (29) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (29) does not exceed the greater of 40% of Consolidated EBITDA and €55.0 million;
- (30) Liens on (a) Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;
- (31) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;
- (32) Liens on assets or property of a Restricted Subsidiary securing Indebtedness of such Restricted Subsidiary permitted by clause (16) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”;
- (33) Liens over cash and accounts securing Indebtedness under the Bridge to Cash Facility; and
- (34) Liens on the Escrow Account created for the benefit of, or to secure, directly or indirectly, the Notes.

For purposes of determining compliance with this definition, (a) Liens need not be Incurred solely by reference to one category of Permitted Liens described in this definition but are permitted to be Incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

“Permitted Reorganization” means

- (1) any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intragroup receivables and payables among the Issuer and its Restricted

Subsidiaries in connection therewith that is made on a solvent basis or, if it does not constitute an Event of Default, on an insolvent basis; *provided* that, after giving effect to such Permitted Reorganization:

- (a) any payments or assets distributed in connection with such Permitted Reorganization remain within the Issuer and its Restricted Subsidiaries (subject to any minority shareholder rights or privileges) unless otherwise permitted by the Indenture;
- (b) if any Notes Guarantee is released in connection with such Permitted Reorganization in accordance with the Indenture, Notes Guarantees shall be provided as soon as reasonably practicable after the completion of that Permitted Reorganisation such that the Notes Guarantees in place after the completion of the Permitted Reorganisation and the provision of those Notes Guarantees shall be substantially equivalent to the pre-existing Notes Guarantees but at all times subject to the terms of the Agreed Security Principles (including any limitations in respect of such guarantees as contemplated thereby) and disregarding any hardening periods or similar and ignoring for this purpose any pre-existing Notes Guarantee from any member of the Restricted Group which has ceased to exist in connection with the Permitted Reorganization or due to the Permitted Reorganization would no longer required to be a Guarantor;
- (c) if any shares or other assets form part of the Collateral, subject to the Agreed Security Principles and disregarding any hardening periods or similar, substantially equivalent Liens must be granted over such shares or assets of the recipient which would otherwise be required to become a Guarantor hereunder such that they form part of the Collateral to the extent such shares or assets remain in existence after such Permitted Reorganisation or have not been disposed of as otherwise permitted by the Indenture; and
- (d) a security interest pursuant to the Security Documents remains or is given over all of the shares in the Issuer (or any successor thereof or any permitted assignee or transferee thereof which replaces the Issuer); and

(2) the Post-Closing Reorganisation.

“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 Reorganisation” has the meaning given to such term 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 (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

“Public Market” means any time after:

- (1) an Equity Offering has been consummated; and
- (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100.0 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

“Public Offering” means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

“Purchase Money Obligations” means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

“Qualified Receivables Financing” means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer shall have determined in good

faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

“Rating Agencies” means Moody’s and S&P or, in the event Moody’s or S&P no longer assigns a rating to the Notes, any other “nationally recognized statistical rating organization” within the meaning of Section 3(a)(62) of the Exchange Act selected by the Issuer as a replacement agency.

“Receivables Assets” means any accounts receivable of the Issuer or a Restricted Subsidiary and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization, factoring or similar transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

“Receivables Fees” means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Issuer or a Restricted Subsidiary in connection with, any factoring, securitization, Receivables Financing or similar arrangement.

“Receivables Financing” means any transaction or series of transactions that may be entered into by the Issuer or any Subsidiary of the Issuer pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer (including any synthetic transfer) to (a) a Receivables Subsidiary or (b) any other Person (in the case of a transfer by the Issuer or any of its Subsidiaries), or may grant a security interest in, Receivables Assets.

“Receivables Repurchase Obligation” means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“Receivables Subsidiary” means a Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors or an Officer of the Issuer (as provided below) as a Receivables Subsidiary which complies with the following conditions:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which neither the Issuer nor any other Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and
- (3) to which neither the Issuer nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity’s financial condition or cause such entity to achieve certain levels of operating results.

“**refinance**” means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms “refinances”, “refinanced” and “refinancing” as used for any purpose in the Indenture shall have a correlative meaning.

“**Refinancing Indebtedness**” means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and
- (3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, however, that Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

“**Related Person**” with respect to any Permitted Holder, means:

- (1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person; or
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or
- (4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

“**Related Taxes**” means:

- (1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, insurance premium, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:
 - (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer’s Subsidiaries);
 - (b) issuing or holding Subordinated Shareholder Funding;
 - (c) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer’s Subsidiaries;
 - (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer’s Subsidiaries; or
 - (e) having made or received any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to “—*Certain Covenants—Limitation on Restricted Payments*”; and

- (2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Restricted Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Restricted Subsidiaries.

“Relevant Period” means:

- (1) 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
- (2) if ending on the last day of a calendar month not being the last day of a fiscal quarter, the period of twelve consecutive months ending on the last day of a calendar month, which in each case for the avoidance of doubt may include periods prior to completion of the Transactions.

“Relevant Transaction Date” means, in relation to any transaction, at the Issuer’s election (which election the Issuer may revoke and re-make at any time and from time to time):

- (1) the date of any letter, agreement, instrument, notice, put option, scheme of arrangement, court order or sanction, scheme meeting (or similar) or other similar arrangement in relation to such transaction, or the date of effectiveness of any of the foregoing;
- (2) the date that any commitment, offer, announcement, clearance, communication or declaration with respect to such transaction is made or received;
- (3) 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;
- (4) the date of completion (including any deemed or conditional completion), Incurrence, payment or receipt of payment in respect of the transaction (or any proposed date therefor);
- (5) any other date determined in accordance with the Indenture; or
- (6) any other date relevant to the transaction determined by the Issuer in good faith.

“Replacement Assets” means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer’s business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or any Officer of the Issuer are reasonably related.

“Representative” means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

“Restricted Investment” means any Investment other than a Permitted Investment.

“Restricted Subsidiary” means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

“Revolving Credit Facility” means the revolving credit facility established pursuant to the super senior revolving facility agreement to be dated prior to the Issue Date, among, *inter alios*, the Issuer, the senior lenders (as named therein), Deutsche Bank AG, London Branch, as agent and security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

“S&P” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“Sale and Purchase Agreement” means the sale and purchase agreement dated June 20, 2021, between Paganini Investments S.à r.l. and an Italian individual holding the remaining 50% of the share capital of Multiversity, pursuant to which Paganini Investments S.à r.l. will acquire 100% of the share capital of Wiversity and the remaining 50% of the share capital of Multiversity (and any contribution agreement in relation to the acquisition of the remaining 50% of share capital of Multiversity).

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“Security Documents” means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

“Senior Secured Indebtedness” means any Indebtedness secured by a Lien on all or substantially all of the Collateral on a basis *pari passu* with or senior to the Collateral in favor of the Notes or the Notes Guarantees.

“Settlement” means the transfer of cash or other property with respect to any credit card, charge card, stored-value card or debit card charge, check or other instrument, electronic funds transfer, or other type of paper-based or electronic payment, transfer or charge transaction for which a Person acts as issuer, acquirer, processor, remitter, funds recipient, funds transmitter or funds receiver in the ordinary course of its business.

“Settlement Asset” means any cash, receivable or other property, including a Settlement Receivable, due or conveyed to a Person in consideration for a Settlement made or arranged, or to be made or arranged, by such Person or an Affiliate of such Person.

“Settlement Obligations” means any short-term payment or reimbursement obligation in respect of a Settlement Payment or Settlement Receivable and other financings or liabilities due to banks or customers, in each case of the type incurred in the ordinary course of business by the Issuer and its Subsidiaries, including under any facility in respect thereof.

“Settlement Payment” means the transfer, or contractual undertaking (including by automated clearing house transaction) to effect a transfer, of cash or other property to effect a Settlement.

“Settlement Receivable” means any general intangible, payment intangible, or instrument representing or reflecting an obligation to make payments to or for the benefit of a Person in consideration for and in the amount of a Settlement made or arranged, or to be made or arranged, by such Person.

“Significant Subsidiary” means any Restricted Subsidiary whose contribution represents, on an unconsolidated basis, 10% or more of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries as determined by reference to the most recent annual financial statements delivered to the Trustee under the Indenture and a determination by the Issuer that a Restricted Subsidiary is or is not a Significant Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

“Similar Business” means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“Specified 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/leaseback transaction) of the Issuer 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; *provided* that the Consolidated EBITDA contribution of all disposed assets (in aggregate with each other asset disposed of pursuant to any other Specified Asset Disposition) does not exceed 25% of Consolidated EBITDA (disregarding for the purpose of calculating that percentage any reduction in Consolidated EBITDA pursuant to any Specified Asset Disposition).

“Specified Change of Control Event” means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that after giving *pro forma* effect thereto, the Consolidated Total Net Leverage Ratio of the Issuer and its Restricted Subsidiaries would have been equal to or less than 3.50 to 1.0.

Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

“Special Purpose Vehicle” means an entity established by any Parent for the purpose of maintaining an equity incentive or compensation plan for Management Investors.

“Standard Securitization Undertakings” means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

“Stated Maturity” means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in “—*Change of Control*” and the covenant under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”, to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“Subordinated Indebtedness” means with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or any Guarantee of the Notes pursuant to a written agreement.

“Subordinated Shareholder Funding” means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent, or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the six-month anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;
- (2) does not require, prior to the six-month anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the six-month anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the six-month anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and
- (5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the “Shareholder Liabilities” (as defined therein).

“Subsidiary” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:
 - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
 - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“Successor Parent” with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, “beneficially owned” (as defined below) by one or more Persons that “beneficially owned” (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, “beneficially own” has the meaning correlative to the term “beneficial owner”, as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

“Target Group” means Wversity S.r.l. and its subsidiaries and Multiversity S.r.l.

“Tax Sharing Agreement” means any tax sharing or profit and loss pooling or similar agreement with customary or arm’s-length terms entered into with any Parent Entity, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and/or any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any parent company to enable a parent company to compensate the Issuer or such Subsidiary for losses incurred which may need to be compensated by a parent company under any profit and loss pooling agreement).

“Taxes” means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and collection duties with respect thereto) that are imposed by any government or other taxing authority.

“Temporary Cash Investments” means any of the following:

- (1) any investment in:
 - (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) a Permissible Jurisdiction, (iii) Japan, Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or
 - (b) direct obligations of any country recognized by the United States of America rated at least “A” by S&P or “A-2” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers’ acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
 - (a) any lender under the Revolving Credit Facility;
 - (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or
 - (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least “A” by S&P or “A-3” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of “P-2” (or higher) according to Moody’s or “A-2” (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, a Permissible Jurisdiction or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least “BBB-” by S&P or “Baa3” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (6) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

- (7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long-term debt is rated at least “A” by S&P or “A2” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and
- (9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended or (b) rated “AAA” by S&P or “Aaa” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization).

“**Transactions**” shall have the meaning assigned to such term in this Offering Memorandum under the caption “*Summary—The Transactions*”.

“**U.S. GAAP**” means generally accepted accounting principles in the United States of America as in effect from time to time.

“**Uniform Commercial Code**” means the New York Uniform Commercial Code.

“**Unrestricted Subsidiary**” means:

- (1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment of the Issuer in such Subsidiary complies with “—*Certain Covenants—Limitation on Restricted Payments*”.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer’s Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least €1.00 of additional Indebtedness under clause (1) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer’s Certificate certifying that such designation complied with the foregoing provisions.

“**Voting Stock**” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes sold within the United States to QIBs in reliance on Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the “**Rule 144A Global Notes**”).

The Notes sold outside the United States pursuant to Regulation S (will initially be represented by one or more global notes in registered form without interest coupons attached (the “**Regulation S Global Notes**” and, together with the Rule 144A Global Notes, the “**Global Notes**”). On the Issue Date, the Global Notes will be deposited with, or on behalf of, a common depositary (the “**Common Depositary**”) for the accounts of Euroclear Bank SA/NV, as operator of the Euroclear system (“**Euroclear**”), and Clearstream Banking S.A. (“**Clearstream**”) and registered in the name of the nominee of the Common Depositary. Except as set forth below, each series of the Notes will be issued in registered, global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Ownership of interests in the Rule 144A Global Notes (the “**Rule 144A Restricted Book-Entry Interests**”) and ownership of interests in the Regulation S Global Notes (the “**Regulation S Book-Entry Interests**” and, together with the Rule 144A Restricted Book-Entry Interests, the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture governing the Notes and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, the Common Depositary for Euroclear and/or Clearstream (or its nominees), as applicable, will be considered the sole holders of Global Notes for all purposes under the Indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

None of the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominee), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The Common Depositary will surrender such Global Note to the Paying Agent for a cancellation or, in the case of a partial redemption, the Common Depositary will request the Paying Agent to mark down, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; *provided, however*, that, subject to applicable procedures of Euroclear and Clearstream, no Book-Entry Interest of less than €100,000 in principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional interest, if any) to the Paying Agent who will make payment to or to the

order of the Common Depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “*Description of the Notes—Additional Amounts.*” If any such deduction or withholding is required to be made, then, to the extent described under “*Description of the Notes—Additional Amounts.*” the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or any of their respective agents will treat the registered holders of the Global Notes (i.e., the Common Depositary (or its nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent nor any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of Payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euros.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither the Issuer nor the relevant Trustee nor the Initial Purchasers nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the “**Definitive Registered Notes**”), and to distribute such Definitive Registered Notes to its participants.

Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in “*Transfer Restrictions.*” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers as discussed in “*Transfer Restrictions.*”

Transfers of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the Rule 144A Global Note, as set forth in “*Transfer Restrictions.*”

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the

Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available) under the Securities Act.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Restricted Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

The Notes represented by the Global Notes are expected to be listed on the Euro MTF Market. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures, which rules and operating procedures may change from time to time.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent, nor any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes if:

- Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Notes, and the Issuer fails to appoint a successor;
- Euroclear or Clearstream so requests following an event of default under the Indenture; or
- the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the Indenture.

Euroclear has advised the Issuer that upon request by an owner of a Book-Entry Interest, its current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes (subject to receipt of the same from the Issuer), registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend set forth in “*Transfer Restrictions*,” unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent and any of their respective agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; *provided* that no Definitive Registered Note in a denomination less than €100,000 and in integral multiples of €1,000, in excess thereof, will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. Holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee (or its authenticating

agent) will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee, the Paying Agent or the Registrar appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for the expenses of replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer Restrictions*."

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which is expected to be the d'Wort). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent in Luxembourg so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require.

Global Clearance and Settlement Under the Book-Entry System

Initial Settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional euro bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information

The Issuer expects that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes numbers for the Notes are set out under "*Listing and General Information*."

Information Concerning Euroclear and Clearstream

The following description of the operations and procedures of Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. Neither the Issuer, Trustee nor the Initial Purchasers nor their respective agents take any responsibility for these operations and procedures and the Issuer urges investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream also interface with domestic securities markets in several countries. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Since Euroclear and Clearstream only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The Issuer understands that, under existing industry practices, if either the Issuer or the relevant Trustee requests any action by owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give or take any action that a holder is entitled to give or take under the Indenture, Euroclear and Clearstream would authorize participants owning the relevant Book-Entry Interest to give or take such action, and such participants would authorize indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

CERTAIN ERISA CONSIDERATIONS

General

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and the Code impose certain requirements on employee benefit plans subject to the provisions of Part 4 of Subtitle B of Title I of ERISA and other plans and arrangements that are not subject to ERISA but which are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (“Code”), such as individual retirement accounts, as well as on entities that are deemed to hold “plan assets” of such employee benefit plans, plans, accounts or arrangements within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (collectively, “Plans”), and certain duties on those persons who are fiduciaries with respect to such Plans. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Plan or the management or disposition of the assets of such a Plan, or who renders investment advice for a fee or other compensation to such a Plan, is generally considered to be a fiduciary of the Plan.

A fiduciary of a Plan should consult with its counsel in order to determine if the investment satisfies the fiduciary’s duties to the Plan including, but not limited to, the requirement of investment prudence and diversification and delegation of control.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and certain persons (referred to as “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of Section 4975 of the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and/or other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code or any Similar Law (as defined below) to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans (as described in Section 4(b)(4) of ERISA), governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code (“Similar Law”) (collectively, “Similar Law Plans”). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such law or regulations.

Each Plan should consider the fact that none of the Issuer, the Initial Purchasers, the Guarantors or any other party to the transactions contemplated by this Offering Memorandum or any of their respective affiliates (the “Transaction Parties”) is acting, or will act, as a fiduciary to any Plan with respect to the decision to purchase or hold the Notes. The Transaction Parties are not undertaking to provide impartial investment advice or advice based on any particular investment need, or to give advice in a fiduciary capacity, with respect to the decision to purchase or hold the Notes. All communications, correspondence and materials from the Transaction Parties with respect to the Notes are intended to be general in nature and are not directed at any specific purchaser of the Notes, and do not constitute advice regarding the advisability of investment in the Notes for any specific purchaser. The decision to purchase and hold the Notes must be made solely by each prospective Plan purchaser on an arm’s length basis.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase and hold any Notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. The acquisition and/or holding of Notes by a Plan with respect to which a Transaction Party is considered a party in interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding

of Notes by a Plan, depending on the type and circumstances of the fiduciary making the decision to acquire such Notes and the relationship of the party in interest or disqualified person to the Plan. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or certain prohibited transaction class exemptions issued by the United States Department of Labor, including Prohibited Transaction Class Exemption (“PTCE”) 84-14 (relating to transactions effected by an independent “qualified professional asset manager”), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the “**Class Exemptions**”) could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Representation

Accordingly, by acceptance of a Note, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that, for so long as it holds such Note, (A) either (i) it is not, and no portion of the assets used by such purchaser or transferee to acquire or hold the Notes (or any interest therein) constitutes assets of any Plan or Similar Law Plan, or (ii)(x) the acquisition, holding and disposition of the Notes (or any interest therein) by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under ERISA and the Code or similar violation under any applicable Similar Law, and (y) none of the Transaction Parties is acting, or will act, as a fiduciary (as defined in Section 3(21) of ERISA or Section 4975 of the Code) to any Plan or any fiduciary or other person investing the assets of the Plan with respect to the decision to purchase or hold the Notes or is undertaking to provide impartial investment advice or give advice in a fiduciary capacity with respect to the decision to purchase or hold the Notes, and (B) it will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its purchase and holding of such Note or any interest therein.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that each Plan fiduciary (and each fiduciary for a Similar Law Plan) consult with its legal advisor concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in the Notes. The sale of a Note to a Plan is in no respect a representation by any Transaction Party or any of their respective affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plan or that such investment is appropriate for any such Plan.

CERTAIN TAX CONSIDERATIONS OECD COMMON REPORTING STANDARDS

The Organization for Economic Co-operation and Development (“**OECD**”) has developed a common reporting standard (“**CRS**”) to achieve a comprehensive and multilateral automatic exchange of information on a global basis. A number of jurisdictions (including Italy) signed the OECD’s multilateral competent authority agreement (“**Agreement**”) to automatically exchange information under the CRS.

The CRS requires certain financial institutions to report information regarding certain accounts (which may include the Notes credited to such accounts) to their local tax authority and follow related due diligence procedures. A jurisdiction that has signed the Agreement may provide this information to other jurisdictions that have signed the Agreement.

Consequently, holders of the Notes may be requested to provide certain information and certifications to any financial institution resident in a jurisdiction that has signed the Agreement (including Italy) through which payments on the Notes are made.

The holders of Notes who are in any doubt as to their position should consult their professional advisors on the individual impact of CRS on their position.

CERTAIN ITALIAN TAX CONSIDERATIONS

The statements herein regarding Italian taxation are based on the laws and published practices of the Italian tax authorities in effect in Italy as of the date of this Offering Memorandum and are subject to any changes in law and interpretation occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in laws and if such changes occur the information in this summary may become invalid. The following is a general summary only of certain material Italian tax consequences of the purchase, ownership and disposal 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. In any case, Italian legal concepts may not be identical to the concepts described by the same English term as they exist under terms of different jurisdictions and any legal concept expressed by using the relevant Italian term shall prevail over the corresponding concept expressed in English terms.

Tax Treatment of the Notes issued by the Issuer

Tax Treatment of Interest

Italian Legislative Decree No. 239 of 1 April 1996 (“**Decree No. 239**”) sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price and any relevant make-whole premium, hereinafter collectively referred to as “**Interest**”) deriving from Notes falling within the category of bonds or similar securities (*obbligazioni o titoli similari alle obbligazioni*), pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (“**Decree No. 917**”), according to which securities qualify as *titoli similari alle obbligazioni* (securities similar to bonds), if they:

- (i) incorporate an unconditional obligation to pay at maturity an amount not lower than their nominal value or principal amount; and
- (ii) attribute to the holders no direct or indirect right to control or participate in the management of the Issuer or in the management of the business in respect of which the Notes have been issued; and
- (iii) not provide for a remuneration which is entirely linked to profits of the Issuer, or other companies belonging to the same group or to the business in respect of which the Notes have been issued.

Decree No. 239 regulates the tax treatment of Interest related to bonds or similar securities to the extent they are, *inter alia*:

- (A) issued by companies whose shares are listed on a regulated market or on a multi-lateral trading platform of EU Member States and of the States party to the EEA Agreement included in the list provided for by Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or, as from the tax year in which the Ministerial Decree to be issued under Article 11, paragraph 4, let. c) of Decree No. 239 is effective, included in the list therein provided (the “**White List**”); or

- (B) listed on a regulated market or on a multilateral trading platform of EU Member States and of the States party to the EEA Agreement included in the White List
- (C) subscribed, transferred to and held by qualified investors (as defined under Article 100 of the Italian Financial Services Act) only.

Italian resident Noteholders

Noteholders not engaged in an entrepreneurial activity

Where the beneficial owner of the Notes (a “**Noteholder**”) is an Italian resident and is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime—see “—Tax Treatment of Capital Gains”—or he has included the Notes in a long-term savings account—see “Long-term Savings Accounts”—);
- (b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities (*società semplice*) or professional association;
- (c) a non-commercial private or public institution, trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or
- (d) an investor exempt from Italian corporate income taxation,

then Interest derived from the Notes, and accrued 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) unless the relevant Italian Resident Noteholder holds the Notes in a discretionary investment portfolio managed by an authorized intermediary and, under certain conditions, has validly opted for the application of the “Risparmio gestito” regime provided for by Article 7 of Italian Legislative Decree No. 461 of November 21, 1997 (“**Decree No. 461**”). All the above categories are qualified as “net recipients.”

Noteholders Engaged in an Entrepreneurial Activity

In the event that the Italian resident Noteholders described under clauses (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be subject to 26% *imposta sostitutiva* on a provisional basis and will then be included in the relevant Italian resident noteholder’s annual income tax return. As a consequence, Interest will be subject to the ordinary income tax and *imposta sostitutiva* may be recovered as a credit that can be offset against the income tax due.

Where 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 limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity to which the Notes are effectively connected or social security entities pursuant to Legislative Decree No. 509 of June 30, 1994 and No. 103 of February 10, 1996, may be exempt from any income taxation, including the *imposta sostitutiva*, on Interest if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth by Article 1 (100-114) of Law No. 232 of December 11, 2016 (“**Finance Act 2017**”), by Article 1 (210-215) of Law No. 145 of 30 December 2018 (“**Finance Act 2019**”) and, for long-term individual savings accounts established from 1 January 2020, by Article 13 bis of Law Decree No. 124 of 26 October 2019. (“**Law Decree No. 124**”) converted into Law with amendments by Law No. 157 of 19 December 2019, as amended and supplemented from time to time.

Real Estate Investment Funds

Payments of Interest deriving from the Notes made to Italian resident real estate collective investment funds (“**RE Funds**”) and real estate *Società di Investimento a Capitale Fisso* (“**RE SICAFs**”) established pursuant to Article 37 of the Legislative Decree of 25 January 1994, n. 58, as amended and supplemented, and article 14-bis of Law No. 86 of 25 January 1994, provided that the Notes, together with the coupons relating thereto, are timely deposited directly or indirectly with an Intermediary (as defined below) are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the RE Funds or RE SICAFs. 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, subject to certain conditions and depending on the status and percentage of participation held, income realized by RE Funds and RE SICAFs is attributed to the relevant investors and subject to tax in their hands irrespective of its actual collection and in proportion to the percentage of ownership of units/shares on a tax transparency basis.

Funds and SICAV and Non-Real Estate SICAFs

Where an Italian resident Noteholder is an open-ended or closed-ended collective investment fund other than RE Funds (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 non-real estate SICAF. The Fund, the SICAV or the non-real estate SICAF will not be subject to taxation on such management results, but a withholding or substitute tax of 26% will instead apply in certain circumstances to income realized by certain categories of unitholders or shareholders (as applicable) in case of distribution, redemption or sales of the units or shares.

Pension Funds

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree of 5 December 2005, n. 252) and the Notes are deposited with an Intermediary (as defined below), Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the pension fund accrued at the end of the tax period (which will be subject to a 20% substitute tax on the increase in value of the managed assets accrued at the end of each tax year).

Subject to certain conditions (including minimum holding period) and several limitations (including amount and composition of the capital investment), Interest relating to the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraphs 100 to 114 of Finance Act 2017, by Article 1 (210-215) of Finance Act 2019 as implemented by the Ministerial Decree of April 30, 2019, and, for long-term individual savings account established from 1 January 2020, by Article 13 bis of Law Decree No. 124, as amended and supplemented from time to time.

Enforcement of Imposta Sostitutiva

Pursuant to Decree No. 239, the *imposta sostitutiva* is applied by Italian resident banks, *società di intermediazione mobiliare* (“**SIM**”), fiduciary companies, *società di gestione del Risparmio* (“**SGR**”), stockbrokers and other entities identified by a decree of the Ministry of Finance or Italian permanent establishment of equivalent foreign entities (each, an “**Intermediary**”).

An Intermediary must:

- (a) (i) be resident in Italy, or (ii) be a permanent establishment in Italy of a non-Italian resident financial intermediary, or (iii) be an entity or a company not resident in Italy, acting through a system of centralized administration of securities and directly connected with the Italian Tax Authorities having appointed an Italian representative for the purposes of Decree No. 239; and
- (b) intervene, in any way, in the collection of Interest or in the transfer of the Notes.

For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by the relevant Intermediary paying interest to a Noteholder or, absent that, by the Issuer and gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct the suffered *imposta sostitutiva* from income taxes due.

Non-Italian Resident Noteholders

Where the Noteholder is a non-Italian resident, payments of Interest in respect of the Notes issued by the Issuer will not be subject to the *imposta sostitutiva* at the rate of 26% provided that:

- (a) the payments are made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected; and

- (b) such beneficial owners are residents, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy listed in the White List; and
- (c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are timely met and complied with.

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Notes made to:

- (a) an international body or entity set up in accordance with international agreements which have entered into force in Italy;
- (b) an “institutional investor,” whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy listed in the White List, and provided that they timely file with the relevant depository an appropriate self-declaration of being an institutional investor; or
- (c) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of Interest (institutional investors not subject to tax are deemed to be beneficial owners of the payments of Interest by operation of law) and must:

- (a) deposit in due time, directly or indirectly, the Notes with a resident bank or a SIM or a permanent establishment in Italy of a non-Italian resident bank or a SIM or with a non-Italian resident entity or company participating in a centralized securities management system which is in contact, via computer, with the Italian Ministry of Economy and Finance having appointed an Italian representative for the purposes of Decree No. 239 (Euroclear and Clearstream are such a depository); and
- (b) file with the relevant depository, in due time, a statement of the relevant Noteholder (*auto-certificazione*), which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not required for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign central banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by the Ministerial Decree of 12 December 2001.

Failure of a non-resident Noteholder to timely comply with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-resident Noteholder.

Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for full or partial relief under an applicable tax treaty between Italy and their country of residence, subject to timely filing of required documentation provided by Measure of the Director of Italian Revenue Agency No. 2013/84404 of 10 July 2013.

Payments Made by an Italian Resident Guarantor

With respect to payments on the Notes made to 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 (other than the repayment of principal) may be subject to a withholding tax at the rate of 26% levied as a final or provisional tax (“*a titolo d’imposta o a titolo di acconto*”) depending on the “status” and the tax residence of the beneficial owner of the Notes, pursuant to Presidential Decree of 29 September 1973, No. 600, as subsequently amended.

Double taxation treaties entered into by Italy may also apply, allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non-Italian resident Noteholders, subject to compliance with relevant subjective and procedural requirements.

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.

Fungible Issues

Pursuant to Article 11, paragraph 2 of Decree No. 239, where the relevant Issuer issues a new tranche of notes forming part of a single series with a previous tranche of notes, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new tranche of notes will be deemed to be the same

amount as the issue price of the original tranche of notes. This rule applies where (a) the new tranche of notes is issued within twelve months of the issue date of the previous tranche of notes and (b) the difference between the issue price of the new tranche of notes and that of the original tranche of notes does not exceed 1% multiplied by the number of years of the duration of the notes.

Tax Treatment of Capital Gains

Italian Resident Noteholders

Noteholders Not Engaged in an Entrepreneurial Activity

Where an Italian resident Noteholder (i) is an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership (*società semplice*) or (iii) a non-commercial private or public institution, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to a substitute tax provided for by Legislative Decree 21 November 1997, No. 461 as subsequently amended (the “**Decree No. 461**”), levied at the rate of 26%. Under certain conditions and limitations, noteholders may set off any capital losses with their capital gains.

In respect of the application of the substitute tax on capital gains, taxpayers may opt for any of the three regimes described below.

Tax Declaration Regime

Under the “tax declaration regime” (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the 26% 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 provided for by Article 6 of Decree No. 461). Such separate taxation of capital gains is allowed subject to:

- i. the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediary (or permanent establishment in Italy of foreign intermediaries); and
- ii. a valid express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder.

The depository is responsible for accounting for the substitute tax in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any 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 only from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the 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 (including amount and composition of the capital investment) 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 Finance Act 2017, by Article 1 (210-215) of Law No. 145 of Finance Act 2019, and for long-term individual saving accounts established from January 1, 2020, by Article 13 bis of Law Decree No. 124, as amended and supplemented from time to time.

Noteholders Engaged in an Entrepreneurial Activity

Any capital 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 (i) an Italian company, or a similar commercial entity; (ii) an Italian resident commercial partnership; (iii) an Italian permanent establishment of foreign entities to which the Notes are effectively connected; or, (iv) an Italian resident individual engaged in an entrepreneurial activity to which the Notes are connected.

RE Funds and RE SICAF

Any capital gains realized by a Noteholder which is an Italian RE Fund or an Italian RE SICAF are exempt from any income tax at the level of the RE Fund or RE SICAF. However, a withholding or substitute tax will apply in certain circumstances at the rate of 26% to income realized by unitholders or shareholders of the RE Fund/RE SICAF on distributions made by Italian RE Funds/RE SICAF or upon redemption or disposal of the units or the shares (as applicable).

Subject to certain conditions and depending on the status and percentage of participation held, income realized by RE Funds and RE SICAFs is attributed to the relevant investors and subject to tax in their hands, irrespective of its actual collection and in proportion to the percentage of ownership of units on a tax transparency basis.

Funds and SICAV

Any capital gains realized by a Noteholder who is a non-real estate Italian Fund or a non-real estate SICAF or a SICAV will be included in the result of the relevant portfolio accrued at the end of the relevant tax period which is exempt from any income tax. A 26% withholding tax will apply in certain circumstances, to distributions by the Italian Fund or non-real estate SICAF or SICAV or received by certain categories of unitholders or shareholders upon redemption or disposal or sale of the units or the shares (as applicable).

Pension Funds

Any capital gains realized by a Noteholder who is an Italian pension fund (subject to the regime provided for by Article 17 of Legislative Decree of 5 December 2005, n. 252) will be included in the result of the relevant portfolio accrued at the end of the relevant tax period, and subject to a 20% substitute tax. Subject to certain conditions and requirements (including minimum holding period requirement) and several limitations (including amount and composition of the capital investment), income relating to the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth by Article 1 (100-114) of the Finance Act 2017, by Article 1 (210-215) of the Finance Act 2019 as implemented by the Ministerial Decree of April 30, 2019, and, for long-term individual savings accounts established from January 1, 2020, by Article 13 bis of Law Decree No. 124, as amended and supplemented from time to time.

Non-Italian Resident Noteholders

A 26% final substitute tax on capital gains may be payable on capital gains realized upon the sale, transfer 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, paragraph 1, let. f), of Decree No. 917, capital gains realized by non-Italian resident Noteholders, without a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of Notes issued by an Italian resident issuer and traded on regulated markets in Italy or abroad are not subject to the substitute tax on capital gains, subject to timely filling of required documentation (in particular, a self-declaration that the Noteholder is not resident in Italy for tax purposes) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are

deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty. Italian tax authorities have recently clarified (Italian Revenue Agency Circular Letter No. 32 of December 23, 2020) that the notion of multilateral trading facility (MTF) under EU Directive 2014/65/CE (so called MiFID II) can be assimilated to that of “regulated market” for income tax purposes; conversely, organized trading facilities (OTF), not falling in the definition of MTF under MiFID II, cannot be assimilated to “regulated market” for income 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 and held in Italy, even if not traded on regulated markets, are not subject to the substitute tax on capital gains, provided that the effective beneficiary is:

- (a) resident, for tax purposes, in a State, in a country which recognizes the Italian fiscal authorities’ right to an adequate exchange of information, included in the White List, even if it does not possess the status of a taxpayer in its own country of establishment, and does not have a permanent establishment in Italy to which the Notes are effectively connected;
- (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy;
- (c) an “institutional investor,” whether or not subject to tax, which is established in a country which is listed in the White List, and provided that they timely file with the relevant depositary an appropriate self-declaration of being an institutional investor; or
- (d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito* regime, exemption from Italian taxation on capital gains will apply upon condition that they file in time with the authorized financial intermediary an appropriate self-declaration – complying with the requirements set forth by the Ministerial Decree of 12 December 2001 – stating that they are resident, for tax purposes, in a country which is listed in the White List.

If none of the above conditions above is met, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to the substitute tax at the current rate of 26%. However, non-Italian resident Noteholders might benefit from an applicable tax treaty with Italy providing that capital gains realized upon the sale or redemption of the Notes are to be taxed only in the tax residence country of the recipient.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito* regime, exemption from Italian taxation on capital gains will apply upon condition that the non-Italian residents file in time with the authorized financial intermediary appropriate documents which include, *inter alia*, a certificate of residence from the competent tax authorities of their country of residence.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Intermediary (or permanent establishment in Italy of foreign intermediary), but non-Italian resident Noteholders retain the right to waive this regime.

Italian Inheritance Tax and Gift Tax

Pursuant to Law No. 346 of October 31, 1990 and No. 286 of November 24, 2006, as subsequently amended, transfers of Notes by reason of gift, donation or succession of Italian residents and of non-Italian residents, but in such latter case limited to assets held within the Italian territory (which, for presumption of law, includes bonds issued by Italian resident issuers) are subject to Italian gift and inheritance tax as follows:

- (a) 4% for transfers in favor of the spouse and direct descendants or direct ancestors exceeding, for each beneficiary, a threshold of €1.0 million;
- (b) 6% for transfers in favor of siblings exceeding, for each beneficiary, a threshold of €0.1 million;
- (c) 6% for transfers in favor of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, on the entire value of the inheritance or the gift; and
- (d) 8% for transfers in favor of any other person or entity, on the entire value of the inheritance or the gift.

If the heir/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.

The transfer of financial instruments as a result of death is exempt from inheritance tax when such financial instruments are included in a long-term saving account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017, by Article 1 (210-215) of the Finance Act 2019, as implemented by the Ministerial Decree of April 30, 2019 and, for long-term individual savings accounts established from January 1, 2020, by Article 13 bis of Italian Law Decree No. 124, as amended and supplemented from time to time.

Moreover, an anti-avoidance rule is provided in the case of a gift of assets, such as the Notes, whose sale for consideration would give rise to capital gains to be subject to the substitute tax provided for by Decree No. 461, as subsequently amended. In particular, if the donee sells the securities for consideration within five years from their receipt as a gift, the latter is required to pay the relevant substitute tax as if the gift had never taken place.

Stamp Taxes and Duties

According to Article 13, paragraph 2-ter of the tariff Part I attached to Presidential Decree No. 642 of October 26, 1972, as amended and supplemented, a proportional stamp duty applies on a yearly basis at the rate of 0.20% on communications and reports that Italian financial intermediaries periodically send to their clients in relation to the financial products that are deposited with such intermediaries (the level of tax being determined in proportion to the period of ownership). The Notes are included in the definition of financial products for these purposes. Communications and reports are deemed to be sent at least once a year even if the Italian financial intermediary is under no obligation to either draft or send such communications and reports. In this case, the stamp duty is to be applied on December 31 of each year or in any case at the end of the relationship with the client. At any rate, where no specific exemption applies, a minimum stamp tax of Euro 34.20 is due on a yearly basis. The stamp duty applies on the market value or—in the absence of a market value—on the nominal value or the redemption amount of any financial product or financial instruments or in the case that the nominal value or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes) resulting from any periodic reporting communication issued by the Italian financial intermediary with which the Notes are deposited (the tax being determined in proportion to the reporting period).

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The stamp duty cannot exceed €14,000 per year if the Notes are held by noteholders other than individuals. Stamp duty applies both to Italian resident noteholders and to non-Italian resident noteholders, to the extent that the Notes are held with an Italian-based financial intermediary (and not directly held by the noteholders outside Italy, in which case Italian wealth tax (see below under “Wealth Tax”) applies to Italian-resident noteholders only).

Wealth Tax

According to Article 13, para. 2-ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, as introduced by Article 19 of Decree No. 201 of 6 December 2011, converted with amendments by Law No. 214 of December 22, 2011 individuals, certain non-commercial entities, including trusts and foundations, and so called *società semplici* (and similar partnerships pursuant to Article 5 of Decree No. 917), resident in Italy for tax purposes holding financial assets—including the Notes—outside Italy are required to declare in its own annual tax return and pay a wealth tax (“**IVAFE**”) at the rate of 0.20% (the tax being determined in proportion to the period of ownership). The wealth tax applies on the market value at the end of the relevant year (or at the end of the holding period) or, in the absence of market value, on the nominal value or redemption value of such financial assets held outside Italy or in the case that the nominal value or redemption values cannot be determined, on the purchase value of any financial asset. Taxpayers are permitted to deduct from the wealth tax a tax credit equal to any equivalent wealth tax legitimately paid in the State where the financial assets are held (up to the amount of IVAFE due).

Pursuant to the provision of Article 134 of Law Decree No. 34 of May 19, 2020, the wealth tax cannot exceed €14,000 per year for taxpayers different from individuals.

Transfer tax

Contracts relating to the transfer of securities are subject to the registration tax as follows:

- (a) public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at rate of €200.00, and
- (b) private deeds (*scritture private non autenticate*) are subject to fixed registration tax of €200.00 applicable only in case of use (*caso d'uso*), reference in a subsequent registered deed (*enunciazione*) or voluntary registration (*volontaria registrazione*).

EU Savings Tax Directive and Implementation of the Automatic Exchange of Information in Italy

On 10 November 2015, the Council of the European Union approved the Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) which has repealed the Council Directive 2003/48/EU (the “EU Savings Tax Directive”) from 1 January 2016 in the case of all Member States other than Austria and from 1 January 2017 in the case of Austria. This was intended to prevent overlap between the EU Savings Tax Directive and the new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Common Reporting Standard (“CRS”) released by the Organization for Economic Cooperation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the EU Saving Tax Directive, although it does not impose withholding taxes.

Italy has enacted Italian Law No. 95 of June 18, 2015 (“**Law 95/2015**”), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated December 28, 2015, which has entered into force on January 1, 2016, has implemented Law 95/2015 and has provided for the exchange of information starting from the calendar year 2016.

In the event that holders of the Notes hold the Notes through an Italian financial institution (as defined in the Italian Ministerial Decree of December 28, 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

Italian Financial Transactions Tax

Pursuant to Law No. 228 of 24 December 2012, Italian financial transaction tax (“**FTT**”) applies to (a) transfer of ownership of shares and other participating securities issued by Italian resident companies or of financial instruments representing the said shares and/or participating securities (irrespective of whether issued by Italian resident issuers or not) (the “**Relevant Securities**”), (b) transactions on financial derivatives (i) the main underlying assets of which are the Relevant Securities, or (ii) whose value depends mainly on one or more Relevant Securities, as well as to (c) any transaction on certain securities (i) which allow to mainly purchase or sell one or more Relevant Securities or (ii) implying a cash payment determined with main reference to one or more Relevant Securities.

Securities could be included in the scope of application of the FTT if they meet the requirements set out above. On the other hand, securities falling within the category of bonds (*obbligazioni*), such as the Notes, don’t meet the requirements set out above and, consequently, are not included in the scope of the FTT.

Prospective holders of the Notes are strongly advised to seek their own professional advice in relation to the possible application of financial transaction tax in countries other than Italy.

Italian Tax Monitoring Obligations

Italian resident individuals (and certain other entities) are required, in certain circumstances, to report in their yearly income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return), according to Legislative Decree No. 167 of 28 June 1990, converted with amendments into law by Law No. 227 of 4 August 1990, as amended, for tax monitoring purposes, the amount of securities, including notes, held abroad (or beneficially owned abroad under Italian anti-money laundering provisions). This also applies in the case that at the end of the tax year, securities are no longer held by the above Italian resident individuals and entities.

However, the above reporting obligation is not required where (i) the securities are 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 or (ii) one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets has been subject to the applicable withholding tax or substitute tax by the same intermediaries or (iii) the foreign financial investments are only composed by deposits and/or bank accounts having an aggregate value not exceeding an €15,000.00 threshold throughout the year.

The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the beneficial owner of the instrument.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a U.S. Holder or Non-U.S. Holder (as defined below) and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the “**IRS**”), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a holder of the Notes. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of the notes.

This discussion is limited to holders who hold the Notes as “capital assets” within the meaning of Section 1221 of the Code (generally, property held for investment). In addition, this discussion is limited to persons purchasing the Notes for cash at original issue and at their original “issue price” within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash). This discussion does not address all U.S. federal income tax consequences relevant to a holder’s particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- U.S. citizens or lawful permanent residents living abroad
- persons liable for the alternative minimum tax;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding the Notes as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement;
- banks, insurance companies, and other financial institutions;
- real estate investment trusts or regulated investment companies;
- brokers, dealers or traders in securities;
- “controlled foreign corporations,” “passive foreign investment companies,” and corporations that accumulate earnings to avoid U.S. federal income tax;
- S corporations, partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations; and
- persons deemed to sell the Notes under the constructive sale provisions of the Code.

For purposes of this discussion, a “**U.S. Holder**” means a beneficial owner of a Note who or that is, for U.S. federal income tax purposes, any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (i) is subject to the primary supervision of a court within the United States and nor or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A “**Non-U.S. Holder**” is a beneficial owner of Notes that is neither a U.S. Holder nor a partnership. If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding the Notes and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES ARISING UNDER OTHER U.S. FEDERAL TAX LAWS (INCLUDING ESTATE AND GIFT TAX LAWS), UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Effect of the IPO Debt Pushdown Provisions

In the event that the Issuer of the Notes changes as a result of the provisions described under “*Description of the Notes—IPO Debt Pushdown*,” such change in the Issuer could result in a deemed exchange of the Notes for “new” Notes for U.S. federal income tax purposes. In such event, U.S. holders generally would recognize any gain on such exchange (although any loss could be disallowed), and the “new” Notes could be treated as issued with original issue discount for U.S. federal income tax purposes.

Characterization of the Notes

In certain circumstances (see “*Description of the Notes—Optional Redemption*,” “*Description of the Notes—Withholding Taxes*,” and “*Description of the Notes—Change of Control*”), the Issuer may be obligated to redeem the Notes for an amount in excess of their adjusted issue price, or may be obligated to make certain payments on the Notes in excess of stated principal and interest. The Issuer believes that the Notes should not be treated as contingent payment debt instruments due to the possibility of such a redemption occurring or such excess payments being made. The Issuer’s position is binding on a U.S. holder, unless the U.S. holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS successfully challenged this position, and the Notes were treated as contingent payment debt instruments, U.S. holders could be required to accrue interest income at a rate different than their yield to maturity and to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement, redemption or other taxable disposition of a Note. The balance of this discussion assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their tax advisors regarding the potential application of the Notes of the contingent payment debt instrument rules and the consequences thereof.

Payments of stated interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder’s method of accounting for U.S. federal income tax purposes.

A U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the foreign currency interest payment (determined based on the spot rate on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. Holder will not recognize exchange gain or loss with respect to the receipt of such stated interest, but may recognize exchange gain or loss attributable to the actual disposition of the foreign currency so received.

A U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in foreign currency that has accrued with

respect to its Notes during an accrual period. The U.S. dollar value of such Euro denominated accrued stated interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. Holder may elect, however, to translate such accrued stated interest income into U.S. dollars using the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued stated interest, a U.S. Holder that has made the election described in the prior sentence may translate such interest using the spot rate of exchange on the date of receipt of the stated interest. The above election will apply to other debt instruments held by an electing U.S. Holder and may not be changed without the consent of the IRS.

A U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize exchange gain or loss with respect to accrued stated interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the Euro payment received (determined based on the spot rate on the date such stated interest is received) in respect of such accrual period and the U.S. dollar value of the stated interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign tax credit

Stated interest income on a Note generally will constitute foreign source income and generally will be considered “passive category income” in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by or on behalf of a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). There are significant complex limitations on a U.S. Holder’s ability to claim foreign tax credits. U.S. Holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, exchange, retirement, redemption or other taxable disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. Holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as stated interest income as discussed above to the extent not previously included in income by the U.S. Holder) and such U.S. Holder’s adjusted tax basis in the Note.

A U.S. Holder’s adjusted tax basis in a Note generally will be the cost of such Note to such U.S. Holder. The cost of a Note purchased with Euro will generally be the U.S. dollar value of the Euro purchase price translated at the spot rate on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant U.S. holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such U.S. holder will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

If a U.S. Holder receives Euro on such a sale, exchange, retirement, redemption or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such Euro translated at the spot rate on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. Holder and, if it so elects, an accrual basis U.S. Holder, will determine the U.S. dollar value of such Euro by translating such amount at the spot rate on the settlement date of the disposition. The special election available to accrual basis U.S. Holders in regard to the purchase and disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. Holder and cannot be changed without the consent of the IRS. If the Notes are not traded on an established securities market (or the relevant holder does not make the special settlement date election) an accrual basis U.S. Holder will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Gain or loss attributable to fluctuations in currency exchange rates with respect to the principal amount

of a Note generally will equal the difference, if any, between the U.S. dollar value of the U.S. Holder's foreign currency purchase price for the Note, determined at the spot rate on the date principal is received from the Issuer or the U.S. Holder disposes of the Note, and the U.S. dollar value of the U.S. Holder's foreign currency purchase price for the Note, determined at the spot rate on the date the U.S. Holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. Holder may recognize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, which will be treated as discussed above under "*Payments of stated interest.*" However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. Holder will recognize any exchange gain or loss (including with respect to accrued interest) only to the extent of total gain or loss realized by such U.S. Holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of exchange gain or loss attributable to such disposition generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. Holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Tax return disclosure requirements

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. Holders should consult their own tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

U.S. Holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. Holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. Holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Non-U.S. Holders

Subject to the discussion of backup withholding below, a Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale, redemption or other disposition of the Notes unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the U.S.; (ii) in the case of any gain realized on the sale or exchange of a Note by an individual Non-U.S. Holder, that Holder is present in the U.S. for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met; or (iii) the Non-U.S. Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates.

Information reporting and backup withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. Holder unless such U.S. Holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. Holder fails to provide a taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules. In general, payments of principal and interest in respect of, and the proceeds from sales of, the Notes, payable to a Non-U.S. Holder by a U.S. paying agent or other U.S. intermediary will not be subject to backup withholding tax and information reporting requirements if appropriate

certification (IRS Form W-8BEN or W-8BEN-E or other appropriate form) is provided by the Non-U.S. Holder to the payor and the payor does not have actual knowledge that the certificate is false.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

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 will provide that the Issuer will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed, subject to certain limited exceptions, not to offer, sell, contract to sell, issue or otherwise dispose of any debt securities issued by the Issuer or any of its subsidiaries that are substantially similar to the Notes for a period of 60 days after the Issue Date.

The Notes have not been and will not be registered under the U.S. Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Notes (i) in the United States to “qualified institutional buyers” within the meaning of Rule 144A; and (ii) outside the United States in offshore transactions in compliance with Regulation S. Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the U.S. Exchange Act. Until 40 days after the commencement of this Offering, an offer or sale of Notes within the United States by a dealer (whether or not it is participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under “*Transfer Restrictions*.”

Intesa Sanpaolo S.p.A. is not a U.S. registered broker-dealer, and will not effect any offers or sales of any notes in the United States unless it is through one or more U.S. registered broker-dealers as permitted by the regulations of the Financial Industry Regulatory Authority.

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the UK Financial Services and Markets Act 2000 (the “**FSMA**”) received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

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

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

Each Initial Purchaser has, severally and not jointly, represented and agreed that it will not offer, sell or otherwise make available any Notes to any “retail investor” in the European Economic Area or the United Kingdom. The expression “retail investor” means a person who is one (or more) of the following:

- a retail client (with respect to the European Economic Area, as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”) and, with respect to the United Kingdom, as defined in point (11) of Article 4(1) of MiFID II as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”));
- a customer, with respect to the European Economic Area, within the meaning of Directive 2016/97/EU, as amended (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II and, with respect to the United Kingdom, within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (10) of Article 4(1) of MiFID II as it forms part of domestic law by virtue of the EUWA; or
- not a “qualified” investor (with respect to the European Economic Area, as defined in Regulation (EU) 2017/1129, as amended (the “**Prospectus Regulation**”) and with respect to the United Kingdom, as defined in the EU Prospectus Regulation as it forms part of domestic law by virtue of the EUWA).

Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes described in this Offering Memorandum has led to the conclusion that: (i) the target market for such Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. The target market and distribution channel(s) may vary in relation to sales outside the EEA in light of local regulatory regimes in force in the relevant jurisdiction. Any distributor should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See “*Transfer Restrictions.*”

The Issuer has also agreed that it will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit to trading on the Euro MTF Market in accordance with the rules and regulations of that exchange. 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 law. 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—The interests of the principal shareholder may conflict with your interests as a holder of the Notes—An active trading market may not develop for the Notes, which may limit your ability to sell the Notes.*”

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be the fourth business day (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as “T+4”). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next two succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

In connection with the Offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the Offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the Offering.

Similar to other purchase transactions, the Initial Purchasers’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the Initial Purchasers make any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. See “*Risk Factors—The interests of the principal shareholder may conflict with your interests as a holder of the Notes—An active trading market may not develop for the Notes, which may limit your ability to sell the Notes.*”

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers or their respective affiliates or other parties involved in the Acquisition from time to time have provided in the past, are currently providing, or may in the future provide, investment banking, financial advisory, commercial banking, various lending, hedging, cash management, guarantee or other banking or budgeting services to us and our affiliates under bilateral agreements or local facilities in the ordinary course of business, for which they have received or may receive customary fees and commissions. The Initial Purchasers or their affiliates may also receive allocations of the Notes. In addition, the Initial Purchasers and/or their respective affiliates may be lenders, managers and/or agents under the Revolving Credit Facility. The Initial Purchasers have also committed to provide bridge financing in connection with the financing of the Multiversity Investment in the event the Offering is not consummated. In connection with these financings, the Initial Purchasers or their respective affiliates have received and will receive customary fees and commissions for their services in such capacities.

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, including the Notes. If the Initial Purchasers or their respective affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer’s securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The Notes have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States or any other jurisdiction, and, therefore unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of such state or other jurisdiction. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- (a) in the United States, to “qualified institutional buyers,” commonly referred to as “QIBs,” as defined in Rule 144A in compliance with Rule 144A; and
- (b) outside the United States in offshore transactions in accordance with Regulation S (and only to investors who, if resident in a Member State of the EEA or the UK, are not retail investors, defined as a person who is one (or more) of:
 - i. a retail client, (with respect to the European Economic Area, as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”) and, with respect to the United Kingdom, as defined in point (11) of Article 4(1) of MiFID II as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”));
 - ii. a customer, with respect to the European Economic Area, within the meaning of Directive 2016/97/EU, as amended (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II and, with respect to the United Kingdom, within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (10) of Article 4(1) of MiFID II as it forms part of domestic law by virtue of the EUWA; or
 - iii. not a “qualified” investor (with respect to the European Economic Area, as defined in Regulation (EU) 2017/1129, as amended (the “**Prospectus Regulation**”) and with respect to the United Kingdom, as defined in the EU Prospectus Regulation as it forms part of domestic law by virtue of the EUWA).

We use the terms “**offshore transaction**” and “**United States**” with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

- (1) It understands and acknowledges that the Notes are being offered for resale in a transaction not involving a public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act and, unless so registered, may not be offered, resold, pledged or otherwise transferred, except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraphs (5) and (6) below.
- (2) It is neither the Issuer’s “affiliate” (as defined in Rule 144 of the U.S. Securities Act), nor acting on its behalf and that either:
 - (a) it is a QIB, within the meaning of Rule 144A and is aware that any sale of these Notes to it will be made in reliance on Rule 144A, and such acquisition of Notes will be for its own account or for the account of another QIB; or
 - (b) (i) it is a non-U.S. person purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S; and
 - (ii) if resident in a Member State of the EEA or the UK, it is not a retail investor (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 Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. It has had access to such financial and other information concerning the Issuer and its

subsidiaries and the Notes that it deems necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

- (4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act, or in any transaction not subject to the U.S. Securities Act.
- (5) It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the “**Resale Restriction Termination Date**”) that is, in the case of the Rule 144A Notes, one year after the later of the original issue date of such Notes, the original issue date of any additional Notes and the last date on which the Issuer or any of its affiliates were the owner of such Notes (or any predecessor thereto) or, in the case of the Regulation S Notes, 40 days after the later of the original issue date of such Notes (or, if later, the issue date of any additional Notes) and the last date on which such Notes were first offered to persons other than distributors (as defined in Rule 902 of Regulation S), only (i) to the Issuer or a guarantor (if any); (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A; (iv) in offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S; or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer and the Trustee’s rights prior to any such offer, sale or transfer (I) pursuant to clause (v) above to require the delivery of an opinion of counsel, certification and other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.
- (6) Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**U.S. SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT (“**RULE 144A**”)) OR (B) IT IS ACQUIRING THIS NOTE IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT (“**REGULATION S**”), AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTES, PRIOR TO THE DATE (THE “**RESALE RESTRICTION TERMINATION DATE**”), WHICH IS *[IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS NOTE)]*, ONLY (A) TO THE ISSUER OR THE GUARANTORS (IF ANY), (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN

OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT; AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "**OFFSHORE TRANSACTION**" AND "**UNITED STATES**" HAVE THE MEANING GIVEN TO THEM BY REGULATION S."

BY ITS ACQUISITION OF THIS SECURITY OR ANY INTEREST HEREIN, THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED AND COVENANTED THAT EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS SECURITY OR INTEREST THEREIN CONSTITUTES ASSETS OF ANY "EMPLOYEE BENEFIT PLAN" SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, ("ERISA"), ANY PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR ARRANGEMENT SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUES CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF SUCH PLANS, ACCOUNTS OR ARRANGEMENTS OR A GOVERNMENTAL PLAN, NON-U.S. PLAN OR OTHER PLAN NOT SUBJECT TO THE FOREGOING, THAT IS SUBJECT TO PROVISIONS UNDER ANY SIMILAR LAWS (EACH SUCH PLAN, ACCOUNT OR ARRANGEMENT, A "PLAN") OR (2)(I) THE ACQUISITION, HOLDING AND DISPOSITIONS OF THIS SECURITY OR INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS, AND (II) NONE OF THE ISSUER, THE TRUSTEES, THE SECURITY AGENT, THE REGISTRAR, THE TRANSFER AGENT, THE INITIAL PURCHASERS OR THE GUARANTORS OR ANY OF THEIR RESPECTIVE AFFILIATES IS ACTING AS A FIDUCIARY TO ANY PLAN WITH RESPECT TO THE DECISION TO PURCHASE OR HOLD THIS SECURITY OR IS UNDERTAKING TO PROVIDE IMPARTIAL INVESTMENT ADVICE OR GIVE ADVICE IN A FIDUCIARY CAPACITY WITH RESPECT TO THE DECISION TO PURCHASE OR HOLD THIS SECURITY.

A purchaser of Notes, will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

- (7) It understands that the issuance of Additional Notes under the Indenture may have the effect of extending the Resale Restriction Termination Date.
- (8) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of such Notes.
- (9) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.
- (10) It acknowledges that the Transfer Agent or the Registrar will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Issuer, the Transfer Agent and the Registrar that the restrictions set out therein have been complied with.
- (11) It acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of the acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, it shall promptly notify the Issuer and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has

sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

- (12) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set out under “*Plan of Distribution*” and “*Notice to Certain European Investors*.”

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF ANY NOTES GUARANTEES AND THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of any Notes Guarantees and the security interests being provided for the Notes, and a summary of certain insolvency law considerations in Italy. The description below is only a summary, and does not purport to be complete or to discuss all the limitations or considerations that may affect the validity and enforceability of the Notes or any Notes Guarantees or security interests being provided for the Notes. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

European Union

The Issuer is incorporated under the laws of Italy, which is a member state of the European Union (a “**Member State**”).

Pursuant to Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast), as amended (the “**Recast Insolvency Regulation**”), which applies within the European Union, other than Denmark, the court which shall have jurisdiction to open the main insolvency proceedings in relation to a company (subject to certain exceptions) is the court of the Member State (other than Denmark) in which the relevant company’s centre of main interests (“**COMI**”) (as that term is used in Article 3(1) of the Recast Insolvency Regulation) is situated.

COMI is not a static concept and may change from time to time, but is determined for the purposes of decided which court has competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition: moreover, the determination of where a debtor has its COMI is a question of fact on which the courts of the different Member States may have differing and even conflicting views. Article 3(1), second sentence, of the Recast Insolvency Regulation states that a company’s COMI “shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties.” Under Article 3(1) of the Recast Insolvency Regulation there is, in most cases, a rebuttable presumption that a corporate debtor has its centre of main interests in the Member State in which it has its registered office in the absence of proof to the contrary. The presumption only applies if the registered office has not been moved to another Member State within the three month period prior to the request for the opening of insolvency proceedings. Recital 30 of the Recast Insolvency Regulation contains a number of examples of where a presumption as to COMI may be rebutted: for instance, where the company’s central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company’s actual center of management and supervision and of the management of its interests is located in that other Member State. In that respect, the factors that courts may take into consideration when determining the centre of main interests of a debtor can include where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor’s creditors are established.

If the centre of main interests of a debtor, at the time an insolvency application is made, is located in a Member State (other than Denmark), only the courts of that Member State have jurisdiction to open the main insolvency proceedings in respect of the debtor under the Recast Insolvency Regulation and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Recast Insolvency Regulation. Insolvency proceedings commenced in one Member State under the Recast Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary insolvency proceedings or territorial insolvency proceedings may be commenced in another Member State (other than Denmark).

If the centre of main interests of a debtor, at the time an insolvency application is made, is in a Member State (other than Denmark), under Article 3(2) of the Recast Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to commence secondary insolvency proceedings or territorial insolvency proceedings against that debtor only if such debtor has an “establishment” (as defined in Article 2(10) of the Recast Insolvency Regulation) in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Recast Insolvency Regulation and, for the avoidance of doubt, are not limited to winding-up proceedings. Territorial proceedings are, in effect, secondary proceedings that are commenced prior to the opening of main insolvency proceedings. An “establishment” is defined to mean “any place of operations where a debtor carries out or has carried out in the three month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets.” Accordingly, the opening of secondary insolvency proceedings or territorial insolvency proceedings in another Member State (other than Denmark) will also be possible if the debtor had an establishment in such Member State in the three month period prior to the request for opening of main insolvency proceedings.

The effects of those secondary insolvency proceedings or territorial insolvency proceedings opened in that other Member State are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State in which the debtor has its centre of main interests have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State (other than Denmark) where the debtor has an establishment where either (i) insolvency proceedings cannot be commenced in the Member State in which the debtor's centre of main interests is situated under the conditions laid down by that Member State's law; or (ii) the opening of territorial insolvency proceedings is requested by (a) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested, or (b) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. When main insolvency proceedings are opened, territorial insolvency proceedings usually become secondary insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary or territorial insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary insolvency proceedings or territorial insolvency proceedings have been commenced there. The insolvency practitioner appointed by a court in the Member State which has jurisdiction to commence main proceedings may exercise the powers conferred on it by the laws of that Member State in another Member State (other than Denmark) (such as to remove assets of the debtor from that other Member State). These powers are subject to certain limitations (e.g., the powers are available provided that no insolvency proceedings have been commenced in that other Member State nor any preservation measure to the contrary has been taken there further to a request to commence secondary proceedings in that other Member State where the debtor has assets).

In addition, the concept of "group coordination proceedings" has been introduced in the Recast Insolvency Regulation with the aim of bolstering communication and efficiency in the insolvency of several members of a group of companies. Under Article 61 of the Recast Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group. Participation in group coordination proceedings and adherence to the coordinating insolvency practitioner's recommendations or plan however is voluntary.

In the event that the Issuer experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer.

It remains to be seen what impact the recent vote by the United Kingdom to leave the EU will have on the regulatory environment in the EU and the United Kingdom, and on the applicability of EU law in the United Kingdom. In a "no-deal Brexit" scenario in particular, it may be harder for English office holders and English restructuring and insolvency proceedings to be recognized in Member States and to effectively deal with assets located in those other Member States. Much depends upon the private international rules in the particular Member State and the need may well arise to open parallel proceedings, increasing the element of risk. In particular, in cases where the appointment of an

English office holder has been made in reliance on an English domestic approach rather than the COMI rules, it is much less certain that there will be recognition in the relevant Member State.

Italy

Limitations on Granting Security Interests and Guarantees under Italian Law

Under Italian law, the entry into a transaction (including the creation of a security interest or the granting of a guarantee) by a company incorporated under Italian law must be permitted by the applicable laws and by its by-laws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization, refinancing or restructuring, financial assistance issues may also be triggered.

Corporate Benefit

An Italian company entering into a transaction (including granting a guarantee or a security interest) must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such

company. The concept of real and adequate benefit is not defined in the applicable legislation, is assessed and determined by a factual analysis on a case by case basis and its existence is a business decision of the directors and the statutory auditors, if any. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. While corporate benefit for downstream guarantee or security (*i.e.*, a guarantee guaranteeing or a security interest granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security or guarantee (*i.e.*, security or guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive adequate benefits or advantages from the granting of such guarantee or security. In particular, in case of an up-stream and cross-stream guarantee or security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. Generally, the risk assumed by an Italian grantor of security or guarantor under a guarantee must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting a security interest or a guarantee entered into) by an Italian company *ultra vires* and potentially affected by a conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the transaction (including the security interest or guarantee granted by an Italian company) could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream, cross-stream and down-stream guarantees or security interests granted by Italian companies.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of Italian Legislative Decree No. 385 of September 1, 1993 (the “**Italian Banking Act**”), whose exercise is exclusively demanded to banks and authorized financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, among others, entail the relevant guarantees being considered null and void. In this respect, Italian Legislative Decree No. 53 of April 2, 2015, implementing Article 106, paragraph 3, of the Italian Banking Act, states that the issuance of guarantees or the granting of security by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby “group” includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies which are under the control of the same entity. As a result of the above described rules, subject to the relevant guarantors and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

Financial Assistance

In addition, the granting of a security or a guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation of financial assistance provisions. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

In light of the above, no Italian company shall undertake to guarantee financial indebtedness which was incurred, in full or in part, to purchase its shares 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 unless in compliance with the limitations and exceptions set forth therein.

Article 1938 of the Italian Civil Code

Pursuant to Article 1938 of the Italian Civil Code, if a guarantee granted by an Italian guarantor is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture).

Limitations to the Notes Guarantees and Collateral

In order to comply with the above corporate law requirements on corporate benefit and financial assistance, the maximum amount that any Guarantor and/or security provider incorporated under the laws of Italy (if any) (the “**Italian Guarantor**”) may be required to pay in respect of its obligations as Guarantor under the relevant Notes Guarantee and/or security provider under the relevant security interest will be subject to limitations. By virtue of these limitations, the obligations of a Guarantor and/or security provider incorporated under the laws of Italy under its Notes Guarantee and/or security interest may be significantly less than amounts payable with respect to the Notes, or such Guarantor and/or security provider may have effectively no obligation under its Notes Guarantee and/or security interest.

In particular, as regards any Italian Guarantor, given the above limitations in relation to Italian financial assistance law and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement:

- (i) in order to comply with the provisions of the Italian law in relation to financial assistance (including article 2358 and/or article 2474, as the case may be, of the Italian Civil Code), the Notes Guarantee and security interests granted by the relevant Italian Guarantor shall not include and/or extend to any amounts of the Notes the purpose or the actual use of which is to finance, directly or indirectly, the acquisition of the relevant Italian Guarantor (or any of its direct or indirect holding companies) and/or the subscription of any shares or quota in the relevant Italian Guarantor (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;
- (ii) the Notes Guarantee and security interests granted by the relevant Italian Guarantor shall not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans or other financial support in any form (such term, for the avoidance of doubt, not including equity contributions) advanced or made available from time to time to such Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1 and 2, of the Italian Civil Code) by the Issuer (whether directly or indirectly) on or following the Acquisition Closing Date, and outstanding at the time of the enforcement of the relevant Notes Guarantee, in each case net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or received upon the enforcement of any security interests granted by such Italian Guarantor; provided further that no Italian Guarantor shall be liable as a Guarantor and/or security provider in respect of any amounts in excess of the amount that it is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by such Italian Guarantor under the relevant Notes Guarantee and/or as a result of the enforcement of any security interests granted by it;
- (iii) the maximum amount guaranteed and/or secured by any Italian Guarantor, also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed 120% of the outstanding principal amount of the Notes;
- (iv) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by an Italian Guarantor will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes guaranteed and/or secured by the relevant Italian Guarantor at that time;
- (v) notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including article 1283 of Civil Code and article 120 of the Italian Banking Act), the obligations of such Guarantor under its Notes Guarantee shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the

Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code and/or article 120 of the Italian Banking Act, respectively.

In the event that the Post-Closing Reorganisation does not occur by December 15, 2022, as regards to Target and any of its subsidiaries, given the above limitation in relation to Italian financial assistance law and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement, until such time as the Post-Closing Reorganisation is completed (if ever):

- (i) the Notes Guarantee and security interests to be granted by Target and any of its subsidiaries will only guarantee and secure the Issuer's obligations under the Notes in a proportion equal to that which Tranche B bears to the nominal principal amount of the Notes at issuance (the "**Refinancing Proportion**") and shall not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans or other financial support in any form (such term, for the avoidance of doubt, not including equity contributions) advanced or made available from time to time to Target and any of its subsidiaries (or any of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1 and 2, of the Italian Civil Code) by the Issuer (whether directly or indirectly) on or following the Acquisition Closing Date, and outstanding at the time of the enforcement of the relevant Notes Guarantee or security, net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or received upon the enforcement of any security interests granted by Target and any of its subsidiaries; provided further that Target and any of its subsidiaries shall not be liable as a Guarantor and/or security provider in respect of any amounts in excess of the amount that it is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by Target and any of its subsidiaries under the relevant Notes Guarantee and/or as a result of the enforcement of any security interests granted by it;
- (ii) the maximum amount guaranteed and/or secured by Target and any of its subsidiaries, also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed the lower of (i) 120% of the outstanding principal amount of the Notes, and (ii) the aggregate amount of the original principal amount of the Tranche B (as described under "*Summary—The Offering*") under the Notes, reduced, from time to time, by an amount equal to any repayment, prepayment or redemption of the principal amount of the Notes multiplied by the ratio of (I) the aggregate amount of the original principal amount of the Tranche B (as described under "*Summary—The Offering*") under the Notes to (II) the original principal amount of the Notes;
- (iii) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by Target and any of its subsidiaries will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes guaranteed and/or secured by Target and any of its subsidiaries at that time;
- (iv) notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including article 1283 of the Italian Civil Code and article 120 of the Italian Banking Act), the obligations of Target and any of its subsidiaries under its Notes Guarantee shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code and/or article 120 of the Italian Banking Act, respectively; and
- (v) any guarantee, indemnity, obligations and liability granted or assumed pursuant to the relevant Guarantee and/or security interest by Target and any of its subsidiaries does not (and will not) include and does not (and will not) extend, directly or indirectly, to any amounts and/or payment obligations under Tranche A (as described under "*Summary—The Offering*") under the Notes or in any way exceeding the Refinancing Proportion;

The abovementioned "*virtual tranching*" structure aimed at identifying the relevant portion of the proceeds of the Notes which does not constitute "acquisition debt" in respect of Target and Multiversity 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 directly or indirectly by the Issuer of the share capital of Target and Multiversity. Should the Notes Guarantee and/or security interests granted by Target and any of its subsidiaries be deemed by a court or public authority to be contrary to any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, such Notes Guarantee and security interests could be declared null and void.

In any case, the maximum amount that an Italian Guarantor may be required to pay in respect of its obligations as Guarantor under the Indenture and/or security grantor under the relevant security documents upon enforcement of the security interests granted by such Italian Guarantor will ratably concur and not cumulate with the corresponding

amounts due by such Italian Guarantor to any guaranteed and/or secured creditor pursuant to the Revolving Credit Facility Agreement and/or the Intercreditor Agreement (including any guaranteed and/or secured creditors with respect to any further *pari passu* indebtedness contemplated under the Intercreditor Agreement) and/or any security documents, and *vice versa*. For the avoidance of doubt, by virtue of the abovementioned limitations applicable to the guarantees and the security interests granted by an Italian Guarantor, the obligations of each Italian Guarantor as guarantor and/or security provider under the Notes, the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement and any agreement regulating future *pari passu* indebtedness contemplated under the Intercreditor Agreement, the security documents relating to the Collateral and any other transaction documents related thereto shall not be deemed to be cumulative and shall be considered without duplication, and the transaction documents will provide that the aggregate amount of the proceeds deriving from any enforcement of any such guarantee and/or security obligations of the relevant Italian Guarantor shall not exceed on an aggregate basis the limit of the relevant Italian Guarantor's credit support as described above.

In addition to the above, under article 1938 of the Italian Civil Code, if a corporate guarantee is issued by an Italian Guarantor to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). It has been held that such determination must be proportionate to the relevant Guarantor's assets. If such determination is deemed disproportionate to the assets of each of the Guarantors, there is a risk that the guarantee could be declared void.

The proceeds of the enforcement of said guarantees and/or security interests shall be distributed among the guaranteed and/or secured creditors (including, without limitation, the holders of the Notes) in accordance with the provisions of the Intercreditor Agreement. Accordingly, the holders of the Notes will be able to recover limited amounts under the relevant Notes Guarantees and security. See "*Limitations on Validity and Enforceability of any notes Guarantees and the Collateral and Certain Insolvency Law Considerations.*"

Security Agent

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 Article 2414-bis, paragraph 3, of the Italian Civil Code are untested by Italian courts and, therefore, even if the appointment of the *rappresentante* is upheld by an Italian court, it cannot be excluded that an Italian court may take a different view and interpretation and determine that, where the 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 quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower, if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower’s indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan (“**undercapitalization**”). Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. The above rules apply to shareholders’ loans “made in any form” and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

As of the date hereof, there are several court precedents interpreting the provisions summarized above. Some of such precedents have held that article 2467 of the Italian Civil Code also applies to companies incorporated as *società per azioni*, hence potentially to the borrowers under the intercompany loans that are a *società per azioni*.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, Italian courts may apply such provisions of the Italian Civil Code to the Issuer’s relationship with Italian subsidiaries under the relevant intercompany loans. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan are subordinated to all its obligations towards other creditors. Should any of the obligations of any subsidiary under any intercompany loan or note be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer may not be able to recover any amounts under any intercompany loan or note granted to the Italian subsidiaries, which could have a material adverse effect on the Issuer’s ability to meet its payment obligations under the Notes.

Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans or notes is subordinated by operation of law, the ability of the holders of the Notes to recover under any Collateral created over such intercompany loans or notes or any guarantees and/or security interests granted by such Italian subsidiaries may be impaired or restricted.

Certain Limitations on Enforcement

The enforcement of security interests by creditors in Italy can be complex and time consuming, especially in a liquidation scenario, given that Italian courts maintain a significant role in the enforcement process in comparison to other jurisdictions with which the holders of the Notes may be familiar. The two primary goals of the Italian law are, first, to maintain employment, and second, to liquidate the debtor’s assets for the satisfaction of creditors. These competing goals often have been balanced by the sale of businesses as going concerns and by ensuring that employees are transferred along with the businesses being sold.

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during the suspect period. For a more detailed explanation of the terms, conditions and consequences of clawback actions in an insolvency scenario, see “—*Certain Italian Insolvency Law 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, guarantees, 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 judge;
- 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 at the date of the notification of the payment demand (*precetto*) and extend, moreover, to interest accrued and to accrue thereafter, but only to the extent of legal interest and until the date of the forced sale occurred in the context of the relevant foreclosure proceeding/bankruptcy proceedings;
- in order to oppose an assignment to any third party, it will be necessary to notify such assignment to the relevant debtor or make such debtor to accept it by an instrument bearing an undisputable date (*data certa*); the priority of such assignment will be determined accordingly. One way of ensuring that a document has an

indisputable date is that of ensuring that the execution of the relevant document by one of the parties to it is witnessed by a notary who states the date of witnessing on the document;

- there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;
- the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence (*colpa grave*), willful misconduct (*dolo*) or the violation of mandatory provisions;
- penalties and liquidated damages (*penali*) may be equitably reduced by a court;
- any obligation of an Italian company and/or any obligation secured or guaranteed by an Italian company, which is in violation of certain Italian mandatory or public policy rules (including, *inter alia*, any obligation to pay: (i) any portion of interest exceeding the thresholds of the interest rate permitted under the Italian law no. 108 of March 7, 1996 (i.e., the Italian usury law), as amended from time to time and related implementing rules and regulations; and (ii) any portion of interest deriving from any compounding of interest which does not comply with Italian law, including Article 1283 of the Italian Civil Code, according to which, accrued and unpaid interest can be capitalized only after legal proceedings to recover the debt were started or in the event the interest were unpaid and capitalized for not less than six months based on an agreement executed after the relevant maturity date and Article 120 of the Italian Banking Act) may not be enforceable;
- if a party to an agreement is aware of the invalidity of that agreement and does not inform the other parties to that agreement of such invalidity, it is liable for the damages suffered by such other parties as a consequence of having relied upon the validity of the agreement;
- Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;
- a security interest does not prevent creditors of the relevant debtor other than the pledge from continuing enforcement or enforcement proceedings on the assets secured by the relevant pledge; and
- in case of bankruptcy of the grantor of the pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding and, as a consequence, the proceeds would be set aside for the prior satisfaction of the pledgee but the pledge would be terminated and, therefore, the latter would lose entitlement to the voting rights on the pledged quotas/shares.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, security, agreement and any other act by which it disposes of any of its assets, in order to seek a claw-back action (*azione revocatoria ordinaria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the said guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; and
- that, in the case of non-gratuitous acts, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

Certain Italian Insolvency Law Considerations

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where publicly-owned companies are involved.

Insolvency laws and regulations have recently been substantially reviewed and significant amendments are expected in the near future. In particular, the Legislative Decree No. 14 of January 12, 2019 (the “**Insolvency Code**”), which implemented the Italian Law No. 155 of October 19, 2017 and substantially reformed the Royal Decree No. 267 of March 16, 1942, as subsequently amended and supplemented and currently in force (the “**Italian Bankruptcy Law**”), was published in the *Gazzetta Ufficiale* No. 38 of February 14, 2019. 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 definition of “state of crisis”; (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different judicial insolvency proceedings provided for by the same Insolvency Code; (iv) a new set of rules concerning group restructurings; (v) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favor going concern proceedings; (vi) a new preventive alert and mediation phase to avoid insolvency; (vii) jurisdiction of specialized courts over proceedings involving large debtors; (viii) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the reform.

Except for minor changes in some provisions of the Italian Civil Code, which already entered into force on March 16, 2019, in response to the Covid-19 pandemic, the entry into force of the Insolvency Code has been postponed to September 1, 2021 by the Law Decree No. 23 of April 8, 2020 (as converted by Law No. 40 of June 5, 2020) and is now scheduled for May 16, 2022, except for the section named *Parte Prima-Titolo II* (i.e., the new preventive alert and mediation phase), which will entry into force on December 31, 2023, pursuant to Article 1 of the Law Decree No. 118 dated August 24, 2021 (the “**Law Decree 118/2021**”), published in the *Gazzetta Ufficiale* No. 202 of August 24, 2021.

Law Decree 118/2021 needs to be converted in law within 60 days from its publication in the *Gazzetta Ufficiale*, otherwise it will cease to be effective; in the context of the conversion process changes and amendments—which cannot be foreseen—may be included and impact the above new provisions. The main innovations of the Law Decree 118/2021 are the following:

- (i). additional postponement of the entry into force of the Insolvency Code;
- (ii). introduction of a new a negotiated composition proceeding (*composizione negoziata della crisi*) and of a simplified court-supervised pre-bankruptcy composition with creditors with liquidation purpose (*concordato semplificato per la liquidazione del patrimonio*);
- (iii). amendments to the Italian Bankruptcy Law, which anticipate certain provisions of the Insolvency Code.

The postponement of the entry into force of the Insolvency Code, and the amendments to the Italian Bankruptcy Law, are effective as of August 25, 2021 (i.e., the day following the publication of the Law Decree 118/2021 in the *Gazzetta Ufficiale*), while the *composizione negoziata della crisi* and the *concordato semplificato per la liquidazione del patrimonio* are effective as of November 15, 2021. Accordingly, the practical consequences of the implementation of such reforms cannot to date be foreseen in their entirety.

The *composizione negoziata della crisi* is an out-of-court proceeding, but the court can be involved in the two following circumstances: (i) when the entrepreneur files a petition pursuant to Article 7 of the Law Decree 118/2021 requesting the court to confirm or modify the protective measures (the “**Protective Measures**”), and, if necessary, to enact the *interim* measures necessary to complete the negotiations (the “**Interim Measures**”), and (ii) when the entrepreneur files a petition pursuant to Article 10 of the Law Decree 118/2021 asking the court to authorize certain acts, or to modify the conditions of certain contracts if, as a consequence of the COVID pandemic, such contracts pose an excessive burden on the entrepreneur.

The *composizione negoziata della crisi* is started by the entrepreneur, on a voluntary basis, with the filing of a petition for the appointment of an independent expert (the “**Expert**”), through a digital platform (the “**Platform**”).

Together with the petition, the entrepreneur must file the documents listed under Article 5, Paragraph 3 of the Law Decree 118/2021, collectively aimed at giving a clear representation of the entrepreneur’s financial status and indebtedness.

The Expert is appointed by a three-member commission instituted by the Chamber of Commerce of the main town of each Italian Region, formed by a judge, a member appointed by the Chamber of Commerce’s president and a member appointed by the prefect.

The Expert must possess certain specific professional requisites and/or qualifications, undertake a specific training, and meet the requirements set forth by Article 2399 of the Italian Civil Code and certain additional requirements aimed at ensuring its independence towards the entrepreneur.

The *composizione negoziata della crisi* can be pursued by enterprises, either commercial (*imprenditore commerciale*) and agricultural (*imprenditore agricolo*) which are in a distressed situation with reference to their assets, their business and/or their finance such that it is likely that a crisis or insolvency will follow, notwithstanding the general thresholds for the application of Italian Bankruptcy Law are not met.

Pursuant to Article 13 of the Law Decree 118/2021, the *composizione negoziata della crisi* may also apply to corporate groups.

The *composizione negoziata della crisi* is commenced by the enterprises, on a voluntary basis only, with the filing of a petition for the appointment of an independent expert (the “Expert”), through a digital platform (the “Platform”).

Together with the petition, the enterprises must file the documents listed under Article 5, Paragraph 3 of the Law Decree 118/2021, collectively aimed at giving a clear representation of the their financial status and indebtedness.

The Expert is appointed by a three-member commission instituted by the Chamber of Commerce of the main city constituting the “*capoluogo*” of the relevant Italian Region, formed by a judge, a member appointed by the Chamber of Commerce’s president and a member appointed by the prefect.

The Expert must possess certain specific professional requisites and/or qualifications, and meet the requirements set forth by Article 2399 of the Italian Civil Code and certain additional requirements aimed at ensuring its independence towards the entrepreneur.

The Expert assesses his/her independence, the adequacy of his/her professional expertise and his/her time availability with respect to the prospected assignment, and, if the outcome of the assessment is positive, notifies his/her acceptance to the entrepreneur and uploads it on the Platform. In case of negative outcome, the Expert confidentially notifies it to the commission, which appoints a new Expert.

If the Expert accepts the appointment, he/she meets with the entrepreneur in order to assess whether there are concrete chances of recovery (*risanamento*). The entrepreneur attends the meeting personally, and can be assisted by its counsels.

If the Expert finds that there are concrete chances of recovery (*risanamento*), he/she meets with the parties involved in the entrepreneur’s recovery process and presents the possible strategies, scheduling periodic meetings close in time to one another. During the negotiations, all the parties involved must act in good faith and with fairness, must cooperate and are bound by confidentiality on the entrepreneur’s situation, on the actions carried out or planned by the entrepreneur and on the information received in the course of the negotiations. The entrepreneur must provide a complete and clear representation of his/her situation, and manage his/her assets without causing unfair prejudice to the creditors. Banks and financial intermediaries, their agents, and, in case of credit assignment, and/or transfer their assignees or transferees, must take part in the negotiations actively and in an informed manner, and the access to the *composizione negoziata della crisi* does not, by itself, constitute ground for withdrawal of overdraft facilities. Specific provisions apply to negotiations involving employment contracts.

If the Expert finds that there are not concrete chances of recovery (*risanamento*), after the meeting with the entrepreneur or thereafter, he/she notifies the entrepreneur and the secretary general of the Chamber of Commerce, which provides for the dismissal of the entrepreneur’s petition.

The Expert’s appointment is considered terminated if, after 180 days from its appointment, the parties have not agreed on a solution (that can also be proposed by the Expert) for overcoming the entrepreneur’s distressed situation. However, the Expert’s appointment can continue if (i) all the parties involved in the negotiations require so and the Expert agrees, or (ii) the prosecution of the assignment is required by the fact that the entrepreneur has filed a petition to the court pursuant to Article 7 and/or Article 10 of the Law Decree 118/2021.

Pursuant to Article 5, Paragraph 8 of the Law Decree 118/2021, at the end of his/her appointment the Expert issues a final report (the “**Final Report**”), uploads it on the Platform, and notifies it to the entrepreneur and to the court that has granted the Protective Measures and Interim Measures (if any).

Pursuant to Article 6 of the Law Decree 118/2021, together with the petition for appointment of the Expert, or with a subsequent petition, the entrepreneur can request the application of the Protective Measures. The relevant petition is published in the companies’ register together with the Expert’s acceptance. The Protective Measures consist of the following: from the date of publication of the relevant petition, preexisting creditors cannot obtain preemption rights (*diritti di prelazione*) (unless agreed upon by the entrepreneur) and all enforcement and interim actions are stayed. However, as opposed to what happens in the *concordato preventivo*, payment of preexisting creditors is not forbidden. The Protective Measures do not apply to employees’ claims.

From the date of publication of the petition requesting the application of the Protective Measures, until the date of conclusion of the negotiations or dismissal of the petition for appointment of the Expert, the entrepreneur cannot be declared bankrupt nor insolvent.

The creditors whose rights are affected by the Protective Measures cannot unilaterally refuse to perform their obligations under the contracts pending with the entrepreneur, nor terminate such contracts, nor anticipate their expiration date, nor amend them with detrimental consequences for the entrepreneur, solely on the ground of the missed payment of claims arisen prior to the publication of the petition requesting the application of the Protective Measures.

On the same date of the filing of the petition with the companies' register requesting the application of the Protective Measures, the entrepreneur requests the court to confirm or amend of the Protective Measures, and, if necessary, to enact the Interim Measures.

If the entrepreneur fails to file such petition to the court, the Protective Measures are ineffective. Additionally, if the entrepreneur fails to request the publication of the case number (*numero di ruolo generale*) assigned by the court within 30 days from the publication of the petition with the companies' register, the petition requesting the application of the Protective Measures is canceled from the companies' register.

Within 10 days from the filing of the petition requesting to confirm or amend the Protective Measures, and, if necessary, to enact the Interim Measures, the courts schedules a hearing, and upon failure of scheduling such hearing, the Protective Measures become ineffective.

At the hearing, the court hears the parties, the Expert and the creditors whose rights are affected by the Protective Measures and the Interim Measures. The court can appoint a court expert and carry out all the relevant investigation measures.

The duration of the Protective Measures and, if necessary, the Interim Measures, is established by a court order in a range between 30 and 120 days, and, upon request of the parties and after obtaining the opinion of the Expert, can be extended for the time required to positively finalize the negotiations up to a maximum of 240 days.

Upon request of the entrepreneur or of one or more creditors, or upon report of the Expert, the Protective Measures and the Interim Measures can be revoked, or their duration can be reduced, if they do not satisfy the purpose of a positive finalization of the negotiations, or appear to be disproportionate compared to the prejudice caused to the creditors that file the relevant request.

Pending the negotiations, the entrepreneur may carry out acts pertaining to ordinary and activity, and, upon written notice to the Expert, carry out acts pertaining to extraordinary activity or make payments non-consistent with the negotiations nor with the perspectives of recovery.

If the Expert believes that a certain act causes prejudice to the creditors, to the negotiations or to the perspectives of recovery, he reports it in writing to the entrepreneur and to the enterprise's control body. If, notwithstanding the Expert's report, the entrepreneur carries out the relevant act, the entrepreneur gives immediate notice to the Expert, who may file his/her dissent for the registration with the companies' register. When Protective Measures and/or Interim Measures have been granted, the Expert also reports to the court which may revoke such measures or reduce their duration pursuant to Article 7, Paragraph 6 of the Law Decree 118/2021.

Pursuant to Article 10 of the Law Decree 118/2021, the court, upon the entrepreneur's request and to the extent that this is consistent with the continuation of the business as a going concern and with the maximization of the creditors' recovery, may authorize:

- the entrepreneur or one or more companies belonging to the same corporate group to incur new super-senior (*prededucibile*) indebtedness pursuant to Article 111 of the Italian Bankruptcy Law;
- the entrepreneur to incur new super-senior (*prededucibile*) indebtedness pursuant to Article 111 of the Italian Bankruptcy Law via shareholders' financing;
- the entrepreneur to transfer its business, or certain business branches, without the effects provided under Article 2560, Paragraph 2, of the Italian Civil Code.

The Expert may invite the parties to renegotiate in good faith the conditions of certain contracts (other than employment contracts) if, as a consequence of the COVID pandemic, such contracts pose an excessive burden on the entrepreneur. If the parties do not agree, the entrepreneur can file a petition asking the court to amend the conditions of such contracts. The court hears the Expert and takes into account the interests of the relevant contractual counterparty, and, if it decides to grant the amendments, ensures the balance between the mutual obligations, if necessary providing for the payment of an indemnity.

Pursuant to Article 11 of the Law Decree 118/2021, the *composizione negoziata della crisi* can terminate as follow:

- execution of an agreement between the entrepreneur and one or more creditors, which constitutes cause for application of the reward measures provided under Article 14 of the Law Decree 118/2021 if, according to the Expert's Final Report, such contract ensures the continuation of the business for at least 2 years;
- execution of a standstill agreement (*convenzione di moratoria*) pursuant to Article 182 *octies* of the Italian Bankruptcy Law;
- execution of an agreement signed by the entrepreneur, by the creditors and by the Expert, with the effects provided under Article 67, Paragraph 3, letter d) of the Italian Bankruptcy Law without the need for the independent expert's report (*attestazione*) provided thereby.

At the end of the negotiations, the entrepreneur can also file a petition requesting the sanctioning of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*) pursuant to Article 182 *bis*, Article 182 *septies* or Article 182 *novies* of the Italian Bankruptcy Law.

Alternatively, the entrepreneur may:

- arrange an out-of-court reorganization plan (*piano attestato di risanamento*) pursuant to Article 67, Paragraph 3, letter d) of the Italian Bankruptcy Law;
- file a petition for admission to the *concordato semplificato per la liquidazione del patrimonio* pursuant to Article 18 of the Law Decree 118/2021;
- enter into one of the insolvency proceedings provided under the Italian Bankruptcy Law or in the so-called Prodi-bis procedure or Marzano procedure.

Pursuant to Article 12 of the Law Decree 118/2021:

- the acts authorized by the court pursuant to Article 10 of the Law Decree 118/2021 maintain their effects in the event of subsequent sanctioned debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti omologato*), sanctioned court-supervised pre-bankruptcy composition with creditors (*concordato preventivo omologato*), bankruptcy (*fallimento*), compulsory administrative winding-up (*liquidazione coatta amministrativa*), extraordinary administration for large insolvent companies (*amministrazione straordinaria*) or *concordato semplificato per la liquidazione del patrimonio*;
- the payments of debts that are immediately due and payable, any onerous transactions and the granting of security interests made after the Expert accepted its appointment, are exempted from claw-back actions pursuant to Article 67, Paragraph 2 of the Italian Bankruptcy Law if they are consistent with the development and the status of the negotiations and with the perspectives of recovery in place at the time the payment/transaction/granting of security interest was made;
- acts pertaining to the entrepreneur's extraordinary activity and payment made after the Expert accepted its appointment are subject to claw-back actions pursuant to Article 66 and Article 67 of the Italian Bankruptcy Law if the Expert has registered his/her dissent in the companies' register or if the court has denied its authorization pursuant to Article 10 of the Law Decree 118/2021;
- payment and transactions, made after the Expert accepted its appointment, which the Expert assesses to be consistent with the development of the negotiations and with the perspectives of recovery of the enterprise, or which have been authorized by the court pursuant to Article 10 of the Law Decree 118/2021, benefit of exemptions from the potential application of certain criminal sanctions.

Article 18 of the Law Decree 118/2021 introduces a simplified court-supervised pre-bankruptcy composition with creditors with liquidation purpose (*concordato semplificato per la liquidazione del patrimonio*).

If, in its Final Report, the Expert states that the negotiations did not have a positive outcome, and that the options provided under Article 11, Paragraphs 1 and 2, of the Law Decree 118/2021 are not feasible, within 60 days following the notification of the Final Report the entrepreneur may file a petition for admission to the *concordato semplificato per la liquidazione del patrimonio*, together with a liquidation plan and the documents listed under Article 161, Paragraph 2, letters a), b), c) and d) of the Italian Bankruptcy Law.

The petition for *concordato semplificato per la liquidazione del patrimonio* is then published in the companies' register by the registry of the court within the day following the filing. From the date of such publication, the effects provided under Articles 111, 167, 168 and 169 of the Italian Bankruptcy Law apply.

The court verifies the formal correctness of the proposal, acquires the Expert's Final Report and an opinion of the Expert on the possible outcome of the liquidation and the relevant guarantees offered thereunder, and (i) appoints

a court expert, *(ii)* gives order to the entrepreneur to notify the proposal, together with the Expert's Final Report, to the creditors resulting from the list that was attached to the petition for the appointment of the Expert pursuant to Article 5, Paragraph 3 of the Law Decree 118/2021, and *(iii)* schedules the hearing for the sanctioning (omologazione) of the concordato semplificato per la liquidazione del patrimonio.

The court issues a decree sanctioning the *concordato semplificato per la liquidazione del patrimonio* when it finds that *(i)* the proceeding has been carried out in accordance with the relevant laws and regulations and the adversarial principle among the parties (*contraddittorio*); *(ii)* the proposal is compliant with the statutory priority and the liquidation plan is feasible, and *(iii)* the proposal does not cause a prejudice to the creditors compared to what they would receive in case of insolvent liquidation of the entrepreneur, and in any case ensures that each creditor receives a certain recovery.

The parties may file an objection (*opposizione*) to the above-mentioned decree within 30 days after having been notified of the same.

Apart from the Law Decree 118/2021 and the Insolvency Code, the most recent reforms that have been implemented by the Italian government on the main Italian bankruptcy legislation as defined below are: *(i)* the reform approved on June 23, 2015, through a Law Decree containing urgent reforms applicable, *inter alia*, to Italian Bankruptcy Law (the “Decree”). The Decree entered into force in June 2015 (the date of its publication in the *Gazzetta Ufficiale*) and has been converted into law by Italian Law No. 132 of August 6, 2015, entered into force on August 21, 2015 (the date after its publication in the *Gazzetta Ufficiale*) and *(ii)* the amendments implemented by means of the adoption of *(a)* the Law Decree No. 59 of May 3, 2016, converted into law by Italian Law No. 119 of June 30, 2016, and *(b)* Italian Law No. 232 of December 11, 2016.

The two primary aims of the Italian Bankruptcy Law are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claim as well as, in case of the “*Prodi-bis*” procedure or “*Marzano*” procedure, to maintain employment. These competing aims have often been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Article 5 of the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent rather than a temporary status of insolvency, in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible of being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

In addition to the *composizione negoziata della crisi* and to the *concordato semplificato per la liquidazione del patrimonio* described above, the following debt restructuring and bankruptcy measures are available under Italian law for companies in a state of crisis and for insolvent companies.

The amendments to the Italian Bankruptcy Law introduced by the Law Decree 118/2021, which anticipate certain provisions of the Insolvency Code, will be examined in the following sections.

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

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the

truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

Out-of-court debt restructuring agreements 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 agreements 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 court-supervised pre-bankruptcy composition with creditors' 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 a court-supervised pre-bankruptcy composition with creditors proceeding or a debt restructuring agreement.

Debt restructuring agreements with creditors pursuant to Article 182-bis of the Italian Bankruptcy Law (accordi di ristrutturazione dei debiti)

The debtor may negotiate with creditors holding at least 60% of the total amount of claims or debt restructuring agreements, subject to court's sanctioning (*omologazione*). An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the agreement is feasible and that it ensures that the non-adhering creditors can be fully satisfied within the following terms: (a) 120 days from the date of sanctioning (*omologazione*) of the agreement by the court, in the case of debts which are due and payable to the non-adhering creditors as of the date of the sanctioning (*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-adhering creditors as at the date of the sanctioning (*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 sanctioning (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any conservative or enforcement actions against the assets of the debtor in relation to pre-existing receivables and cannot obtain any security interest (unless agreed) in relation to preexisting debts. The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among others, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The 60-days moratorium can also be requested by the debtor, pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law, while negotiations with creditors are pending (*i.e.*, prior to the above-mentioned publication of the agreement), subject to certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. At such hearing, the court assesses whether the conditions for anticipating the moratorium are in place and, in such case, orders that no conservative or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which a debt restructuring agreement and the assessment by the expert must be deposited.

The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

The Italian Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

The new Article 182 *bis*, Paragraph 8 of the Italian Bankruptcy Law, as amended by Italian Law No. 69 of May 21, 2021, and subsequently replaced by the Law Decree 118/2021, sets the rule for when substantial amendments are made to the plan.

If substantial amendments are made to the plan prior to the court's sanctioning (*omologazione*), (i) the independent expert carries out a new assessment on the truthfulness of the business and accounting data, the feasibility of the agreement and its attitude to allow payment of the non-adhering creditors within the terms provided under Article 182 *bis*, Paragraph 1, of the Italian Bankruptcy Law, and (ii) the debtor requests the creditors to confirm their adherence to the debt restructuring agreement. The independent expert carries out a new assessment also in case of substantial amendments to the agreement.

If substantial amendments to the plan become necessary after to the court's sanctioning (*omologazione*), the debtor amends the plan in order to ensure the performance of the obligations provided under the debt restructuring agreement, and requests the independent expert to carry out a new assessment. In this case, the new plan and the new assessment of the independent expert are published in the companies' register and notice of such publication is given to the creditors by means of certified mail or certified email. Creditors may oppose the new plan within 30 days from the notice of the publication

Pursuant to Article 182, Paragraph 4, of the Italian Bankruptcy Law, as amended by the Law Decree 118/2021, the court can sanction the debt restructuring agreement also if the Italian Tax Authority or the Italian Social Security Authority do not adhere, provided that their adherence is essential in order to reach the percentage of 60% provided under Article 182 *bis*, Paragraph 1, of the Italian Bankruptcy Law and that the claims of the non-adhering Italian Tax Authority and Italian Social Security Authority are likely to be satisfied to a greater extent as a result of the debt restructuring agreement than as what would be the case in bankruptcy. The adherence of the Italian Tax Authority and of the Italian Social Security Authority must occur within 90 days from the filing of the debt restructuring agreement proposal.

Pursuant to the new Article 182 *novies* of the Italian Bankruptcy Law, introduced by the Law Decree 118/2021, the percentage of 60% provided under Article 182 *bis*, Paragraph 1, of the Italian Bankruptcy Law is reduced to the 30% if the debtor (a) waives the 120-day term for the satisfaction of its creditors provided for under Article 182 *bis*, Paragraph 1, letters (a) and (b) of the Italian Bankruptcy Law; (b) does not previously file a petition for admission to the *concordato in bianco* pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law, and does not request the 60-days moratorium pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law.

The Law Decree 118/2021 significantly amended Article 182-*septies* of the Italian Bankruptcy Law and introduced in the Italian Bankruptcy Law the new Article 182-*octies*, Article 182-*novies* and Article 182-*decies*, thus anticipating some of the provisions of the Insolvency Code.

Pursuant to the new Article 182 *septies* of the Italian Bankruptcy Law, debtors are entitled to enter into debt restructuring agreements by obtaining approval of creditors representing at least 75% of the credits belonging to the same category (with respect to the homogeneity of their legal status and economic interests), and can request the court to declare that agreement binding on non-adhering creditors of the same category (a so-called "cram-down"), provided that certain conditions are met, including that non-adhering creditors are not treated worse than under any effectively available alternative. The law also provides that (i) the agreement shall be of a non-liquidating nature, (ii) the agreement shall contemplate the direct or indirect continuation of the business activity as a going concern, and (iii) all the creditors belonging to the relevant category have been duly notified of the beginning of the negotiations, have been kept informed and have been notified the debt restructuring agreement and the sanctioning decree (*decreto di omologa*). If these conditions are met, the remaining 25% of non-adhering creditors belonging to the same class of creditors are crammed down; however, non-adhering crammed-down creditors can challenge the agreement and refuse to be forced into it.

The percentage of 75% is lowered to 60% if the reach of the debt restructuring agreement results from the Final Report issued by the Expert at the end of the negotiations pertaining to the *composizione negoziata della crisi*.

Pursuant to the new Article 182 *septies*, Paragraph 5, of the Italian Bankruptcy Law, a special provision is set forth for debtors whose financial indebtedness is at least 50% of their total indebtedness: in this situation the debt restructuring agreement may identify one or more categories of creditors which are banks and financial intermediaries and have a homogeneous legal position and economic interests and extend the effects of the agreement to non-adhering creditors who are part of the same category. In such instance, the agreement is valid even if it does not contemplate the direct or indirect for the continuation of the business activity as a going concern.

Similarly, pursuant to the new Article 182 *octies* of the Italian Bankruptcy Law, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and creditors representing 75% of the same class would also bind non-adhering creditors, provided that (A) an independent expert meeting the requirements provided under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law certifies (i) the truthfulness of the business data, (ii) the attitude of the standstill agreement to temporarily regulate the effects of the crisis and (iii) the fact that the non-adhering creditors suffer a prejudice that is proportionate and consistent with the recovery strategies undertaken by the debtor and (B) certain further conditions are met (e.g., all the creditors belonging to the relevant category have been duly notified of the beginning of the negotiations and have been kept informed). Non-adhering crammed-down creditors can challenge the standstill agreement within 30 days after having been notified of the same.

The debt restructuring agreement provided under Article 182 *septies* of the Italian Bankruptcy Law and the standstill agreement provided under Article 182 *octies* of the Italian Bankruptcy Law shall not impose new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize existing facilities or the utilization of new facilities on non-adhering creditors.

Pursuant to the new Article 182 *decies* of the Italian Bankruptcy Law, introduced by the Law Decree 118/2021, Article 1239 of the Italian Civil Code applies to the creditors that have adhered to the debt restructuring agreements. Non-adhering creditors maintain their claims towards (i) those who are jointly and severally liable with the debtor, (ii) the debtor's guarantors and (iii) debtors by way of right of recourse (*regresso*). Unless agreed otherwise, debt restructuring agreements produce effect towards the shareholders who are jointly liable with non-limited liability companies, provided that, if such shareholders have granted guarantees, they will remain liable as guarantors.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised pre-bankruptcy composition with creditors) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80% of such financing). Financing granted "in view of" (i.e., before) presentation of a petition for a debt restructuring agreement or a court-supervised pre-bankruptcy composition with creditors 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 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 composition with creditors 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. 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 Article 182 *quinquies*, Paragraph 3 of the Italian Bankruptcy Law, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so called *prededucibile*) indebtedness, aimed at supporting urgent financial needs related to the company's business. The debtor, 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 debtor.

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 restructuring plan and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement, 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 in any manner (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). 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 non-existent liabilities or commission of other fraudulent acts), will report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo*; and (ii) set forth reporting and information duties of the company during the abovementioned period. The statutory provisions providing for the stay of enforcement and interim relief actions by the creditors referred to in respect of the *concordato preventivo* also apply to preliminary petitions for *concordato preventivo* (so called *concordato in bianco*).

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfil, 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.

Non-compliance 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 aimed at supporting urgent financial needs related to the company's business, pending the *concordato in bianco*, as well as 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, 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.

The composition proposal may propose that: (i) the business continues to be run by the debtor as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its corporate bodies (usually its board of directors), but is supervised by the appointed judicial officers and judge. The debtor is allowed to carry out urgent extraordinary transactions only upon the prior judge'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 *concordato preventivo* is approved only if the required majorities of creditors expressly voted in favor of the proposal. Creditors who did not exercise their voting 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 their claim (provided that they receive, at least, an amount equal to the fair market value of their secured assets, as 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 court-supervised composition with creditors (*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 court-supervised composition with creditors proposal with

liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy court-supervised composition with creditors 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, a pre-bankruptcy court-supervised composition with creditors proposal with liquidation purpose (*concordato liquidatorio*) (i.e., a pre-bankruptcy court-supervised composition with creditors proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims.

This provision does not apply to pre-bankruptcy court-supervised composition with creditors 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 sanctioned (*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.

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 according to the *concordato preventivo* proposal.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Bankruptcy proceedings (fallimento)

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the debtor, any of its creditors and, in certain cases, the public prosecutor when a debtor is insolvent. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. Bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings, amongst other things:

- subject to certain exceptions, all actions of creditors 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 designated judge 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 is 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 designated 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 Tax Authority, and judicial and social security 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 agreements 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 or third parties starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before the lapse of two years from the decree giving effectiveness to the liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction, in which case they can vote only in respect of the part of their claim affected by the proposal. The petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), and the satisfaction of creditors' claims in any manner. The petition may provide that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, by a majority (by value) of the claims in a majority of the classes). Final court confirmation is also required.
- **Statutory priorities.** The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "*predeductible*" claims (i.e., claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims that benefit from preferential treatment, 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*); and (iii) for the payment of unsecured creditors' claims. Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims. The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

- **Avoidance powers in insolvency.** Similar to other jurisdictions, there are so-called “**claw-back**” or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments or of 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**

- (1) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without need to wait 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
- (2) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective *vis-à-vis* creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

- **Acts that could be declared ineffective at the request of the bankruptcy receiver / court commissioner.**

- a. The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) *vis-à-vis* the bankruptcy as provided for by article 67 of the Italian Bankruptcy Law and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor’s insolvency at the time the transaction was entered into:
 - i. onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;
 - ii. payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;
 - iii. pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which were not yet due at the time when the new security was granted; and
 - iv. pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time when the new security was granted.
- b. The following acts and transactions, if made during the period specified below, may be clawed back (*revocati*) and declared ineffective if the bankruptcy receiver proves that the non-insolvent party knew that the bankrupt entity was insolvent at the time of the act or transaction:
 - i. payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months prior to the insolvency declaration; and
 - ii. granting of security interest for debts incurred in the six months prior to the insolvency declaration.
- c. The following transactions are exempted from claw-back actions:
 - i. payments for goods or services made in the ordinary course of business according to market practice;
 - ii. a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity’s debt towards the bank;

- iii. the sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; provided that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;
- iv. transactions entered into, payments made and guarantees granted by the debtor pursuant to a *piano attestato di risanamento* under Article 67, Paragraph 3, letter d) of the Italian Bankruptcy Law;
- v. a transaction entered into, payment made or guarantee granted in the context of a *concordato preventivo* pursuant to Article 161 of the Italian Bankruptcy Law or an *accordo di ristrutturazione del debito* pursuant to Article 182-*bis* of the Italian Bankruptcy Law;
- vi. remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and
- vii. payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

Additionally, pursuant to Article 12 of the Law Decree 118/2021, the payments of debts that are immediately due and payable, any onerous transactions and the granting of security interests made after the Expert accepted its appointment in the context of a *composizione negoziata della crisi*, are exempted from claw-back actions pursuant to Article 67, Paragraph 2 of the Italian Bankruptcy Law if they are consistent with the development and the status of the negotiations and with the perspectives of recovery in place at the time the payment/transaction/ granting of security interest was made.

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.

Article 2929-*bis* of the Italian Civil Code provided 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 start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g., gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale* or "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third-party purchaser.

Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)

The extraordinary administration procedure is available under Italian law for large industrial and commercial enterprises; this procedure is commonly referred to as the "*Prodi-bis procedure*." To be eligible, a company must be insolvent although able to demonstrate serious recovery prospects, have employed at least 200 employees in the year preceding the commencement of the procedure, and have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income deriving from sales and services during its last financial year. The procedure may be commenced by petition of the creditors, the debtor, a court or the public prosecutor. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to an extraordinary administration proceeding. Preferential payment is granted to those credits (even unsecured) accrued to allow the conduct of the company's business activity. Extraordinary administration procedures involve two main phases—a judicial phase and an administrative phase.

In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissario*

giudiziale) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver files a report with the court within 30 days, and within 10 days from such filing, the Ministry of the Economic Development (the “**Ministry**”) may release an opinion on the admission of the company to the extraordinary administration proceeding. 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.

If the company is admitted to the extraordinary administration procedure, the administrative phase begins and the extraordinary commissioner(s) appointed by the Ministry prepare a restructuring plan. The plan can provide either for the sale of the business as a going concern within one year (unless extended by the Ministry) (the “**Disposal Plan**”) or a reorganization leading to the company’s economic and financial recovery within two years (unless extended by the Ministry) (the “**Recovery Plan**”). It may also include a composition with creditors (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner(s). In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry. The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan; however, should either plan fail, the company will be declared bankrupt.

If the Disposal Plan is approved, the extraordinary commissioner(s) can initiate claw-back actions according to the avoidance provisions set forth with respect to bankruptcy proceedings. If acts such as those that could be declared ineffective at the request of the bankruptcy receiver (see above) are put in place among companies belonging to the same group, the claw-back period is extended to up to three or five years.

Industrial restructuring of large insolvent companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

Introduced in 2003 pursuant to Italian Law Decree No. 347 of December 23, 2003, as converted into Italian Law No. 39 of 2004 and subsequently amended, this procedure is also known as the “*Marzano procedure*.” It is complementary to the Prodi-bis procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to work faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the judicial phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including those from outstanding guarantees). The decision whether to open a Marzano procedure is taken by the Ministry following the debtor’s request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company’s insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Unlike in the *Prodi-bis* procedure, in the *Marzano* procedure the extraordinary commissioner(s) can initiate claw-back actions also if a Recovery Plan is approved, provided that this results in a material benefit for the creditors.

Compulsory administrative winding-up (liquidazione coatta amministrativa)

A compulsory administrative winding up (*liquidazione coatta amministrativa*) is only available for certain companies, including, *inter alia*, public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be made subject to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is a special sort of insolvency proceeding in which 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 on other grounds expressly provided for by the relevant legal provisions (*e.g.*, in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions). The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator’s actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect on creditors of the forced administrative winding-up is largely the same as under bankruptcy proceedings and includes, for

example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

Interim financing

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for debtors to also obtain authorization to receive urgent interim financing and to continue to use existing trade receivables credit lines (*linee di credito autoliquidanti*) necessary for their business needs before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with priority status (*prededucibilità*) in case of subsequent bankruptcy without the expert certification and through an accelerated review process by the relevant court, upon, among others, the relevant debtor's declaration that interim finance is urgently needed and the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of the Decree 83/2015, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if: (i) an expert certified that such financing is functional to the overall restructuring process; or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

Hardening period/clawback and fraudulent transfer

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances). In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the debtor are declared ineffective within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*).

Under Italian law, in the event that the relevant guarantor and/or security provider enters into insolvency proceedings, the security interests created under the documents entered into to secure the Collateral and any future security interests or guarantees could be subject to potential challenges by an insolvency administrator or by other creditors of such guarantor and/or security provider under the rules of avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during the suspect period. The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (*i.e.*, to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (*e.g.*, payment in kind) or new security granted with respect to pre-existing debts not yet due at the time the security is entered into after the creation of the secured obligations, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, (ii) security granted within six months prior to the declaration of insolvency with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. The transactions potentially subject to avoidance also include those contemplated by a Notes Guarantee or the granting of security interests under the security documents by a guarantor and/or security provider. If they are challenged successfully, the rights granted under the guarantees or in connection with security interests under the relevant security documents may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related security documents.

It should be noted that: (i) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions carried out by the insolvent debtor for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration, and (ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors, if made by the bankrupt entity in the two-year period prior to insolvency.

In addition, as noted above, the Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Issuer is incorporated under the laws of Italy. The documents relating to the Collateral will be governed by the laws of Italy and any jurisdiction where the Collateral is located. The Indenture, the Notes and the Notes Guarantees (if any) will be governed by New York law. The Intercreditor Agreement will be governed by the laws of England and Wales. All of the directors and executive officers of the Issuer are non-residents of the United States. Because substantially all of the assets of the Issuer and its and their directors and executive officers, are located outside the United States, any judgment obtained in the United States against the Issuer or any such other non-U.S. resident person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although the Issuer will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes and the Indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on us or on such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws. It may be possible for investors to effect service of process within other jurisdictions (including Italy) upon those persons or the Issuer provided that, for example, The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

If a judgment is obtained in a U.S. court against the Issuer, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which the Issuer is located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

Recognition and enforcement in Italy of final judgments rendered by U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, may not require retrial and will be enforceable in Italy, provided that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale privato*), among others, the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendant have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of defendant party's failure to appear before the court, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment rendered by an Italian court;
- there is no action pending in Italy among the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy (*ordine pubblico*).

In addition, pursuant to Article 67 of Italian Law No. 218 of May 31, 1995, if a judgment rendered by a U.S. court is not complied with, its recognition is challenged or its compulsory enforcement is necessary, then a proceeding shall be initiated before the competent Court of Appeal in Italy to that end. The competent Court of Appeal does not consider the merits of the case but exclusively ascertains the fulfillment of all the conditions set out above.

In original actions brought before Italian courts, the enforceability of liabilities or remedies based solely on the U.S. federal securities law is debatable. If an original action is brought before an Italian court, the Italian court may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply the U.S. law provisions or grant some of the remedies sought (e.g., punitive damages) if their application violates Italian public policy and/or any mandatory provisions of Italian law.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by Allen & Overy LLP as to matters of United States federal and New York law and English law, Allen & Overy—Studio Legale Associato as to matters of Italian law and Studio Legale Tributario Facchini Rossi Michelutti as to matters of Italian tax law. Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Linklaters LLP as to matters of United States federal and New York law and English law and by Studio Legale Associato in association with Linklaters as to matters of Italian law.

INDEPENDENT AUDITORS

English translations of the Multiversity audited consolidated financial statements as of and for the period ended December 31, 2019 and for the year ended December 31, 2020, and the English translations of the Pegaso audited financial statements as of and for the years ended December 31, 2018, 2019 and 2020, included in this Offering Memorandum, have been audited by EY S.p.A., independent accountants, as stated in their reports. The English translations of such audit reports are included elsewhere in this Offering Memorandum.

The financial statements of Università Telematica Pegaso S.r.l., Univeristas Mercatorum, Multiversity S.r.l., Certipass S.r.l., Università Telematica Pegaso S.p.A., Pegaso Management S.r.l. and Unimerccatorum S.r.l. as of and for the year ended December 31, 2019, publicly available in Italian language and incorporated by reference in this Offering Memorandum, have been audited by EY S.p.A., as stated in their reports.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on the Initial Purchasers or any person affiliated with any of the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to paragraph (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act, upon the written request of any such holder or beneficial owner. We are not currently subject to the periodic reporting or other information requirements of the Exchange Act.

The additional documents and information specified in “*Listing and General Information*” herein and not included in this Offering Memorandum will be available to be inspected and obtained by holders at the specified office of the Listing Agent in Luxembourg during normal business hours on any weekday.

LISTING AND GENERAL INFORMATION

Listing

Application will be made to list the Notes on the Luxembourg Stock Exchange and to admit them to trading on the Euro MTF Market in accordance with the rules and regulations of that exchange. The Notes are expected to be accepted for clearance through the facilities of Euroclear and Clearstream.

So long as the Notes are listed on the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at the places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange or by any other means considered equivalent by the Luxembourg Stock Exchange.

For so long as the Notes are listed on the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents may be obtained free of charge from the Issuer:

- the organizational documents of the Issuer;
- the most recent annual consolidated financial statements, any interim financial statements and any other documents or reports to be published by the Issuer and furnished to holders of the Notes;
- the Indenture (which includes the form of the Notes);
- this Offering Memorandum;
- the Intercreditor Agreement; and
- the security documents.

We have appointed The Bank of New York Mellon SA/NV, Dublin Branch as Transfer Agent and Registrar, and The Bank of New York Mellon, London Branch as Paying Agent to make payments on, when applicable, and transfers of, the Notes. We reserve the right to vary such appointments in accordance with the terms of the Indenture.

Significant Change

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in our financial position since December 31, 2020; and
- we have not been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts that are material in the context of the issuance of the Notes and, so far as we are aware, no such litigation, administrative proceeding or arbitration is pending or threatened; and
- there has been no material adverse change in the financial position of the Issuer since its 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 240196107 and 240196115, respectively. The ISIN for the Notes sold pursuant to Regulation S is XS2401961078 and the ISIN for the Notes sold pursuant to Rule 144A is XS2401961151.

Legal Information

The Issuer

Paganini Bidco S.p.A., a joint stock company (società per azioni) established under the laws of the Republic of Italy, was incorporated on September 9, 2021 and has a legal entity identifier (LEI) code 8156004B4DE591612588. The Issuer is registered with the Companies' Registry (Registro delle Imprese) of Rome under No. 16314391000 and its corporate existence is scheduled to expire on December 31, 2061, unless otherwise extended in accordance with Italian law. The Issuer's financial year ends on December 31.

The registered office of the Issuer is located at Via di San Nicola da Tolentino 67, 00187 Rome, Italy and its telephone number at that address is +39 06 93 18 271.

General

The issuance of the Notes was authorized by a resolution (*delibera*) of the board of directors of the Issuer passed on October 19, 2021.

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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December 31, 2019

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**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

PREPARED IN ACCORDANCE WITH ITALIAN GAAP

**Multiversity S.r.l.
Registered Office
Rome, Piazza Mattei, 10**

Multiversity S.r.l. and Subsidiaries
UNAUDITED CONSOLIDATED BALANCE SHEET
As of June 30, 2021

in units of €	As of June 30, 2021	As of December 31, 2020	Notes
Assets			
B) NON-CURRENT ASSETS			
I Intangible assets (net of accumulated amortisation)			
1) Start-up and expansion costs	29,635	35,948	(3)
2) Development costs	6,478	7,394	(3)
3) Industrial patent and intellectual property rights	29,905,896	32,517,871	(3)
4) Concessions, licences, trademarks and similar rights	1,446,913	1,503,830	(3)
5) Goodwill	525,295,768	539,555,743	(3)
6) Fixed assets in progress and advances	151,817	80,662	(3)
7) Other intangible assets	2,098,190	2,441,183	(3)
Total Intangible assets	558,934,696	576,142,632	
II Property, plant and equipment (net of accumulated depreciation)			
2) Plants and equipment	133,683	143,241	(4)
3) Industrial and commercial equipment	196,244	94,371	(4)
4) Other tangible assets	2,472,900	2,587,379	(4)
5) Fixed assets in progress and advances	255	255	(4)
Total property, plant and equipment	2,803,081	2,825,246	
III Investments			
1 Equity investments in			
1 a) Equity investments in subsidiaries	—	—	(5)
1 b) Equity investments in associated companies	34,000	34,000	(5)
1 d-bis) Other companies	32,187	32,187	(5)
Total financial holdings	66,187	66,187	
2 Receivables			
2a) Due from subsidiaries	—	—	(6)
2b) Due from associated companies	51,250	51,250	(6)
2c) Due from parent companies	43,908,000	43,908,000	(6)
2d-bis) Due from others	724,328	689,329	(6)
Total financial receivables	44,683,578	44,648,579	
3 Other securities			
Total Other securities	2,000,000	2,000,000	(7)
TOTAL NON-CURRENT ASSETS	608,487,542	625,682,644	

Multiversity S.r.l. and Subsidiaries
UNAUDITED CONSOLIDATED BALANCE SHEET
As of June 30, 2021

in units of €	As of June 30, 2021	As of December 31, 2020	Notes
C) CURRENT ASSETS			
I Inventories			
1) Raw, ancillary and consumable materials	—	—	(8)
4) Finished products and goods	128,920	124,821	(8)
5) Advances	1,490	1,490	(8)
Total inventories	130,410	126,311	
II Receivables with separate indication, for each item, of the amounts due within the next fiscal year			
1) Receivables from customers (net of bad debt provision)	46,689,254	96,604,848	(9)
5 bis) Tax receivables	7,501,579	6,696,767	(9)
5 ter) Deferred tax assets	236,713	236,713	(9)
5 quater) Receivables due from others	1,743,561	1,782,163	(9)
Total receivables	56,171,107	105,320,490	
IV Cash and cash equivalents			
1) Bank and post office deposits	185,537,166	122,827,395	(10)
2) Cheques	—	4,480	(10)
3) Cash on hand	11,013	14,008	(10)
Total cash and cash equivalents	185,548,179	122,845,883	
TOTAL CURRENT ASSETS	241,849,696	228,292,684	
D) ACCRUED INCOME AND PREPAID EXPENSES	375,436	546,695	(11)
TOTAL ASSETS	850,712,674	854,522,022	

Multiversity S.r.l. and Subsidiaries
UNAUDITED CONSOLIDATED BALANCE SHEET
As of June 30, 2021

in units of €	As of June 30, 2021	As of December 31, 2020	Notes
A) Shareholders' equity			
I Share capital	10,000,000	10,000,000	
II Share premium reserve	640,812,341	640,812,341	
IV Legal reserve	120,901	31,661	
VI Consolidation reserve	7,417	7,417	
VII Profits (losses) carried forward	28,885,970	601,563	
IX Profit (loss) for the year	44,001,460	28,373,647	
Total Group shareholders' equity	723,828,089	679,826,629	
Capital and reserves pertaining to minority interests	3,891,029	2,527,076	
Profit (loss) of minority interests	3,485,974	1,363,953	
Total shareholders' equity pertaining to minority interests	7,377,003	3,891,029	
Total consolidated shareholders' equity	731,205,091	683,717,658	(12)
B) Provisions for risks and charges			
1) for pensions and similar obligations	124,800	124,800	(13)
2) for taxes, including deferred	6,916,057	15,926,857	(13)
4) Others	326,916	334,428	(13)
Total Provision for Risks and Charges	7,367,773	16,386,085	
C) Employees termination indemnity	1,361,884	1,177,727	(14)
D) Payables with separate indication, for each item, of the amounts due beyond the next fiscal year			
3) Payables to shareholders for loans	178	178	(15)
4) Payables to banks	3	83	(15)
5) Payables to other lenders	7,038	40,794	(15)
6) Advances	2,941,737	3,276,271	(15)
7) Payables to suppliers	19,138,355	16,815,050	(15)
10) Payables to associated companies	—	—	(15)
12) Tax payables	50,414,044	26,405,468	(15)
13) Payables to welfare and social security institutions	826,335	1,078,193	(15)
14) Other payables	5,054,469	4,631,874	(15)
Total Payables	78,382,159	52,247,910	
E) ACCRUED INCOME AND PREPAID EXPENSES	32,395,767	100,992,643	(16)
TOTAL LIABILITIES	850,712,674	854,522,022	

Multiversity S.r.l. and Subsidiaries
UNAUDITED CONSOLIDATED INCOME STATEMENT
For the six-month period ended June 30, 2021

in units of €	Six-months ended June 30,		
	2021	2020	Notes
A) Production value			
1) Revenues from sales and services	132,963,726	95,534,388	(17)
2) Change in inventories of work in progress and finished products	3,689	19,531	(18)
5) Other revenues and income, with separate indication of operating grants	829,170	2,520,805	
<i>Operating grants</i>	<i>759,009</i>	<i>359,651</i>	<i>(19)</i>
<i>Others</i>	<i>70,161</i>	<i>2,161,155</i>	<i>(20)</i>
Total Value of Production	133,796,585	98,074,724	
B) Costs of production			
6) Costs for raw and ancillary materials, consumables and goods	238,369	299,880	(21)
7) Costs for services	36,252,143	30,470,604	(22)
8) Costs for use of third-party assets	2,178,577	2,083,184	(23)
9) Cost of personnel:			
9-a) <i>wages and salaries</i>	<i>6,444,553</i>	<i>4,566,583</i>	<i>(24)</i>
9-b) <i>social security charges</i>	<i>1,462,233</i>	<i>1,199,539</i>	<i>(24)</i>
9-c) <i>termination indemnity</i>	<i>222,068</i>	<i>173,388</i>	<i>(24)</i>
9-e) <i>other costs</i>	<i>17,136</i>	<i>12,402</i>	<i>(24)</i>
10) Amortisation, depreciation and write-downs:			
10-a) <i>amortisation of intangible fixed assets</i>	<i>17,635,917</i>	<i>17,625,434</i>	<i>(25)</i>
10-b) <i>depreciation of tangible fixed assets</i>	<i>491,524</i>	<i>467,272</i>	<i>(25)</i>
10-d) <i>write-down of current receivables</i>	<i>3,685,153</i>	<i>2,674,608</i>	<i>(26)</i>
11) Change in inventories of raw and ancillary materials	(411)	37,104	
12) Accruals to provisions for risks	—	—	
14) Other operating expenses	2,317,766	6,341,392	(27)
Total production costs	70,945,028	65,951,391	
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION A-B	62,851,557	32,123,333	
C) Financial income and expenses			
16) Other financial income	307	6	(28)
17) Financial charges	7,900	19,887	(28)
17-bis) Foreign exchange gains and losses	(54)	(59)	(28)
Total financial income and expenses	(7,647)	(19,940)	
D) Value adjustments of financial assets			
19) Write-downs			
19-a) of equity investments	—	—	
19-b) of financial fixed assets	—	—	
Total value adjustments of financial assets	—	—	
Profit before taxes (A-B+/-C+/-D)	62,843,910	32,103,393	
Taxes for the year: current, deferred, prepaid			
20) Current income taxes for the year	23,437,645	14,049,835	(29)
Prepaid and deferred taxes	(9,010,800)	629,192	(29)
Taxes relating to previous years	929,632	2,446	(29)
Total income taxes for the year: current, deferred, prepaid	15,356,476	14,681,473	
Profit/(loss) for the period	47,487,434	17,421,920	
Attributable to:			
The Group	44,001,460	16,543,328	
Minority interests.	3,485,974	878,592	

Multiversity S.r.l. and Subsidiaries
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six-month period ended June 30, 2021

in units of €	Six-months ended June 30,	
	2021	2020
A. Cash flows from operating activities		
Profit/(loss) for the period	47,487,434	17,421,920
Income taxes	15,356,476	14,681,473
Interest expenses / (income)	7,647	19,940
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from disposal	62,851,557	32,123,333
Adjustments to non-monetary items that do not affect net working capital (NWC)		
Accruals to provisions for liabilities	222,068	173,388
Use of funds	(45,422)	(277,210)
Amortization and depreciation	18,127,441	18,092,706
Write-downs due to impairment	3,685,153	2,674,608
Other adjustments—increases/(decreases)—for non-monetary items	—	—
Total adjustments to non-monetary items that do not affect NWC	21,989,240	20,663,493
2) Cash flow before changes in net working capital	84,840,797	52,786,826
Changes in net working capital		
Decrease/(Increase) in inventories	(4,100)	17,573
Decrease/(Increase) in receivables from customers	46,230,440	25,826,601
Increase/(Decrease) in payables to suppliers	1,988,772	9,405,772
Decrease/(Increase) in other receivables, payables, accruals and other assets and liabilities	(69,413,629)	(39,407,757)
Total changes in net working capital	(21,198,516)	(4,157,812)
Cash flow from operating activities (A)	63,642,280	48,629,014
B. Cash flows from investing activities		
Tangible fixed assets		
(Investments)	(469,359)	(40,624)
Intangible assets		
(Investments)	(427,980)	(2,198,796)
Financial fixed assets		
(Investments)	(35,000)	(2,096,286)
Cash flow from investing activities (B)	(932,339)	(4,335,706)
C. Cash flows deriving from financing activities		
Third party capital		
Increase (decrease) in short-term payables to banks	—	(241)
Interests cashed/(payed)	(7,647)	(19,940)
Cash flow from financing activities (C)	(7,647)	(20,181)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	62,702,296	44,273,128
Cash and cash equivalents at the beginning of the period	122,845,883	35,766,194
Cash and cash equivalents at the end of the period	185,548,179	80,039,322

Notes to the unaudited interim condensed consolidated financial statements as of and for the six-month period ended June 30, 2021

1. Introduction and other information

This document represents the unaudited interim condensed consolidated financial statements of Multiversity S.r.l. and its subsidiaries (collectively, the “Group”) as of and for the six months ended June 30, 2021 (hereinafter also the “Unaudited interim Condensed Consolidated Financial Statements”), authorized for issuance in accordance with a resolution of the directors held on September 30, 2021, which shows a consolidated profit of Euro 47,487,434, net of minority interests amounting to € 3,485,974. The period ended June 30, 2021, as the same period of last year, has been characterized by the COVID-19 outbreak, a globally widespread epidemic currently underway. However, this outbreak did not affect negatively the result of the period and the consolidation of corporate assets, due to the positive results achieved by the companies belonging to the Multiversity Group.

The unaudited interim condensed consolidated financial statements for the six months ended June 30, 2021 have been prepared in accordance with the Italian accounting standard OIC 30, which provides guidance on the structure and content of interim financial statements. The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no uncertainties that may cast significant doubts over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

All the amounts in the unaudited interim condensed consolidated financial statements, and these explanatory notes, are expressed in units of Euro.

As requested by OIC 30 the comparative figures for the six months ended June 30, 2020 have been prepared as they were not prepared and approved before.

The entire document, in the parts of which it is composed, has been prepared to give a clear, fair and truthful representation of the financial position of the Group, as well as the economic result for the first half of the fiscal year 2021 and first half of the fiscal year 2020, providing, if necessary, additional information on the estimates made for the definition of values

In accordance with the accounting standard OIC 30, the explanatory notes to the first half of 2021 only highlight the impact of events and transactions considered significant for understanding the changes in the Group’s financial position and operating performance during the first half of the current year. The Unaudited Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at December 31, 2020.

Regarding the contents of these explanatory notes to the Unaudited Interim Condensed Consolidated Financial Statements, in accordance with art. 2427 of the Italian Civil Code, it is pointed out that the Group:

- has not issued bonds or similar financial instruments;
- did not carry out any financing transactions during the period involving the temporary transfer of assets;
- has not entered into any asset lending transactions against the deposit of a sum of money as security;
- has not entered into any off-balance sheet agreements, other than those mentioned in these notes, whose knowledge is useful for assessing the Group’s financial position;
- did not carry out any atypical or unusual transactions, those that are not part of the Group’s normal operations or that could have a significant impact on the Group’s financial position or operating performance;
- has not issued dividend-bearing shares or bonds convertible into shares, nor securities or similar instruments pursuant to art. 2427, paragraph 1, no. 18 of the Italian Civil Code;
- has not any separate earmarked assets or any funding earmarked for a specific purpose pursuant to art. 2447-bis of the Italian Civil Code. Art. 2447 bis of the Italian Civil Code et seq.

In the case of assets and liabilities that fall under different accounts of the balance sheet, the explanatory notes indicate where they are entered, if it is necessary for an understanding of the unaudited interim condensed consolidated financial statements.

**Notes to the unaudited interim condensed consolidated financial statements as of and for the
six-month period ended June 30, 2021**

In these notes to the Unaudited Interim Condensed Consolidated Financial Statements, the information on items of the balance sheet and associated income statement items are presented in the order in which the relevant items are shown in the balance sheet and the income statement pursuant to Article 2427, par. 2 of the Italian Civil Code.

In addition, it should be noted that the Shareholders' Meeting held on November 4, 2019, appointed the auditing firm EY S.p.A. as auditors of the separate and consolidated financial statements of Multiversity S.r.l. for the three-years period 2019/2021.

Description of the Multiversity Group

Multiversity S.r.l. was incorporated on October 1, 2019, with a share capital of € 100.000, fully subscribed by Multiversity S.p.A., effective as of October 4, 2019, date of registration in the Commercial Register of Rome.

Multiversity Group is leader in undergraduate and postgraduate online education business in Italy (e-learning), with a clear mission:

to be enablers and accelerators of progress with greater access to quality training for citizens and companies;

to create digital citizens, start uppers, innovators, successful professionals, 4.0 managers, P.A. managers, students with projects to develop. Innovating alongside the entrepreneurial and managerial context of companies.

This mission is pursued through a flexible model of delivery of educational content that allows greater opportunities for access to study and the acquisition of new skills with the aim of reducing social inequalities through an extremely advanced and innovative technology platform. The mission is in line with main sustainable development goals of Agenda 2030 of EU.

The Group's vision is to consolidate its position and become the first On-line Education Group on both Italian and International markets, to provide training at any time and from any place with attention to both B2C and B2B: Smart learning for an increasingly wide audience of students.

More specifically, the Group includes among its main activities:

- Università Telematica Pegaso S.r.l., Universitas Mercatorum, Pegaso International Ltd., able to guarantee the individual student maximum educational and professional mobility, through interchangeable degree courses in different languages and exam centers present in all continents;
- English language training and B2 level certifications (officially recognised as established by the Italian Ministerial Decree n. 353 dated May 23, 2014);
- training of IT skills and EIPASS certifications at an international level;
- the establishment of online academies, as a training tool capable of combining the learning of multilevel skills (hard skills and soft skills) with the acquisition of technical-operational procedures borrowed from the best practices of companies and testimonials of excellence. In this context, the Group signed new significant agreements during the first half of 2021;
- the promotion, through the subsidiary Giapeto publishing house, of initiatives carried out by its students and the dissemination of experience gained in the scientific research sectors of the Group, in particular, that of the humanities and legal sciences, thus capitalising on the progress of skills;
- the launch of the first gastronomic university and centre for higher education and university specialisation dedicated entirely to gastronomy and tourism. Principe di Napoli is the only national campus of excellence in its sector;
- the Benecon research centre, in which last year a further important investment was made to consolidate the centrality of the research activities of the Group and the attention to environmental sustainability issues through an advanced proprietary marine and terrestrial detection technology, thanks to a proprietary aircraft and the re-processing of data with data analytics software. In summary, this research centre represents the application and practical responses to sustainability issues and the objectives set by the EU 2030 agenda.

**Notes to the unaudited interim condensed consolidated financial statements as of and for the
six-month period ended June 30, 2021**

Among the Multiversity Group is necessary to point out the Università Telematica Pegaso S.r.l., established by Ministerial Decree of April 20, 2006 (GU No. 118 of 23-5-2006—Ordinary Suppl. No. 125), which represents one of the Italian universities with the most modern and effective technological standards in e-learning, with modern educational systems and methodologies to respond to the different needs of today's society. The study courses provide a high degree of independence and personalization of the educational path and they are free of any constraint of physical presence, even if constantly tracked, following the student and at the same time monitoring the continuous level of learning (also through frequent moments of evaluation and self-evaluation).

The Group's Universities use innovative, native, telematic technologies and adopt a system architecture capable of managing and making high quality online university courses accessible to the student. The educational support specialists who work alongside the teachers (tutors, mentors and coaches) assist the learner throughout the entire course of study, in order to achieve a perfect balance of learning based on the affirmation of one's potential, off highly technological and interactive tools, TV learning and social learning that involve the student in a truly unique and effective educational experience. The academic titles issued at the end of the study courses have the same legal value as the titles issued by traditional universities.

Business outlook

In relation to the current trend and future prospects, also based on the evolution of the number of enrolments in progress at the universities of the Multiversity Group, as well as the interesting projects in progress, the Group foresees a further increase in prospective revenue and investments.

Considering the development of the current training offer and the growing trend in enrolments at our Universities, a further significant growth in ordinary revenues is expected for the second half of 2021 and, consequently, this growth could inject further impulse to new investments in educational, training and research projects.

New degree courses will be offered starting from the AA 2021/2022, which will further boost revenue growth, specifically "Philosophy", "Statistics and Big Data" and "Infrastructure engineering for a sustainable mobility".

Monitoring of operational activities is continuing in the light of regulatory and health developments. Therefore, the Multiversity Group universities will continue to apply smart working, in order to ensure full safety for workers and at the same time the full continuation of activities. The model and structure adopted by these universities have been resilient in the face of the current crisis, also thanks to the strong capability to react of the entire operational structure.

The Multiversity Group is at the forefront, especially against the backdrop of significant fragility of the social fabric and the risks associated with the pandemic, to guarantee its students the execution of courses and the availability of taking online exams, the first online university to offer this option.

We believe increasingly more firmly in the social mission of our universities and in the importance of online training as a tool for accelerating social progress in our country, also in the light of the new paradigms imposed by the pandemic.

We will continue to monitor the evolution of the macroeconomic and social context and take any necessary steps in order to better respond to the needs of the market and our students.

Other information

The Parent Company Multiversity S.r.l. is not subject to management and coordination activities pursuant to art. 2497 of the Italian Civil Code. Specifically, the Company is subject to the joint control of the two shareholders Multiversity S.p.A. and Paganini Investments S.a.r.l.

As of June 30, 2021, the share capital of the Parent Company was held 50% by Multiversity S.p.A. and the remaining 50% by Paganini Investments S.a.r.l.

**Notes to the unaudited interim condensed consolidated financial statements as of and for the
six-month period ended June 30, 2021**

2. Basis of presentation and consolidation

2.1 Basis of presentation

The unaudited interim condensed consolidated financial statements as at June 30, 2021, were prepared on the basis of the going concern assumption. The items in the financial statements were valued according to general prudence and accruals criteria on a going-concern basis, taking into account the substance of the transaction or contract. The substance of each transaction or action, i.e. each corporate event, was therefore identified, regardless of its origin, and an assessment made of the relationships between the various agreements that form part of complex transactions.

The profits indicated in the Consolidated Financial Statements are exclusively those made at the end of the reporting periods. The revenue and expenses shown are those pertaining to the financial half-year, regardless of the date of collection or payment. Risks and losses pertaining to the financial year were taken into account, even if known after the end of the reporting period. The miscellaneous elements included in the individual items are valued and recognized separately.

Pursuant to article 2423-ter, par. 5, of the Italian Civil Code, regarding the comparability of the unaudited interim condensed consolidated financial statements, it should be noted that the previous year's end figure is also shown for each item in the balance sheet while the corresponding period of the previous half-year for each item is shown in the income statement and cash flow statement. If the items are not comparable, the previous years' figures are adjusted accordingly and an explanation of the reason why they are not comparable and their adjustment (or the reasons why it is not possible to adjust them) is given in these notes to the financial statements.

Pursuant to article 2423-ter, para. 2 of the Italian Civil Code, items preceded by Arabic numerals may be broken down further, without eliminating the overall item and corresponding amount; these may only be grouped if, due to their amount, the grouping does not affect the true and fair view of the Company's financial and economic position and the profit or loss for the period, or if it makes the financial statements clearer. In the latter case, the note contains all the items in the group separately.

In these notes to the unaudited interim condensed consolidated financial statements, the information on items of the balance sheet and associated income statement items are presented in the order in which the relevant items are shown in the balance sheet and the income statement pursuant to Article 2427, para. 2 of the Italian Civil Code.

The accounting standards adopted in the preparation of these Unaudited interim condensed consolidated financial statements are the same as those used for the Group Annual Consolidated Financial Statements for the year ended on December 31, 2020, therefore no change or adoption of new accounting standards is reported in the preparation of this document.

For a detailed explanation of the accounting standards applied in the preparation of these explanatory notes and the contents of the items in the financial statements, reference should be made to the Basis of preparation included in the Consolidated Financial Statements as of December 31, 2020.

The preparation of these Unaudited Interim Condensed Consolidated Financial Statements may require the application of accounting methods that, in certain circumstances, are based on subjective assumptions and valuations, based on historical experience, the reasonableness of which is verified from time to time on the basis of the relevant circumstances. The application of these estimates and assumptions impacted the amounts reported in the financial statements, as well as the information provided in these explanatory notes.

The results of the estimations may be different from those shown in the year-end financial statements, due to the uncertainty that characterizes the assumptions and the conditions on which the estimates were based.

The valuations made are periodically reviewed and the effects of any changes are reflected in the income statement if they concern that period. If the adjustment affects both current and future periods, the change is posted in the period in which the revision is made and in the related future periods. Certain valuation processes, in particular the determination of any impairment of assets, are generally only carried out in full at the time of preparing the annual financial statements, when all necessary information is available, except of cases where there are indicators that require an immediate assessment.

Notes to the unaudited interim condensed consolidated financial statements as of and for the six-month period ended June 30, 2021

Finally, income taxes are recognized based on the best estimate of the weighted average rate expected for the entire fiscal year.

There were no exceptional circumstances, incompatible with the general clause of clear, true and fair representation, pursuant to art. 2423, paragraph 5 of the Italian Civil Code that made it necessary to depart from legal provisions regarding preparation of the Unaudited Interim Condensed consolidated financial statements.

In compliance with accounting standard OIC 29, no correction has been made in the Unaudited Interim Condensed Consolidated Financial Statements for material errors committed in previous years.

2.2 Significant accounting judgements, estimates and assumptions continued Judgements

The preparation of the Group's unaudited interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Share base payments and year-end bonuses

The Multiversity S.r.l. shareholders meeting held on June 25, 2021, approved a non-proportional share capital increase by nominal € 1,000 in favour of some key managers of the Group, who have been assigned the option rights to subscribe the capital increase once some relevant conditions are met. Taken into consideration that the key conditions are not met at the date of the preparation of the Unaudited Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2021, the share capital was not subscribed. In accordance with Italian GAAP, the Group did not account for any estimate on the fair value of this share based payment transaction.

The key managers of the Group, as approved by the Board of Directors meeting held in February 2021, are recognized with a bonus if some key parameters, in terms of Group economic performance and individual once are met, based on financial figures as at December 31, 2021. The estimation of year-end bonuses has been accrued in the interim financial statements ended June 30, 2021.

2.3 Consolidation Perimeter

The Unaudited Interim Condensed Consolidated Financial Statements include the financial statements of Multiversity S.r.l. and the Unaudited Interim financial statements of the Italian and foreign subsidiaries, pursuant to article 2359 of the Italian Civil Code.

For this purpose, subsidiaries are the following:

- entities in which another company holds the majority of votes that can be exercised at the ordinary shareholders' meeting;
- entities in which another company has enough votes to exercise a dominant influence at the ordinary shareholders' meeting;

In any case, the following are considered subsidiaries:

- companies over which another has the right, by virtue of a contract or a clause in the articles of association, to exercise a dominant influence, when the applicable law permits such contracts or clauses;
- companies in which another, based on agreements with other shareholders, alone controls the majority of voting rights.

Subsidiary companies in which the Parent Company has joint control are also consolidated using the proportional method. Investments in associated companies have been valued by the equity method (so-called synthetic consolidation).

**Notes to the unaudited interim condensed consolidated financial statements as of and for the
six-month period ended June 30, 2021**

Subsidiary companies are excluded from consolidation when their inclusion would be immaterial for the purposes of presenting clearly and fairly the financial position and results of operations of the Group (article 28, paragraph 2, letter a of Legislative Decree 127/1991).

There were no changes during the period in the consolidation perimeter. The table below shows the companies included in the consolidation perimeter as at June 30, 2021, together with the stake percentage held and the consolidation method applied.

The table below shows the list of companies included in the consolidated financial statements using the line-by-line, proportional or equity method:

Company name	Headquarters	Share Capital	Consolidation Method	Shareholding		
				Direct	Indirect	% control
Multiversity S.r.l.	Rome	10,000,000	Parent company	n.a.	n.a.	n.a.
Certipass S.r.l.	Bari	10,000	Proportional	50%	—	50%
Pegaso S.p.A.	Rome	200,000	Line-by-line	100%	—	100%
Open Class S.r.l.	Naples	10,000	Line-by-line	—	100%	100%
Uniglobal Invest Ltd.	Malta	5,000	Line-by-line	—	100%	100%
Pegaso International Ltd.	Malta	1,200	Line-by-line	—	100%	100%
UniPegaso S.r.l.	Naples	1,000,000	Line-by-line	—	100%	100%
Pegaso Management S.r.l.	Naples	100,000	Line-by-line	—	100%	100%
Universitas Mercatorum	Rome	—	Line-by-line	—	66.67%	66.67%
Unimercaforum S.r.l.	Rome	7,490,000	Line-by-line	—	66.67%	66.67%
Giapeto S.r.l.	Naples	30,000	Line-by-line	—	100%	100%
3D Civil S.r.l.	Naples	10,000	Line-by-line	—	85%	85%
Pegaso Online University S.r.l.	Naples	500,000	Line-by-line	—	100%	100%
Principe di Napoli S.c.a.r.l.	Naples	50,000	Line-by-line	—	100%	100%
Benecon S.r.l.	Naples	323,200	Line-by-line	—	63%	63%
Laf School S.r.l.	Naples	251,950	Line-by-line	51%	—	51%

The table below shows the list of companies excluded from consolidation:

Company name	Headquarters	Share Capital	Shareholding		
			Direct	Indirect	% control
Pegaso Online Doo Beograd	Serbia	2,362,929 (RSD)	—	100%	100%
Quotidiano Il Golfo	Naples	10,000	—	50%	50%

2.4 Consolidation and accounting standards applied

The Unaudited interim Financial Statements of consolidated companies have been reclassified and adjusted in order to align them to the Italian GAAP accounting standards adopted by the Group. In particular, the financial statements of foreign companies have been appropriately reclassified in order to bring their balance sheet, income statement and cash flows, as well as the form of presentation, into line with that required for preparation of the consolidated financial statements.

The consolidation standards adopted for the preparation of these Unaudited interim condensed consolidated financial statements are the same used for the preparation of the Annual Consolidated Financial Statements as at December 31, 2020.

The accounting standards adopted in the preparation of these six-months unaudited interim financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020. In particular, a detailed explanation of the accounting standards applied in the preparation of these explanatory notes and the contents of the items in the financial statements is provided in the Explanatory Notes to the Annual Consolidated Financial Statements for the year ended December 31, 2020.

However, in compliance with the provisions of accounting standard OIC 30, which provides guidance on the structure and content of the interim consolidated financial statements, some specific valuation criteria that differ from those applied in the last annual consolidated financial statements are represented below.

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Research and Development costs and Other Multi-Year Charges with future utility

Research and development costs, as well as other multi-year charges with future utility, have been capitalized at the end of the interim period only if there is a reasonable certainty that all the necessary requirements for their inclusion among intangible assets have been met and properly defined.

Otherwise, these costs have been charged to the Income Statement for the interim period, although provision has been made for the capitalization of the above-mentioned costs at the end of the fiscal year if the above-mentioned requirements are met.

Depreciation of intangibles and fixed assets

Depreciation of intangibles and fixed assets was carried out only in relation to assets that are available and ready for use during the six-month period under review, using the annual rate suitably reduced in proportion to the duration of the six-month period. No depreciation was calculated based on acquisitions and disposals planned during the period.

Write-down of assets recorded in the Balance Sheet

Write-downs of assets recorded in the Balance Sheet were only carried out if, at the end of the six-month period under review, there is reasonable certainty that all the necessary requirements for carrying out the write-down have been met. Otherwise, these assets will be written down at the end of the fiscal year if the above requirements are met.

Taxes for the period

The tax burden was commensurate with gross income for the six-month period ended June 30, 2021, by using the effective annual tax rate, i.e., the rate expected at the end of the fiscal year.

In accordance with article 2426, paragraph 1, no. 8-bis of the Italian Civil Code, monetary assets and liabilities denominated in currencies other than the functional currency used to present the financial statements (the so-called “reporting currency”) are recorded at the spot exchange rate at the end of the period, following initial recognition.

Any resulting foreign exchange gains or losses are recorded in the Income Statement under item C17-bis) “foreign exchange gains and losses” and any net gain, which is included in the profit for the period, is allocated to a specific reserve that cannot be distributed until it is realized.

Non-monetary assets and liabilities denominated in currencies other than the accounting currency are recorded at the exchange rate in force at the time of purchase. Should the exchange rate at the end of the period differ significantly from that at the date of acquisition, the change in exchange rate is one of the elements taken into consideration in the valuation process to determine the value that can be posted to the financial statements for individual non-monetary assets. In this case, therefore, any exchange rate differences (positive or negative) are included in the determination of the recoverable value.

3. Intangible assets

Changes in intangible assets:

	January 1, 2020	Increase due to acquisitions	Reclassifications	Amortization	June 30, 2021 (unaudited)
Start-up, expansion and development costs	43,343	—	—	(7,230)	36,112
Industrial patent and intellectual property rights	32,517,871	272,901	—	(2,884,876)	29,905,896
Concessions, licences, trademarks and similar rights	1,503,831	32,249	—	(89,167)	1,446,913
Goodwill	539,555,743	—	—	(14,259,975)	525,295,768
Assets in progress and advances	80,662	71,156	—	—	151,817
Other intangible assets	2,441,183	51,675	—	(394,668)	2,098,190
Total	576,142,633	427,981	(207,404)	(17,635,917)	558,934,696

**Notes to the unaudited interim condensed consolidated financial statements as of and for the
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With regard to Intangible assets, the following is specified.

- Start-up, expansion and development costs, amounting to Euro 36,112 as of June 30, 2021, include the costs incurred by the Group in the phase of incorporation of the various companies included in the perimeter.
- Industrial parents and intellectual property rights, amounting to Euro 29,905,896 as at June 30, 2021, mainly include assets forming part of the intangible assets of Multiversity S.r.l., (mainly the trademarks “Pegaso” and “Eipass”) amounting to Euro 29,014,718 and other patent rights owned by Università Telematica Pegaso S.r.l., Universitas Mercatorum, Certipass S.r.l. and Principe di Napoli S.c.a.r.l. amounting to Euro 891,178. The increase due to acquisitions amount is mainly due to the Universitas Mercatorum copyright bought during the year and related to the video classes subsequently provided to the students.
- Concessions, licences, trademarks and similar rights, amounting to Euro 1,446,913 as of June 30, 2021, mainly include software licences and other concessions held by the Parent Company Multiversity S.r.l. and by the universities of the Group.
- Goodwill, amounting to € 525,295,768, net of amortisation for the half-year calculated over a useful life of 20 years and for an amount of € 14,410,421 as of June 30, 2021 refers to the two cash generating units identified by the Multiversity Group at the time of the first consolidation on December 31, 2019 (specifically Pegaso for an initial amount of € 565,975,154 and Universitas Mercatorum for an initial amount of € 4,423,846).
- Other intangible assets, amounting to € 2,098,190 as of June 30, 2021, mainly include the following:
 - multi-year indemnities for non-competition towards third parties for € 979,469;
 - renovation and improvement work of Universities premises charges for € 616,623;
 - other charges for multi-year use. for € 401,869.

4. Property, plant and equipment

Changes of property, plant and equipment:

	<u>January 1, 2020</u>	<u>Depreciation</u>	<u>Reclassifications</u>	<u>Increases due to acquisitions</u>	<u>June 30, 2021</u>
Cost					
Plants and equipment	598,378	—	—	15,736	614,114
Industrial and commercial equipment	125,301	—	—	123,234	248,535
Fixed assets in progress	50,255	—	(50,000)	—	255
Other tangible assets	7,703,327	—	—	330,391	8,033,718
Total cost	8,477,261	—	(50,000)	469,361	8,896,622
Depreciation (accumulated)					
Plants and equipment	(455,137)	(25,294)	—	—	(480,431)
Industrial and commercial equipment	(30,929)	(21,361)	—	—	(52,290)
Fixed assets in progress	—	—	—	—	—
Other tangible assets	(5,115,948)	(444,870)	—	—	(5,560,818)
Total depreciation (accumulated)	(5,602,014)	(491,524)	—	—	(6,093,538)
Net Book Value	2,825,246	—	—	—	2,803,084

Plant and equipment, amounting to € 133,683 and Industrial/commercial equipment amounting to € 196,244 as of June 30, 2021 mainly include assets needed to carry out teaching activities by the universities of Multiversity Group. The acquisitions of the period mainly relate to equipment bought by the consortium Benecon S.c.a.r.l.

Other tangible assets, amounting to € 2,472,900 as of June 30, 2021, are mainly composed as follows:

- pc and other hardware used in the head offices and the other universities locations for € 541 thousand;
- furnishings by € 1,337 thousand, located in the various offices of the Group;
- vehicles by € 595 thousand.

**Notes to the unaudited interim condensed consolidated financial statements as of and for the
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5. Financial assets

Changes in equity investments:

	Value at the beginning of the period	Changes	Value at the end of the period
<i>Equity investments in associated companies</i>			
Quotidiano Il Golfo	34,000	—	34,000
<i>Equity investments in other companies</i>			
Gal Irpinia Sannio	10,282	—	10,282
Gal Peloritani Terre dei miti e della Bellezza	446	—	446
Gal Terra Protetta	12,395	—	12,395
Gal Vallo di Diano	2,714	—	2,714
Fractis	6,250	—	6,250
Minor entities	100	—	100
Total Equity investments	<u>66,187</u>	<u>—</u>	<u>66,187</u>

6. Non current receivables

	Value at the beginning of the period	Changes during the period	Value at the end of the period
Receivables from associated companies	51,250	—	51,250
Receivables from other companies	44,597,329	35,000	44,632,328
Total non-current receivables	<u>44,648,579</u>	<u>35,000</u>	<u>44,683,578</u>

Receivables from associated companies, amounting to € 51,250 as at June 30, 2021, include receivables due for loans to the associated company Quotidiano Il Golfo S.r.l.

Receivables from other companies, amounting to € 44,632,328 as at June 30, 2021, mainly include receivables due from the shareholder Multiversity S.p.A. for € 43,908,000 related to the sale by Università Telematica Pegaso S.r.l. of financial holdings in subsidiaries, while the residual amount includes security deposits for an amount of € 724,328.

7. Other securities

Other securities include asset management fundings for an amount of € 2,000,000 as at June 30, 2021, on deposit with a leading Italian bank.

8. Inventories

Inventories of raw materials and finished products and goods, amounting to € 130,410 as at June 30, 2021, mainly include: inventories of “EIPASS” cards for € 5,420, inventories of educational material for € 123,500 and advances for € 1,490.

9. Receivables

It should be noted that as of June 30, 2021 there are no receivables due beyond the financial year included in current assets.

	Value at the beginning of the period	Changes during the period	Value at the end of the period
Receivables from customers	96,604,848	(49,915,594)	46,689,254
Tax receivables	6,696,767	804,813	7,501,579
Deferred tax assets	236,713	—	236,713
Receivables due from others	1,782,163	(38,601)	1,743,561
Total receivables	<u>105,320,490</u>	<u>(49,149,383)</u>	<u>56,171,107</u>

**Notes to the unaudited interim condensed consolidated financial statements as of and for the
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Receivables from customers, equal to € 46,689,254 as of June 30, 2021, mainly includes receivables due to the universities of the group from students enrolled in degree, postgraduate and higher education courses for an amount equal to € 46,334,544. The decrease of the period is the physiological consequence of the universities students payment tranche scheduling. In addition, the item includes receivables deriving from the sale of training courses and EICARDs for € 354,710. The nominal amounts are recognised net of the related bad debt provision.

Tax receivables, amounting to € 7,501,579, mainly include the receivables due from the tax authorities following the payment of advances relating to the respective income taxes. The increase of the period is due to the indirect tax advances paid by Università Telematica Pegaso S.r.l. and Universitas Mercatorum in April 2021.

Deferred tax assets, equal to € 236,713, include taxes paid in advance that will be reasonably recovered in subsequent years.

The item receivables due from others, equal to € 1,743,561 mainly includes:

- rent expense—advances amounting to € 1,056,144 relating to the headquarters of the subsidiary Università Telematica Pegaso S.r.l. in Naples, Piazza Trieste and Trento. It should be noted that the payment plan will be completed by December 31, 2024 and that property is placed at the disposal of the University on the basis of the lease contract in place;
- the residual balance of € 687,417 includes receivables for advances to employees, professionals and suppliers.

The Group operates almost entirely in the national domain. Consequently, almost all of the receivables recorded under current assets refer to this geographical area, except for € 460,063 in the territory of Malta.

10. Cash and cash equivalents

	<u>Value at the beginning of the period</u>	<u>Changes during the period</u>	<u>Value at the end of the period</u>
Bank and post office deposits	122,827,395	62,709,771	185,537,166
Cheques	4,480	(4,480)	—
Cash and other valuables in hand	14,008	(2,995)	11,013
Total cash and cash equivalents	<u>122,845,883</u>	<u>62,702,296</u>	<u>185,548,179</u>

Cash and cash equivalents increase mainly due to the positive result of the period.

11. Accrued income and prepaid expenses

	<u>Value at the beginning of the period</u>	<u>Changes during the period</u>	<u>Value at the end of the period</u>
Accrued income and prepaid expenses	<u>546,695</u>	<u>(171,259)</u>	<u>375,436</u>

Accrued income and prepaid expenses, amounting to € 375,436 as of June, 30, 2021, mainly include the deferred cost of the Group's offices leased, as well as the costs incurred for strategic and digital consultancy, of advertising, insurance premiums, research, development and training costs with an accrual period referring to several fiscal years.

The mentioned expenses are all due within the year.

**Notes to the unaudited interim condensed consolidated financial statements as of and for the
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12. Changes in shareholders' equity items

	Share Capital	Share premium reserve	Legal reserves	Profits (losses) carried forward	Profit (loss) for the year	Consolidation reserve	Total Group shareholders' equity	Capital and reserves pertaining to minority interests	Profit pertaining to minority interests	Total Shareholders' equity
Value at the beginning of the previous year	10,000,000	640,812,341	—	—	633,224	—	651,445,565	1,831,184	—	653,276,749
Allocation of profit	—	—	31,661	601,563	(633,224)	—	—	—	—	—
Increases of the previous year	—	—	—	—	28,373,647	7,417	28,381,064	695,891	1,363,953	30,440,909
Value at the end of the year	10,000,000	640,812,341	31,661	601,563	28,373,647	7,417	679,826,629	2,527,076	1,363,953	683,717,658
Allocation of profit	—	—	89,240	28,284,407	(28,373,647)	—	—	1,363,953	(1,363,953)	—
Increases of the half-year	—	—	—	—	44,001,460	—	44,001,460	—	3,485,974	47,487,434
Value at the end of the half-year	10,000,000	640,812,341	120,901	28,885,970	44,001,460	7,417	723,828,089	3,891,029	3,485,974	731,205,091

13. Provisions for risks and charges

	Value at the beginning of the period	Provision in the period	Use in the period	Total changes	Value at the end of the period
Provision for deferred taxes	15,926,857	—	(9,010,800)	(9,010,800)	6,916,057
Provision for disputes	90,349	—	—	—	90,349
Provision for various risks	105,850	—	—	—	105,850
Provision for tax risks	138,229	—	(7,512)	(7,512)	130,717
TFM	124,800	—	—	—	124,800
Total provisions for risks and charges	16,386,084	—	(8,984,654)	(8,984,654)	7,367,773

The provision for deferred taxation at the beginning of the year amounted to € 15,926,857 and consists of provisions for the Parent Company's intangible fixed assets made upon first-time consolidation and the profits earned by the various Group companies prior to consolidation, net of the taxes that will accrue when these dividends are paid. In the first half of 2021 the provisions for deferred taxation were realised in profit and loss by Multiversity S.r.l. for a total of € 8,977,142. The Parent Company Multiversity S.r.l., pursuant to art. 110 of the Italian Legislative Decree dated August 14, 2020, which allows companies to adjust the tax amounts of definite-life tangible and intangible assets to the higher values recorded in the separate financial statements as at December 31, 2019, and still present at 31 December 2020, which had no tax relevance (so-called "realignment"), with tax effect starting from January 1, 2021. Accordingly, the Parent Company has realigned values relating to assets by € 30,988 thousand, and paid a tax fee by € 929,632.

In addition, there is a release of provisions amounted to € 33,658 relating to the amortisation of the surplus value deriving from the deficit from cancellation of the equity investment in Certipass S.r.l. and charged to the Group's intangible assets. Therefore, the value of the provision for deferred taxation as of June 30, 2021 amounts to € 6,916,057.

The provision for risks on disputes, for a total amount of € 90,349, includes the risk of adverse outcomes in ongoing disputes, which have also been provided for on the basis of the opinions of the lawyers involved.

The provision for various risks includes an estimate of potential risks regarding certain assets relating to the subsidiary Certipass S.r.l.

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The provision for tax risks for a total of € 130,717 underwent during the first half of 2021 a change due to the use of an amount equal to € 7,512 made by Certipass S.r.l., in relation to the report on findings notified in October 2020 by the Italian Tax Agency and concerning the Research & Development tax credit related to the years 2015 and 2016. The amount set aside is inclusive of penalties and interests.

The provision for TFM amounting to € 124., includes the amounts set aside for the severance indemnity of the directors of the company Pegaso S.p.A.

With reference to the tax risks mentioned in the notes to the consolidated financial statements as at December 31, 2020, it is reminded that, on November 20, 2019, a tax audit was undertaken by the Revenue Agency concerning the non-commercial nature of the subsidiary Università Telematica Pegaso for the years preceding the company transformation. The inspection and document acquisition activities by the Revenue Agency are still in progress and, thanks to the support of the tax advisors in charge, the Group is promptly responding to the requests and questions raised. At the state of the proceedings, no objection has been made by the inspectors nor has the report of findings been drawn up yet.

14. Severance indemnity

Information on Employee termination indemnity:

	<u>Value at the beginning of the period</u>	<u>Uses in the period</u>	<u>Accruals for the period</u>	<u>Value at the end of the period</u>
Employee Termination Indemnity (TFR)	<u>1,177,727</u>	<u>(37,911)</u>	<u>222,068</u>	<u>1,361,884</u>

The amount set aside represents the effective payable for the Group's severance pay at the end of the period to employees on the workforce at that date, net of the advances paid.

15. Changes and due dates of payables

It should be noted that as of June 30, 2021 there are no payables due beyond the financial year and no payables secured by collateral on company assets included in current payables.

	<u>Value at the beginning of the period</u>	<u>Variations during the period</u>	<u>Value at the end of the period</u>
Payables to shareholders	178	—	178
Payables to banks	83	(80)	3
Payables to other lenders	40,794	(33,756)	7,038
Advances	3,276,271	(334,534)	2,941,737
Payables to suppliers	16,815,050	2,323,306	19,138,355
Tax payables	26,405,468	24,008,576	50,414,044
Payables due to social security institutions	1,078,193	(251,858)	826,335
Other payables	4,631,874	422,595	5,054,469
Total payables	<u>52,247,910</u>	<u>26,134,249</u>	<u>78,382,159</u>

Payables to shareholders for loans include the payable of Università Mercatorum to the shareholder Si.Camera for an amount of € 178.

Payables to banks mainly include the residual amount of a payable amounting to € 3 of debit balances of the ordinary current accounts of the companies of the Group.

Payables to other lenders, amounting to € 7,038, includes a short-term loan taken out by the company Benecon S.c.a.r.l.

Advances, equal to € 2,941,737 mainly includes amounts paid by students in relation to enrolments in progress.

Payables to suppliers, equal to € 19,138,355 mainly includes payables for consultancy and services, mainly rendered by e-learning centre points and promotional activities. The variation of the period is directly related to the increase in e-learning centre points operation and major promotional activities carried on by the Group during the first half of 2021.

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Tax payables, equal to € 50,414,044, mainly include the payable relating to IRES of current period and the balance of last year, VAT and IRAP taxes, as well as the payable for withholding taxes related to self-employed work and the salaries of employees of Group companies. Furthermore, this item also includes the stamp duty payable to be paid virtually. The variation of the period, amounting to € 24,008,576, is due to the accounting of the income taxes of the period.

Payables to welfare and social security institutions, amounting to € 826,335, includes payables relating to mandatory contributions accrued and not yet paid to social security and welfare institutions. The decrease of the period, amounting to € 251,858, is due to the higher provisions (i.e. 13th month-pay on a pro-tempore basis) accounted on December 31, 2020.

Payables to others, amounting to € 5,054,469, mainly include payables to employees of Group companies for wages and holidays to be paid to their employees.

The Group operates almost entirely in the national territory. Consequently, almost all of the payables refer to this geographical area, except for € 352,247 in the territory of Malta.

16. Accrued liabilities and deferred income

	<u>Value at the beginning of the period</u>	<u>Changes during the period</u>	<u>Value at the end of the period</u>
Accrued liabilities and deferred income	100,992,643	(68,596,876)	32,395,767

The Accrued liabilities and deferred income, amounting to € 32,395,767, almost entirely include deferred income relating to fees for students who have submitted an application for enrolment in degree and/or postgraduate courses to the universities of the Group for the academic year 2020/2021 by June 30, 2021; the amount of these deferrals pertaining to the following year was determined on the basis of the duration of the academic year (August 1, 2020—July 31, 2021). Finally, a residual portion includes deferred income on contributions received and accrued expenses for teaching and tutor costs accrued at the end of the fiscal year. The variation of the period is strictly related with the turnover growth, as described in the section related to the operating performance.

17. Revenues from sales and services

The following table provides a brief commentary on the Company's operating performance, showing the main items that make up revenues from sales and services in the first half of 2021.

<u>Revenues from sales and services</u>	<u>Six-months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Fees for enrolment in degree courses	83,641,468	60,490,049
Fees for enrolment in postgraduate courses	11,140,250	11,184,966
Fees for enrolment in single courses	2,749,558	4,364,005
Secretarial rights, issuing of parchments and certificates	17,492,429	10,183,213
Off-site exams	11,857,736	7,088,646
Training courses	1,781,558	954,558
EICARD sale	341,699	457,134
Other income related to teaching	3,959,028	811,817
Total	132,963,726	95,534,388

The value of sales and services amounting to € 132,963,726 as at June 30, 2021, mainly includes revenues deriving from the educational offer of the Universities of the Multiversity Group, training courses and Eipass cards offered by the company Certipass S.r.l., and all other operating income related to teaching. The increase of the period is mostly due to the growing number of new subscribers to the universities of the Group.

The Group operates almost entirely in the national territory. Consequently, almost all of the revenues from sales and services refer to this geographical area, except for € 237,602 in the territory of Malta.

18. Change in work in progress, semi-finished and finished products

The changes in work in progress, semi-finished and finished products, amounting to € 3,689 in the first half of 2021 essentially includes the change in the inventory of publishing products in the subsidiary Giapeto Editore.

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19. Operating grants

The operating grants amounting to € 759,009 in the first half of 2021 (€ 829,170 as of June 30, 2020) essentially includes contributions received from public and private entities related to educational and teaching projects carried out by Università Telematica Pegaso S.r.l. for an amount equal to € 631,701 and Universitas Mercatorum for an amount equal to € 127,308. The increase of the period is mainly due the award of some new projects financed by government associations.

20. Other revenues and income

The item other revenues and income amounting to € 70,161 in the first half of 2021 essentially includes ordinary windfall profits made by Università Telematica Pegaso S.r.l. and other companies of Multiversity Group.

21. Costs for raw and ancillary materials, consumables and goods

The item costs for raw materials, amounting to € 238,369 primarily includes expenses for advertising material, books and materials needed for teaching, expenses for materials for the cleaning and maintenance of the offices of the Group's universities and other products needed for the Group's companies to carry out their ordinary activities.

As of June, 30 2020 the items amounted to € 299,880 in line with the current year.

22. Costs for services

The following table, summarising the economic trend, highlights the main items that make up the costs for services the first half of 2021, compared to the same period of the previous year.

Costs for services	Six-months ended June 30,	
	2021	2020
Contributions to e-learning centre points	13,060,177	10,980,983
Remuneration of the board of statutory and legal auditors	130,027	130,027
Remuneration of the Board of Directors	370,833	370,833
Insurance, bank and postal charges	609,731	500,409
Tax and administrative consultancy	571,638	585,695
Utilities and other services	354,629	413,409
Teachers' fees	1,637,046	1,510,188
Advertising	15,675,149	12,739,647
Maintenance, cleaning, security and facility services	474,594	333,091
Other costs for services	3,368,319	2,906,321
Total	36,252,143	30,470,604

The item costs for services amounting to € 36,252,143 mainly includes costs for contributions relating to university e-learning centre points for an amount of approximately € 131 million, costs incurred for promotional activities for an amount of approximately € 15.7 million, technical, legal and administrative consultancy for an amount of approximately € 571 thousand, insurance and bank charges of amounting to around € 609 thousand, remuneration of the board of statutory and legal auditors for an amount of approximately € 139 thousand and other services connected with the operational management of the various Group companies. The increase in these costs with respect of the same period of last year is substantially in line with the growth of the business occurred in the first half of the current year (mainly e-learning centre points, promotional activities carried out by the universities of the Group, bank charges, teachers' fees). Utilities savings are mostly due to the smart working activities occurred in the 2021.

23. Cost for use of third-party assets

The item costs for the use of third party assets for the half-year ended June 30, 2021 amounting to € 2,178,577 (€ 2,083,184 as of June 30, 2020) substantially includes rental costs for the numerous offices in the Italian and Maltese territory of the Group's universities, which amount to approximately € 2.1 million, while the remainder mainly relates to the rental of cars and other equipment necessary for the performance of the operating activities of the companies of the Group.

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The increase of the period is mainly due to the following:

- the rent of new Università Telematica Pegaso additional offices in the headquarter, in Naples;
- the relocation of some Universitas Mercatorum offices, in Rome, and the opening of some new Università Telematica Pegaso sites in Rome.

24. Cost of personnel

The item cost of personnel includes the entire expense for employees including social security contributions, the cost of unused holidays and accruals, legal provisions and collective agreements. The amounts of the individual cost items are broken down as follows:

<u>Cost of personnel</u>	<u>Six-months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Wages and salaries	6,444,553	4,566,583
Social security charges	1,462,233	1,199,539
Allocations to employee termination indemnity	222,068	173,388
Other personnel costs	17,136	12,402
Total	<u>8,145,990</u>	<u>5,951,913</u>

The increase is mainly due to the increase of number of employees of the main universities of the Group, Università Telematica Pegaso and Universitas Mercatorum as a result of the revenues growth.

25. Depreciation and amortisation of assets

The depreciation of tangible assets and amortization of intangible assets and depreciation of tangible assets for the first half of 2021, compared to the same period of the previous year, is broken down as follows:

<u>Depreciation of fixed assets</u>	<u>Six-months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Amortisation of intangible assets	17,635,917	17,625,434
Amortisation of property, plant and equipment	491,524	467,272
Total	<u>18,127,441</u>	<u>18,092,706</u>

The item amortisation of intangible assets amounting to € 17,635,917 in the first half of 2021 includes the amortisation of goodwill, calculated over an estimated useful life of 20 years and amounting to € 14,259,975. The residual amount mainly includes the amortisation of trademarks, platforms and rights owned by the Parent Company and in use by the Group's universities.

The item amortisation of fixed assets includes the cost of plant, machinery and equipment in use by the companies of the Group.

The details of this item by single category of tangible and intangible fixed assets are shown in the Assets section of this document.

26. Write-downs of current receivables

In the current half-year, provision was accrued for a total amount of € 3,685,153 for bad debts. Provisions for bad debt were made by estimating the amounts of credits accrued for academic years prior to 2020/2021 for which there is a risk of recoverability.

27. Other operating expenses

Other operating expenses, amounting to € 2,317,766 as of June 30, 2021, mainly include costs for stamp duty paid in virtual mode, for donations to organisations and associations, various taxes and duties and contingent liabilities. Last year figures, amounting to € 6,341,392, mainly included some non recurring cost due to the

**Notes to the unaudited interim condensed consolidated financial statements as of and for the
six-month period ended June 30, 2021**

consensual termination of the agreements in place effective from January 1, 2020, based on the payment of a total amount of € 4 million, in the form of compensation, of a series of obligations undertaken by ECPs. The transaction was formalised due to the decision to internalise the main activities carried out by the ECPs at the University structures.

28. Financial income and expenses

Financial income amounting to € 307 include mainly the financial income from the bank accounts of the Group's companies. Financial expenses, by contrast, amounting to € 7,900, include primarily interest expense on trade payables.

29. Income taxes for the year, current deferred and prepaid

The income tax charge pertaining to the year is determined on the basis of current legislation. Deferred and prepaid taxes are determined on the basis of the temporary differences between the values of assets and liabilities and the corresponding values for tax purposes. In particular, prepaid taxes are recorded only if there is a reasonable certainty of their future recovery. Deferred taxes, on the other hand, are not recognised if there is a low probability that the related payable will arise.

Current taxes amount to € 23,437,645 related entirely to IRES and IRAP. The use of deferred taxes amounts to € 9,010,800 as already described previously in the paragraph relating to the Provisions for Risks and Charges. In addition € 929,632 were recorded in relation to the payment of substitute tax on the greater value attributed to revaluated goods according to art. 110, paragraph 4, of Legislative Decree no. 104 of August 14, 2020" as already described previously in the paragraph relating to the Provisions for Risks and Charges.

Other information

30. Employment data

The average number of employees for the six month period ended as of June 30, 2021 is:

	<u>Teachers</u>	<u>Employees</u>	<u>Researchers</u>	<u>Executives</u>	<u>Total</u>
Average number	260	252	12	6	530

31. Remuneration and advances of directors and statutory auditors

The remuneration, advances and loans granted to directors and statutory auditors are shown in the following table:

	<u>Directors</u>	<u>Statutory Auditors and Auditors</u>
Compensation H1 2021	370,833	130,027
Compensation H1 2020	370,833	130,027

32. Information on transactions with related parties

Information is provided on transactions with related parties, aggregated according to nature, as separate information is not considered necessary in order to understand the effects of the transactions on the Group's balance sheet.

Income statement balances (in thousands of Euro):

	<u>Parent company</u>	<u>Subsidiary companies</u>	<u>Associated companies</u>	<u>Other companies</u>	<u>Total related parties</u>
Value of production	—	—	—	—	—
Costs of production	—	—	—	1,182	1,182
Financial income and expenses	—	—	—	—	—

**Notes to the unaudited interim condensed consolidated financial statements as of and for the
six-month period ended June 30, 2021**

Commercial relations amounting to € 1,182 thousand, are related to the following:

- € 548 to rental expenses and condominium expenses amounting to € 361 thousand with the company Bellerofonte S.r.l. relating to the building at Tower F/2 located in the Centro Direzionale (Business Centre) di Napoli (NA) where the Group's management, teaching, technical-IT, administrative and financial offices are located. For approximately € 187 thousand, reference is made to relations with Mr. Danilo Iervolino, regarding the rents paid for the property located in Piazza Trieste e Trento, 48 Naples (NA) where Università Telematica Pegaso S.r.l. has its registered office;
- € 634 thousand to the e-learning centre point "Scuole Iervolino", managed by a relative of Danilo Iervolino.

Balance sheet balances (in thousands of Euro):

	Parent company	Subsidiary Companies	Associated companies	Other companies	Total related parties
Trade receivables	—	—	—	1,056	1,056
Financial receivables	43,908	—	51	—	43,959
Trade payables	—	—	—	386	386
Financial payables	—	—	—	—	—
Other payables	—	—	—	125	125

Trade receivables, amounting to € 1,056 thousand, refer to rent instalments paid early to Mr. Danilo Iervolino for the property located in Piazza Trieste e Trento, 48 Naples (NA) where Università Telematica Pegaso S.r.l. has its registered office.

Financial receivables, amounting to € 43,959 thousand, include the following:

€ 43,908 thousand for receivables due from the shareholder Multiversity S.p.A. relating to the sale by Università Telematica Pegaso S.r.l. of financial holdings in subsidiaries in the previous year;

€ 51 thousand long-term receivables for loans due to Giapeto Editore S.r.l. from the associated company Quotidiano Il Golfo S.r.l.

Trade payables, amounting to € 386 thousand, include the payables versus the e-learning centre point "Scuole Iervolino", managed by a relative of Danilo Iervolino. Total cost for the six months ended June 30, 2021, is € 634 thousand.

Other payables, amounting to € 125 thousand regards the severance indemnity payable to the board directors of Pegaso S.p.A. as already described previously in the paragraph relating to the Provisions for Risks and Charges.

33. Information on off-balance sheet agreements

There are no off-balance sheet agreements other than those already described in this document. It should also be noted that the Parent Company has the right to exercise the right of option to purchase the residual 50% of the share capital of the associated company Certipass S.r.l. by the end of 2021 at a defined price.

34. Information on significant events occurring after the close of the period

In July 2021 the Group subscribed asset management fundings for an amount of € 20 million, on deposit with a leading Italian bank. There are no other significant events occurred after the close of the period.



CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

PREPARED IN ACCORDANCE WITH ITALIAN GAAP

**Multiversity S.r.l.
Registered Office
Rome, Piazza Mattei, 10**

This Consolidated Financial Statements has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

Independent Auditor' Report

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
Multiversity S.r.l.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Multiversity Group, which comprise the balance sheet as at December 31, 2020, the income statement and consolidated statement of cash flows for the year then ended, and explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Multiversity S.r.l. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Multiversity S.r.l. or to cease operations, or have no realistic alternative but to do so.

The audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and

Independent Auditor' Report

obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Multiversity S.r.l. are responsible for the preparation of the Report on Operations¹ of Multiversity Group as at December 31, 2020, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Multiversity Group as at December 31, 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Multiversity Group as at December 31, 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Naples, June 4, 2021

EY S.p.A.

Signed by: Mauro Ottaviani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

¹ The Report on Operations is not included in this Offering Memorandum

Multiversity S.r.l. and Subsidiaries
CONSOLIDATED BALANCE SHEET
As of December 31, 2020

in units of €	As of December 31,		
	2020	2019	Notes
Assets			
B) NON-CURRENT ASSETS			
I Intangible assets (net of accumulated amortisation)			
1) Start-up and expansion costs	35,948	52,752	(3)
2) Development costs	7,394	—	(3)
3) Industrial patent and intellectual property rights	32,517,871	37,463,960	(3)
4) Concessions, licences, trademarks and similar rights	1,503,830	1,533,866	(3)
5) Goodwill	539,555,743	568,075,693	(3)
6) Fixed assets in progress and advances	80,662	207,404	(3)
7) Other intangible assets	2,441,183	1,173,745	(3)
Total Intangible assets	576,142,632	608,507,420	
II Property, plant and equipment (net of accumulated depreciation)			
2) Plants and equipment	143,241	164,764	(4)
3) Industrial and commercial equipment	94,371	60,273	(4)
4) Other tangible assets	2,587,379	2,651,277	(4)
5) Fixed assets in progress and advances	255	255	(4)
Total property, plant and equipment	2,825,246	2,876,568	
III Investments			
1 Equity investments in			
1 a) Equity investments in subsidiaries	—	19,950	(5)
1 b) Equity investments in associated companies	34,000	210,162	(5)
1 d-bis) Other companies	32,187	32,087	(5)
Total financial holdings	66,187	262,199	
2 Receivables			
2a) Due from subsidiaries	—	73,500	(6)
2b) Due from associated companies	51,250	60,000	(6)
2c) Due from parent companies	43,908,000	43,908,000	(6)
2d-bis) Due from others	689,329	434,642	(6)
Total financial receivables	44,648,579	44,476,142	
3 Other securities			
Total Other securities	2,000,000	—	(7)
TOTAL NON-CURRENT ASSETS	625,682,644	656,122,330	

Multiversity S.r.l. and Subsidiaries
CONSOLIDATED BALANCE SHEET
As of December 31, 2020

in units of €	As of December 31,		
	2020	2019	Notes
C) CURRENT ASSETS			
I Inventories			
1) Raw, ancillary and consumable materials	—	34,689	(8)
4) Finished products and goods	124,821	79,679	(8)
5) Advances	1,490	—	(8)
Total inventories	126,311	114,368	
II Receivables			
with separate indication, for each item, of the amounts due within the next fiscal year			
1) Receivables from customers (net of bad debt provision)	96,604,848	69,738,040	(9)
5 bis) Tax receivables	6,696,767	408,593	(9)
5 ter) Deferred tax assets	236,713	119,005	(9)
5 quater) Receivables due from others	1,782,163	1,957,097	(9)
Total receivables	105,320,490	72,222,735	
IV Cash and cash equivalents			
1) Bank and post office deposits	122,827,395	35,754,294	(10)
2) Cheques	4,480	1,393	(10)
3) Cash on hand	14,008	10,507	(10)
Total cash and cash equivalents	122,845,883	35,766,194	
TOTAL CURRENT ASSETS	228,292,684	108,103,297	
D) ACCRUED INCOME AND PREPAID EXPENSES	546,695	636,100	(11)
TOTAL ASSETS	854,522,022	764,861,726	

Multiversity S.r.l. and Subsidiaries
CONSOLIDATED BALANCE SHEET
As of December 31, 2020

in units of €	As of December 31,		
	2020	2019	Notes
A) Shareholders' equity			
I Share capital	10,000,000	10,000,000	
II Share premium reserve	640,812,341	640,812,341	
IV Legal reserve	31,661	—	
VI Consolidation reserve	7,417	—	
VII Profits (losses) carried forward	601,563	—	
IX Profit (loss) for the year	28,373,647	633,224	
Total Group shareholders' equity	679,826,629	651,445,565	
Capital and reserves pertaining to minority interests	2,527,076	1,831,184	
Profit (loss) of minority interests	1,363,953	—	
Total shareholders' equity pertaining to minority interests	3,891,029	1,831,184	
Total consolidated shareholders' equity	683,717,658	653,276,749	(12)
B) Provisions for risks and charges			
1) for pensions and similar obligations	124,800	124,800	(13)
2) for taxes, including deferred	15,926,857	16,216,743	(13)
4) Others	334,428	1,982,018	(13)
Total Provision for Risks and Charges	16,386,085	18,323,561	
C) Employees termination indemnity	1,177,727	887,551	(14)
D) Payables with separate indication, for each item, of the amounts due beyond the next fiscal year			
3) Payables to shareholders for loans	178	178	(15)
4) Payables to banks	83	496	(15)
5) Payables to other lenders	40,794	—	(15)
6) Advances	3,276,271	2,447,755	(15)
7) Payables to suppliers	16,815,050	14,530,238	(15)
10) Payables to associated companies	—	3,750	(15)
12) Tax payables	26,405,468	5,388,472	(15)
13) Payables to welfare and social security institutions	1,078,193	749,505	(15)
14) Other payables	4,631,874	2,773,244	(15)
Total Payables	52,247,910	25,893,638	
E) ACCRUED INCOME AND PREPAID EXPENSES	100,992,643	66,480,227	(16)
TOTAL LIABILITIES	854,522,022	764,861,726	

Multiversity S.r.l. and Subsidiaries
CONSOLIDATED INCOME STATEMENTS
For the year ended December 31, 2020

in units of €	Year ended as of December 31,		
	2020	2019	Notes
A) Production value			
1) Revenues from sales and services	187,176,569	1,823,938	(17)
2) Change in inventories of work in progress and finished products	49,561	—	(18)
5) Other revenues and income, with separate indication of operating grants	2,768,462	—	(19)
<i>Operating grants</i>	896,456	—	(19)
<i>Others</i>	1,872,006	—	(19)
Total Value of Production	189,994,594	1,823,938	
B) Costs of production			
6) Costs for raw and ancillary materials, consumables and goods	604,078	—	(20)
7) Costs for services	65,073,620	87,627	(21)
8) Costs for use of third-party assets	4,629,714	4,404	(22)
9) Cost of personnel:			
9-a) wages and salaries	10,493,946	144,092	(23)
9-b) social security charges	2,783,951	41,575	(23)
9-c) termination indemnity	377,449	22,784	(23)
9-e) other costs	28,098	—	(23)
10) Amortisation, depreciation and write-downs:			
10-a) amortisation of intangible fixed assets	35,349,116	927,143	(24)
10-b) depreciation of tangible fixed assets	1,073,808	3,276	(24)
10-d) write-down of current receivables	6,037,133	—	(25)
11) Change in inventories of raw and ancillary materials	39,109	—	
12) Accruals to provisions for risks	99,867	—	(26)
14) Other operating expenses	8,146,917	353	(27)
Total production costs	134,736,805	1,231,436	
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION A-B	55,257,789	592,502	
C) Financial income and expenses			
16) Other financial income	28,732	—	(28)
17) Financial charges	140,437	—	(28)
Total financial income and expenses	(111,705)	—	
D) Value adjustments of financial assets			
19) Write-downs			
19-a) of equity investments	19,950	—	(29)
19-b) of financial fixed assets	73,502	—	(29)
Total value adjustments of financial assets	98,452	—	
Profit before taxes (A-B+/-C+/-D)	55,047,632	592,502	
Taxes for the year: current, deferred, prepaid			
22) Current income taxes for the year	25,755,174	226,359	(30)
Prepaid and deferred taxes	(387,605)	(267,081)	(30)
Taxes relating to previous years	(57,537)	—	(30)
Total income taxes for the year: current, deferred, prepaid	25,310,032	(40,722)	
Profit/(loss) for the year	29,737,600	633,224	
Attributable to:			
The Group	28,373,647	633,224	
Minority interests.	1,363,953	—	

Multiversity S.r.l. and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2020

in units of €	Year ended as of December 31,	
	2020	2019
A. Cash flows from operating activities		
Profit/(loss) for the year	29,737,600	633,224
Income taxes	25,310,032	(40,722)
Interest expenses / (income)	111,705	—
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from disposal	55,159,337	592,502
Adjustments to non-monetary items that do not affect net working capital (NWC)		
Accruals to provisions for liabilities	1,880,367	22,784
Use of funds	(3,233,520)	—
Amortization and depreciation	36,422,923	930,419
Write-downs due to impairment	6,037,132	—
Payment of employee termination indemnities	87,274	—
Other adjustments—increases/(decreases)—for non-monetary items	308,632	—
Total adjustments to non-monetary items that do not affect NWC	41,502,808	953,203
2) Cash flow before changes in net working capital	96,662,145	1,545,705
Changes in net working capital		
Decrease/(Increase) in inventories	(11,942)	—
Decrease/(Increase) in receivables from customers	(32,903,941)	(1,060,963)
Increase/(Decrease) in payables to suppliers	2,284,812	321,252
Decrease/(Increase) in other receivables, payables, accruals and other assets and liabilities	27,089,923	(925)
Total changes in net working capital	(3,541,148)	(740,636)
Cash flow from operating activities (A)	93,120,997	805,069
B. Cash flows from investing activities		
Tangible fixed assets		
(Investments)	(1,022,485)	(23,771)
Intangible assets		
(Investments)	(2,984,328)	(202,715)
Financial fixed assets		
(Investments)	(2,074,876)	—
Cash flow from investing activities (B)	(6,081,689)	(226,486)
C. Cash flows deriving from financing activities		
Third party capital		
Increase (decrease) in short-term payables to banks	40,381	(19)
Cash flow from financing activities (C)	40,381	(19)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	87,079,689	578,564
Cash and cash equivalents at the beginning of the year	35,766,194	100,000
Consolidated cash and cash equivalents	—	35,087,631
Cash and cash equivalents at the end of the year	122,845,883	35,766,194

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

1. Introduction and other information

This document represents the consolidated financial statements drawn up by Multiversity S.r.l. (hereinafter the 'Parent Company') as at December 31, 2020, which presents a consolidated profit for the year equal to € 28,373,647, net of the portion of profits attributable to minority interests equal to € 1,363,953. This document sets out the economic and financial data of a fiscal year characterised by the outbreak of the COVID-19 pandemic, an epidemic which has spread throughout the globe, and is still in progress. However, this did not have any adverse effects on the profit for the year and on the consolidation of corporate assets, due to the positive results achieved by the companies owned by the Multiversity Group. The provisions of art. 106 of Legislative Decree no. 18/2020 on holding via video-conference as well as electronic voting apply to the shareholders' meetings, in order to guarantee remote participation in the context of the epidemiological emergency stemming from COVID-19.

The Consolidated Financial Statements consist of the Balance Sheet (prepared in accordance with the format provided by art. 2424 and 2424 bis of the Italian Civil Code), the Income Statement (prepared in accordance with the format referred to in art. 2425 and 2425 bis of Italian Civil Code), the Cash Flow Statement (whose content, in compliance with art. 2425-ter of the Italian Civil Code, is presented in accordance with the provisions of the OIC 10 accounting standard) and by these Explanatory Notes, prepared in accordance with the provisions of art. 2427 and 2427-bis of the Italian Civil Code.

These consolidated financial statements are drawn up in units of Euro.

The entire document, as regards the parts of which it is composed, has been drawn up in such a way as to give a true and fair view of the financial position of the Multiversity Group, as well as of the economic profit for the year, providing, where necessary, additional complementary information for this purpose.

In relation to the content of the explanatory notes pursuant to art. 2427 of the Italian Civil Code, the Group:

- has not issued any bonds and/or similar financial instruments;
- did not carry out any financing transactions with the temporary sale of assets during the 2020 fiscal year;
- has not carried out any asset lending transactions against a security deposit of a sum of money;
- has no off-balance sheet agreements in place other than those reported in both these Explanatory Notes and in the Report on Operations, knowledge of which is useful for evaluating the equity and financial situation of the company;
- has not carried out any atypical or unusual transactions, or transactions that are unrelated to the normal management of the company or capable of significantly affecting the Group's economic and equity situation;
- has not issued any shares with regular dividend entitlement and bonds convertible into shares, or securities or similar instruments pursuant to art. 2427, first paragraph, no. 18 of the Italian Civil Code
- does not have any separate assets dedicated to specific business or any special-purpose loans pursuant to art. 2447 bis et seq. of the Italian Civil Code.

In accordance with the provisions of art. 2423-bis of the Italian Civil Code, the following standards were adopted in the preparation of the Consolidated Financial Statements:

- the individual items were measured on the basis of the principles of prudence and based on the going concern assumption, as well as taking into account the economic function of the asset or liability element considered;
- only the profits actually realised during the year have been indicated;
- the income and expenses for the year have been indicated, regardless of when they were collected;
- the risks and losses pertaining to the year were taken into account, even if they became known after its closure;
- the dissimilar elements included in the various items of the consolidated financial statements have been measured separately.

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

The Balance Sheet, the Income Statement and the Cash Flow Statement are drawn up in Euro units, rounding the amounts up or down; also in the explanatory notes the amounts are expressed in Euro units as they guarantee a better understanding of the document.

For the elements of the assets or liabilities that fall under more than one item of the financial statements, the explanatory notes also outline whether they belong to the items other than those in which they are recorded, if this is necessary for the purposes of understanding the financial statements.

Where applicable, the principles and recommendations published by the professional bodies responsible for accounting were also observed, in order to give a true and fair view of the equity, financial and economic situation.

The Parent Company was established on October 1, 2019, with a share capital of € 100,000 fully subscribed by Multiversity S.p.A., with effect from October 4, 2019, the date of registration in the Register of Companies.

The Multiversity Group is the market leader in online university and postgraduate training in Italy (E-Learning), with a clear mission:

- be enablers and accelerators of progress with greater access to quality training for citizens and companies;
- create digital citizens, startupper, innovators, successful professionals, 4.0 managers, PA executives, students with projects to be developed. Innovating alongside the entrepreneurial and managerial fabric of companies.

This mission is pursued through a flexible model of teaching content delivery that allows greater opportunities for access to study, the acquisition of new skills with the aim of reducing social inequalities through an extremely advanced and innovative technology platform.

The Group's Vision is to consolidate its position and become the first On-line Education Group on both the Italian and international market with the possibility of providing training at any time and from any place with attention to both B2C and B2B: Smart learning for an ever wider audience of students.

On July 22, 2020 LAF School S.r.l. was established, of which Multiversity S.r.l. represents the majority shareholder (51% of the share capital).

LAF School S.r.l. manages a digital educational platform that aims to create a school that is more accessible to everyone, making it more participatory, through the management of one's school career through an app that can be managed on smartphones, PCs and tablets.

Furthermore, it is recalled that during the 2020 fiscal year the acquisition of control of the investment in the Benecon S.c.a.r.l. University Consortium took place, through the company Università Telematica Pegaso S.r.l., which represents the majority shareholder, having acquired 63% of the share capital.

The Benecon S.c.a.r.l. university consortium is made up of five Italian universities (University of Campania 'Luigi Vanvitelli', University of Naples 'Federico II', Università Telematica Pegaso S.r.l. (Pegaso Online University), University of Salerno and University of Sannio), excellence in research at national and international level with the aim of carrying out analysis and diagnosis of the local area, environmental redevelopment, recovery and maintenance of landscape, archaeological, urban and building contexts which, among others, designs and builds 'green businesses' and eco-museum structures.

It should be noted that the Parent Company Multiversity S.r.l. is not subject to management and coordination activities pursuant to art. 2497 of the Italian Civil Code. Specifically, the Company is subject to the joint control of the two shareholders Multiversity S.p.A. and Paganini Investments S.a.r.l.

Furthermore, it should be noted that the shareholders' meeting on November 4, 2019 appointed the auditing company EY S.p.A. as statutory auditors of the separate financial statements and consolidated financial statements of Multiversity S.r.l. for the three-year period 2019/2021.

2. Basis of presentation and consolidation

2.1 Basis of presentation

The valuation criteria adopted for the preparation of the consolidated financial statements are in line with those used by the Parent Company, supplemented where necessary with the accounting principles adopted for particular items of the consolidated financial statements.

The valuation of the individual items is carried out according to the principles of prudence and accrual accounting, based on a going concern assumption, taking into account the economic function of the assets and liabilities, considered as envisaged by art. 2423-bis of the Italian Civil Code.

For the elements of the assets or liabilities that fall under more than one item of the financial statements, the explanatory notes also outline whether they belong to the items other than those in which they are recorded, if this is necessary for the purposes of understanding the financial statements.

Where applicable, the principles and recommendations published by the professional bodies responsible for accounting were also observed, in order to give a true and fair view of the Group's equity, financial and economic situation.

There have been no exceptional cases, incompatible with the general clause of true and fair view, pursuant to art. 2423, paragraph 5 of the Italian Civil Code, which required an exception to the legal provisions for the preparation of the consolidated financial statements.

In compliance with accounting standard OIC 29, no corrections have been made in the consolidated financial statements for significant errors committed in previous years.

2.2 Scope and principles of consolidation

The consolidated financial statements of the Group include the financial statements of Multiversity S.r.l. and of the Italian and foreign subsidiaries pursuant to art. 2359 of the Italian Civil Code, which are consolidated on a line-by-line basis.

For this purpose, the following are considered subsidiaries:

- companies in which another company holds most of the votes that can be exercised at the ordinary shareholders' meeting;
- companies in which another company has enough votes to exercise a dominant influence in the ordinary shareholders' meeting;

In any case, the following are considered subsidiaries:

- companies over which another has the right, by virtue of a contract or a statutory clause, to exercise a dominant influence, when the applicable law allows such contracts or clauses;
- companies in which another, on the basis of agreements with other shareholders, alone controls the majority of the voting rights.

The equity investments in which the Parent Company holds joint control are also consolidated by applying the proportional method. Equity investments in associated companies were measured by applying the equity method (*so-called synthetic consolidation*).

Subsidiaries are excluded from line-by-line consolidation when their inclusion would be irrelevant for the purposes of representing clearly and in a true and fair manner the equity and financial situation and the economic result of the group (*art. 28, paragraph 2, letter a of Legislative Decree 127/1991*).

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

The table below shows the list of companies included in the consolidated financial statements using the line-by-line, proportional or equity method:

Company name	Headquarters	Share Capital	Consolidation Method	Shareholding		
				Direct	Indirect	% control
Multiversity S.r.l.	Rome	10,000,000	Parent company	n.a.	n.a.	n.a.
Certipass S.r.l.	Bari	10,000	Proportional	50%	—	50%
Pegaso S.p.A.	Rome	200,000	Line-by-line	100%	—	100%
Open Class S.r.l.	Naples	10,000	Line-by-line	—	100%	100%
Uniglobal Invest Ltd.	Malta	5,000	Line-by-line	—	100%	100%
Pegaso International Ltd.	Malta	1,200	Line-by-line	—	100%	100%
UniPegaso S.r.l.	Naples	1,000,000	Line-by-line	—	100%	100%
Pegaso Management S.r.l.	Naples	100,000	Line-by-line	—	100%	100%
Universitas Mercatorum S.r.l.	Rome	7,490,000	Line-by-line	—	66.67%	66.67%
Unimercatorum (Institution)	Rome	—	Line-by-line	—	66.67%	66.67%
Giapeto S.r.l.	Naples	30,000	Line-by-line	—	100%	100%
3D Civil S.r.l.	Naples	10,000	Line-by-line	—	85%	85%
Pegaso Online University S.r.l.	Naples	500,000	Line-by-line	—	100%	100%
Principe di Napoli S.c.a.r.l.	Naples	50,000	Line-by-line	—	100%	100%
Benecon S.r.l.	Naples	323,200	Line-by-line	—	63%	63%
Laf School S.r.l.	Naples	251,950	Line-by-line	51%	—	51%

The table below shows the list of companies excluded from consolidation:

Company name	Headquarters	Share Capital	Shareholding		
			Direct	Indirect	% control
Pegaso Online Doo Beograd	Serbia	2,362,929 (RSD)	—	100%	100%
Il Golfo Newspaper	Naples	10,000	—	50%	50%

The financial statements used for the consolidation are those approved by the respective Shareholders' Meetings for the year ended December 31, 2020 or, if not yet approved, the draft financial statements of the Group companies approved by the respective administrative bodies.

The financial statements of some companies included in the consolidation have been reclassified and adjusted to bring them into line with the accounting principles adopted by the Group; in particular, those of the foreign companies have been appropriately reclassified to make the balance sheet and financial data and the form of presentation consistent with that required for the preparation of the consolidated financial statements.

The consolidation principles adopted for the preparation of the consolidated financial statements are as follows:

- the financial statements of the subsidiaries included in the consolidation area have been consolidated using the line-by-line method, which consists of the assumption of the assets, liabilities, income and expenses in their total amount, regardless of the size of the shareholding held and the attribution to third-party shareholders, in the items 'Capital and reserves pertaining to minority interests' and 'Profit/(Loss) for the year attributable to minority interests', respectively, of the portion of shareholders' equity and profit/loss for the year pertaining to them.
- the financial statements of the companies in which the Parent Company holds joint control are consolidated by applying the proportional consolidation method, which provides for the proportional inclusion in the consolidated financial statements of the assets, liabilities, costs, revenues and cash flows of the companies over which it exercises joint control with shareholders not belonging to the group, considering only the part of their value corresponding to the interest held directly or indirectly by the parent company.
- The financial statements of associated companies are valued by applying the equity method, with which the original cost of the investment changes in the periods following the acquisition of the investment to take into account the pertinent shares of profits and losses and other changes in the shareholders' equity of the investee.

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

- The book value of equity investments consolidated using the line-by-line method was eliminated against the corresponding portions of shareholders' equity, less the result for the year, at the date of first inclusion in the consolidation (taking into account what is specified in the next point). The difference between the acquisition cost and the shareholders' equity at fair value of the subsidiaries at the consolidation date is allocated, where possible, to the assets and liabilities of the subsidiaries net of deferred taxes, where applicable; any remaining difference, if positive and if the requirements for recording goodwill provided for by OIC 24 are met, is recognised in the item "Goodwill" within intangible assets. The residual difference that cannot be allocated to assets and liabilities and to goodwill is charged to the income statement under the "item B14 Other operating expenses".
- As regards the date relating to the first inclusion in the scope of consolidation, reference is made to January 1st, 2020 where the acquisition of control took place in the first months of the year and the economic effects are in any case not significant.
- Goodwill is amortised on the basis of an economic utility estimated according to its useful life, taking into account all the information available to determine the period in which the economic benefits will arise, in exceptional cases in which it is not possible to reliably estimate their life, it is amortised over a period not exceeding twenty years.
- If an excess of shareholders' equity is recognised over the acquisition cost, after having reduced, if necessary, the values of the assets recorded to their recoverable value and of the liabilities recognised to a value lower than their settlement value, net of prepaid taxes and having established the 'Consolidation provision for future risks and charges' against estimated liabilities, this would be credited to the consolidated shareholders' equity under the item 'Consolidation reserve'. The portion of shareholders' equity attributable to minority interests of the consolidated subsidiaries is entered under the item 'Capital and reserves pertaining to minority interests' of the shareholders' equity, while the minority interests' share of the net result is shown separately in the consolidated income statement under the item "Profit/(loss) of pertaining to minority interests".
- The credit and debit items between the companies included in the consolidation have been eliminated.
- The income and charges relating to transactions between the companies included in the consolidation, starting from the first consolidation, have been eliminated.
- Significant profits and losses deriving from transactions between companies included in the consolidation relating to values still included in the balance sheet at the end of the year have been eliminated.
- Dividends distributed within the group were reversed from the consolidated income statement.
- The conversion into Euro of financial statements expressed in foreign currencies (if applicable) is carried out using the 'current exchange rate' method. The historical exchange rate at the date of first consolidation is used for the items of the shareholders' equity, the year-end exchange rate for the assets and liabilities of the balance sheet and the average exchange rate for those of the income statement. Any foreign exchange translation differences are charged directly to shareholders' equity in the specific item 'Translation reserve'.
- The differences deriving from the elimination of intra-group payables, receivables, costs and revenues in foreign currencies have been recorded under item '17-bis) Exchange gains and losses'.

2.3 Valuation criteria applied

This section presents, in detail, the criteria that contributed to the formation of the individual items of the consolidated financial statements.

Assets

Non current assets

Intangible assets

Intangible assets are recorded at purchase cost including any accessory costs, financial charges and direct and indirect costs incurred before the use of the asset, for the portion reasonably attributable to them.

The cost of intangible assets, the use of which is limited over time, is systematically amortised in each fiscal year according to their residual possibility of use. In particular, depreciation rates are applied that reflect the estimated economically useful life of the assets.

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

The amortization rates used are summarised in the following table:

<u>Category</u>	<u>Rate</u>
Goodwill	5%
Start-up and expansion costs	20%
Mobile App	14.3%
Brand names	5.56%
Fixed-term software licences	20%
IT platforms	14.3%
Social Network	20%
Other intangible assets	Based on the lease agreement or 20%
Usufruct	8.33%

It should be noted that the mobile applications, IT platforms and social networks owned by the Group came into operation during the 2016 fiscal year.

The cost of these intangible assets also includes the costs incurred for filing copyrights in the public software register.

Property, plant and equipment

Property, plant and equipment are recognised on the date on which the risks and benefits associated with the acquired assets are transferred and are recognised, within the limit of the recoverable value, at purchase or production cost net of the related accumulated depreciation, including all costs and directly attributable ancillary charges, indirect costs relating to internal production, charges relating to the financing of internal manufacturing incurred during the manufacturing period and up to the time when the asset can be used.

No legal revaluations have been carried out and the maximum limit of the measurements is the value in use, determined objectively, of the asset itself.

Property, plant and equipment are systematically depreciated each year on the basis of economic-technical rates determined in relation to the residual possibility of use of the assets, a criterion considered fully represented by the following depreciation rates, which have remained unchanged with respect to the previous year:

<u>Category</u>	<u>Rate</u>
Buildings	3.33%
Generic plants	15%
Specific plants	25%
Furniture and furnishings	15%
Electromechanical and electronic machines	25%
Cars	25%

Write-downs for impairment of tangible and intangible assets

At each balance sheet date, the Group assesses whether there is any indicator to suggest a fixed asset may have suffered impairment. If these indicators were to exist, the Group would estimate the recoverable value of the asset by making a write-down only if the latter were lower than the corresponding net book value. In the absence of indicators of potential impairment, the recoverable value is not determined.

When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.

The recoverable value of an asset is the greater of the fair value less costs to sell and its value in use determined as the present value of estimated future cash flows.

An impairment is recognised if the recoverable value is lower than the book value. When, subsequently, a loss on assets, other than goodwill, ceases or is reduced, the book value of the asset or the cash-generating unit is increased up to the new estimate of the recoverable value without exceeding the value that would have been determined if no loss had been detected.

Financial assets

Equity investments

Equity investments in unconsolidated 'subsidiaries' and 'other equity investments' are measured at purchase or subscription cost, including accessory charges and adjusted to take into account any capital losses deemed to be permanent.

The cost of the equity investments is not maintained, in compliance with the provisions of article 2426, number 3), of the Italian Civil Code, if, at the end of the fiscal year, the equity investment is permanently lower than the cost value. Impairment is determined by comparing the book value of the investment with its recoverable value, based on the future benefits that are expected to flow into the investee's economy. Impairment is permanent when, justifiably, the causes of said impairment are not expected to be eliminated in a short period of time, i.e. in a period so short as to make it possible to formulate reliable forecasts based on objective and reasonably verifiable facts. If, on the other hand, the investee has prepared plans and programmes aimed at restoring the conditions of economic-financial equilibrium, with characteristics as such to justify the belief that the impairment of the investment is temporary, this can be defined as non-permanent.

Equity investments include investments in joint stock companies, consortium companies and consortia. Equity investments recorded under fixed assets represent a long-lasting and strategic investment by the Group.

In the consolidated financial statements there are no long-term investments for a value higher than their fair value.

Receivables

Receivables originating from revenues for the sale of goods or the provision of services are recognised under current assets on the basis of the accrual principle when the conditions for the recognition of the related revenues are met.

Receivables originating for different reasons are recognised if there is a 'title' to the receivable and therefore when they actually represent a third-party obligation to the company; if of a financial nature they are classified under financial fixed assets, with an indication of the portion due within the next fiscal year.

Receivables are valued in the financial statements at amortised cost, taking into account the time factor, and within the limits of their presumed realisable value and, therefore, are shown in the balance sheet net of the related bad debt provision deemed adequate to cover losses due to reasonably foreseeable non-collectability.

If the interest rate of the transaction is not significantly different from the market rate, the receivable is initially recorded at a value equal to the nominal value net of all premiums, discounts, rebates and inclusive of any costs directly attributable to the transaction, which generated the receivable. These transaction costs, any commission income and expense and any difference between the initial value and the nominal value at maturity are spread over the duration of the loan using the effective interest criterion.

On the other hand, when the interest rate of the transaction inferable from the contractual conditions is significantly different from the market rate, the receivable (and the corresponding revenue in the case of commercial transactions) is initially recorded at a value equal to the present value of future cash flows plus any transaction costs. The rate used to discount future flows is the market rate.

In the case of receivables arising from commercial transactions, the difference between the initial recognition value of the receivable thus determined and the forward value is recognised in the income statement as financial income over the duration of the receivable using the effective interest rate criterion.

In the case of financial receivables, the difference between the cash and cash equivalents disbursed and the present value of future cash flows, determined using the market interest rate, is recognised under financial income or expense in the income statement at the time of initial recognition, unless the substance of the transaction or contract leads to the attribution of a different nature to this component. Subsequently, the interest income accruing on the transaction is calculated at the effective interest rate and charged to the income statement with the value of the receivable as a contra entry.

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

The value of the receivables is subsequently reduced by the amounts received, both by way of principal and interest, as well as for any write-downs to bring the receivables back to their presumed realisable value or for losses.

The Group assumes that the effects deriving from the application of the amortised cost and the discounting back are not relevant when the maturity of the receivables is within 12 months, also taking into account all the contractual and substantial considerations in place on recognition of the receivable, and the transaction costs and any difference between the initial value and the nominal value at maturity is of an insignificant amount. In this case, discounting was omitted, the interest was calculated at nominal value and the transaction costs were entered among deferrals and amortised on a straight-line basis over the duration of the receivable to adjust the nominal interest income.

Cash and cash equivalents

Cash and cash equivalents, revenue stamps and cash balances resulting from the accounts held by the Group with credit institutions are allocated to this item, all expressed at their nominal value, specifically converted into national currency when dealing with accounts in foreign currencies.

Shareholders' equity

This item includes all transactions of a financial nature carried out between the Group and individuals who exercise their rights and duties as shareholders. The share capital increase is recognised in the accounts only after the transaction has been entered in the register of companies, as governed by art. 2444, paragraph 2, of the Italian Civil Code. In this case, the corresponding amount is recognised in a specific item of shareholders' equity (other than the item 'Capital'), which includes the amounts of capital subscribed by the shareholders, which will subsequently be reclassified upon verification of the conditions described above.

Provisions for risks and charges

They are set aside to cover losses or debts of certain or probable existence, whose amount or date of occurrence could not be determined at the end of the year.

In the measurement of these provisions, the general criteria of prudence and accrual accounting were respected, and no provision was made for generic risks without economic justification.

Contingent liabilities are recognised in the financial statements and booked under provisions when they are likely to materialise and when the amount of the related charge can be reasonably estimated.

Any risks for which the occurrence of a liability is only possible or for which no objective forecast of the resulting charge is possible are indicated in the Explanatory Notes without allocating provisions for risks and charges.

Risks whose probability of occurrence appears remote are not taken into account.

Employee termination indemnity

The provision for termination indemnities is set aside to cover the entire liability accrued towards employees, in compliance with current legislation and collective labour and supplementary company agreements. This liability is subject to revaluation pursuant to art. 2120 of the Italian Civil Code.

The termination indemnity recognised in the financial statements is given by the total of the individual indemnities accrued by employees including revaluations, net of the advances paid.

Payables

Payables originating from acquisitions of assets are recognised in the balance sheet when significant risks, charges and benefits associated with ownership have been substantially transferred. Payables relating to services are recognised when the services have been rendered, that is, the service has been performed.

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

Financial payables originating from financing transactions and payables arising for reasons other than the acquisition of goods and services are recognised when the company has an obligation towards the counterparty, identified in compliance of legal and contractual regulations.

On the other hand, advances received from customers for supplies of goods or services not yet carried out are included in the item advances.

Payables are valued in the financial statements at amortised cost, considering the time factor.

If the interest rate of the transaction is not significantly different from the market rate, the payable is initially recognised at a value equal to the nominal value, net of all transaction costs and all premiums, discounts and rebate deriving directly from the transaction that generated the payable. These transaction costs, such as ancillary expenses for obtaining loans, any commission income and expenses and any difference between the initial value and nominal value at maturity, are spread over the duration of the debt using the effective interest criterion.

When it appears that the interest rate of the transaction inferable from the contractual conditions is significantly different from the market rate, the payable (and the corresponding cost in the case of commercial transactions) is initially recognised at a value equal to the present value of future cash flows and taking into account any transaction costs. The rate used to discount future flows is the market rate.

In the case of payables arising from commercial transactions, the difference between the initial recognition value of the payable thus determined and the forward value is recognised in the income statement as a financial charge over the duration of the payable using the effective interest rate criterion. In the case of financial payables, the difference between the cash and cash equivalents disbursed and the present value of future cash flows, determined using the market interest rate, is recognised under financial income or expense in the income statement at the time of initial recognition, unless the substance of the transaction or contract leads to the attribution of a different nature to this component. Subsequently, the interest expense accruing on the transaction is calculated at the effective interest rate and charged to the income statement with the value of the payable as a contra entry.

The value of the payables is subsequently reduced by the amounts paid, both as principal and interest.

The Group assumes that the effects deriving from the application of the amortised cost and the discounting back are not relevant when the due date is within 12 months, also taking into account all the contractual and substantial considerations in place when the payable is recognised, and the transaction costs and any difference between the initial value and nominal value at maturity are of an insignificant amount. In this case, discounting is omitted and the interest is calculated at nominal value and the transaction costs are entered among deferrals and amortised on a straight-line basis over the duration of the payable to adjust the nominal interest expense.

Payables to group companies

Items D9, D10 and D11, where present, respectively include payables to subsidiaries (not consolidated), associated companies and parent companies, as defined pursuant to art. 2359 of the Italian Civil Code. These payables are indicated separately in the balance sheet.

Item D11 also includes payables to parent companies that control the Group indirectly, through their intermediate subsidiaries.

Payables to companies subject to common control (so-called sister companies), other than subsidiaries, associated companies or parent companies, are recognised in item D11-bis.

Costs and revenue

Costs and revenue are shown in the consolidated financial statements on the basis of the relevant accrual principle and are shown net of returns, discounts, rebates and premiums.

Financial income and expenses

They include all the positive and negative components of the economic result for the year connected with the financial activity of the Group and are recognised on the basis of the accrual principle.

Income taxes—Current, Prepaid and Deferred

Current income taxes are allocated according to the accrual principle on the basis of the tax charges resulting from the application of the tax legislation in force and are entered among tax payables net of advances.

Deferred and prepaid taxes are determined on the temporary differences between the value attributed to the assets and liabilities according to statutory criteria and the value attributed to the same assets and liabilities for tax purposes.

Deferred taxes are entered in the 'Provision for deferred taxes', recorded under liabilities among the provisions for risks and charges, while the prepaid taxes are recorded in the receivables from others under current assets.

Assets deriving from prepaid taxes are not recognised, in compliance with the prudence principle, if there is no reasonable certainty of the existence, in the fiscal years in which the relative temporary differences will be reversed, of a taxable income higher than the amount of the differences that will be cancelled. Liabilities for deferred taxes are recognised only if there is a reasonable certainty that they will reverse in the foreseeable future. Deferred tax assets and deferred tax liabilities are valued at the estimated tax rates applicable in the year in which the tax asset will be realised or the tax liability will be settled, based on the tax legislation established by the provisions in force at the reporting date.

Accruals and deferrals

The portions of costs and income common to two or more fiscal years, according to the matching and accrual principle, are recorded in these items. Based on this criterion, accruals or deferrals are recognised when the following conditions are met:

- the contract begins in one fiscal year and ends in a subsequent one;
- the consideration for the services is contractually due in advance or in arrears with respect to services common to two or more consecutive years;
- the amount of accruals and deferrals varies with the passage of time.

Income and charges that have accrued in full in the fiscal year to which the financial statements refer or in subsequent ones are not included among accruals and deferrals.

Conversion criteria for foreign currency items

In compliance with art. 2426, paragraph 1, no. 8-bis of the Italian Civil Code, monetary assets and liabilities in currencies other than the functional currency in which the financial statements are presented (so-called 'accounting currency'), after initial recognition, are recognised at the spot exchange rate on the closing date of the fiscal year. The consequent gains or losses on foreign exchange are recognised in the income statement under item C17-bis) 'foreign exchange gains and losses' and any net profit, which contributes to the formation of the operating result, is set aside in a specific reserve that cannot be distributed until realised.

Non-monetary assets and liabilities in currencies other than the accounting currency are recognised at the exchange rate in effect at the time of their acquisition. If the exchange rate in force at the closing date of the fiscal year is significantly different from that existing at the acquisition date, the exchange rate variation is one of the elements taken into consideration in the valuation process to determine the value that can be booked in the financial statements for the individual non-monetary assets. In this case, therefore, any exchange differences (positive or negative) contribute to the determination of the recoverable value.

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

3. Intangible assets

Changes in intangible assets:

	January 1, 2020	Disposals	Reclassifications	Amortization	December 31, 2020
Start-up, expansion and development costs	52,750	18,240	—	(27,647)	43,343
Industrial patent and intellectual property rights	37,463,961	923,469	—	(5,869,559)	32,517,871
Concessions, licences, trademarks and similar rights	1,533,867	105,099	—	(135,136)	1,503,831
Goodwill	568,075,693	—	—	(28,519,950)	539,555,743
Fixed assets in progress and advances	207,404	80,662	(207,404)	—	80,662
Other intangible assets	1,173,746	2,064,260	—	(796,823)	2,441,183
Total	608,507,421	3,191,731	(207,404)	(35,349,115)	576,142,633

With regard to Intangible assets, the following is specified.

- The item Start-up, expansion and development costs, equal to € 43,343 as of December 31, 2020, includes the costs incurred by the Group in the phase of incorporation of the various companies included in the perimeter.
- The item Industrial parents and intellectual property rights, amounting to € 32,517,871 as at December 31, 2020, mainly includes assets forming part of the intangible assets of Multiversity S.r.l., (mainly the trademarks 'Pegaso' and 'Eipass') amounting to € 31,703,731 and other patent rights owned by Università Telematica Pegaso S.r.l., Universitas Mercatorum, Certipass S.r.l. and Principe di Napoli S.c.a.r.l. amounting to € 814,141.
- The item Concessions, licences, trademarks and similar rights, equal to € 1,503,830 as of December 31, 2020, mainly includes software licences and other concessions held by the Parent Company Multiversity S.r.l. and by the universities of the Group.
- The item Goodwill, equal to € 539,555,743 net of amortisation for the year calculated over a useful life of 20 years and for an amount equal to € 28,519,950 as of December 31, 2020, includes the difference between the value of the investment and its net equity not allocated to separately identifiable assets and liabilities, and refers to the two cash generating units identified by the Multiversity Group at the time of the first consolidation on December 31, 2019 (specifically Pegaso Online University for an initial € 565,975,154 and Universitas Mercatorum for an initial € 4,423,846), also taking into account the acquisition of the 63% indirect controlling interest in Benecon S.c.a.r.l., which was consolidated on a line-by-line basis.

4. Property, plant and equipment

Changes of property, plant and equipment:

	January 1, 2020	Depreciation	Reclassifications	Increases due to acquisitions	December 31, 2020
Cost					
Plants and equipment	554,700	—	—	43,678	598,378
Industrial and commercial equipment ...	79,869	—	—	45,432	125,301
Fixed assets in progress	255	—	—	—	255
Other tangible assets	6,769,952	—	—	933,375	7,703,327
Total cost	7,454,776	—	—	1,022,484	8,427,261
Depreciation (accumulated)					
Plants and equipment	(389,936)	(65,201)	—	—	(455,137)
Industrial and commercial equipment ...	(19,596)	(11,333)	—	—	(30,929)
Fixed assets in progress	—	—	—	—	—
Other tangible assets	(4,118,675)	(997,273)	—	—	(5,115,948)
Total depreciation (accumulated)	(4,528,207)	(1,073,807)	—	—	(5,602,014)
Net Book Value	2,876,569	—	—	—	2,825,246

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

5. Financial assets

Changes in equity investments:

	Value at the beginning of the year	Changes in the year	Year-end value
<i>Equity investments in subsidiaries</i>			
Pegaso Online Doo Beograd	19,950	(19,950)	—
<i>Equity investments in associated companies</i>			
Il Golfo Newspaper	34,000	—	34,000
Benecon S.c.a.r.l.	176,162	(176,162)	—
<i>Equity investments in associated companies</i>			
Gal Irpinia Sannio	10,282	—	10,282
Gal Peloritani Terre dei miti e della Bellezza	446	—	446
Gal Terra Protetta	12,395	—	12,395
Gal Vallo di Diano	2,714	—	2,714
Francitis	6,250	—	6,250
Other smaller companies	—	100	100
Equity investments	262,199	(156,312)	66,187

During the 2020 fiscal year, the equity investment in Pegaso Online Doo Beograd was fully written down for an amount of € 19,950. During the year, the Group also acquired control of the subsidiary Benecon, thus proceeding with a line-by-line consolidation of this subsidiary.

6. Non current receivables

	Value at the beginning of the year	Changes during the year	Year-end value	of which beyond the fiscal year
Receivables from subsidiaries	73,500	(73,500)	—	—
Receivables from associated companies	60,000	(8,750)	51,250	51,250
Receivables from other companies	44,342,642	254,686	44,648,579	44,648,579
Total non-current receivables	44,476,142	238,586	44,699,829	44,699,829

The item receivables from associated companies, equal to € 51,250, includes receivables due for loans to the associated company Quotidiano il Golfo S.r.l.

The item receivables from other companies, equal to € 44,648,579, mainly includes receivables due from the shareholder Multiversity S.p.A. for € 43,908,000 relating to the sale by Università Telematica Pegaso S.r.l. of financial holdings in subsidiaries, while the remainder includes security deposits for an amount of € 740,579.

7. Other securities

The item other securities includes asset management for an amount equal to € 2,000,000 on deposit with a leading Italian bank.

8. Inventories

Inventories of raw materials and finished products and goods, amounting to € 126,311 as at December 31, 2020, mainly include: inventories of EIPASS cards for € 5,010 and inventories of publishing material for € 119,811.

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

9. Receivables

Changes in receivables recorded in current assets:

	Value at the beginning of the year	Changes during the year	Year-end value	of which beyond the fiscal year
Receivables from customers	69,738,039	26,866,808	96,604,848	—
Tax receivables	408,593	6,288,174	6,696,767	—
Deferred tax assets	119,005	117,708	236,713	—
Receivables due from others	1,957,097	(174,934)	1,782,163	—
Total receivables	72,222,733	32,980,048	105,202,781	—

The item receivables from customers, equal to € 96,604,848 as of December 31, 2020, mainly includes receivables due to the universities of the group from students enrolled in degree, postgraduate and higher education courses for an amount equal to € 95,173,423. In addition, the item includes receivables deriving from the sale of training courses and EICARDs for € 247,429 and for the sale of publishing services amounting to € 970,553. The nominal amounts are recognised net of the related bad debt provision.

The item tax receivables, equal to € 6,696,767, mainly includes the receivables due from the tax authorities following the payment of advances relating to the respective taxes.

The item deferred tax assets, equal to € 236,713, includes taxes paid in advance that will be reasonably recovered in subsequent years.

The item receivables due from others, equal to € 1,782,163, mainly includes:

- rent expense—advances amounting to € 1,212,394 relating to the headquarters of Università Telematica Pegaso S.r.l. in Piazza Trieste and Trento. It should be noted that the payment plan will be completed by December 31, 2024 and that said property is placed at the disposal of the University on the basis of the existing lease;
- the residual balance of € 569,769 includes receivables due from MIUR for € 117,800 and the remainder is made up of receivables for advances to employees, professionals and suppliers awaiting invoices for an amount of € 451,969.

The Group operates almost entirely in the national domain. Consequently, almost all of the receivables recorded under current assets refer to this geographical area.

10. Changes in cash and cash equivalents

	Value at the beginning of the year	Changes during the year	Year-end value
Bank and post office deposits	35,754,294	87,073,101	122,827,395
Cheques	1,393	3,087	4,480
Cash and other valuables in hand	10,507	3,501	14,008
Total cash and cash equivalents	35,766,194	87,079,689	122,845,883

Cash and cash equivalents include the credit balance of bank current accounts at the end of the year, cash and bank cheques.

11. Accrued income and prepaid expenses

	Value at the beginning of the year	Changes during the year	Year-end value
Accrued income and prepaid expenses	636,100	(89,405)	546,695

The item Accrued income and prepaid expenses, equal to € 546,695 as of December 31, 2020, mainly includes the deferred cost of the Group's offices leased and of the leased assets, as well as the costs incurred for strategic and digital consultancy, of advertising, insurance premiums, research, development and training costs with an accrual period referring to several fiscal years.

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

12. Changes in shareholders' equity items

	Share Capital	Share premium reserve	Other reserves	Profits (losses) carried forward	Profit (loss) for the year	Consolidation reserve	Total Group shareholders' equity	Capital and reserves pertaining to minority interests	Profit pertaining to minority interests	Total Shareholders' equity
Value at the beginning of the previous year	10,000,000	640,812,341	—	—	—	—	650,812,341	—	—	650,812,341
Increases	—	—	—	—	633,224	—	633,224	—	—	633,224
Consolidation value	—	—	—	—	—	—	—	1,831,184	—	1,831,184
Value at the beginning of the year	10,000,000	640,812,341	—	—	633,224	—	651,445,565	1,831,184	—	653,276,749
Allocation of profit	—	—	31,661	601,563	(633,224)	—	—	—	—	—
Increases	—	—	—	—	28,737,647	7,417	28,381,064	695,891	1,363,953	30,440,909
Value at the end of the year	10,000,000	640,812,341	31,661	601,563	28,737,647	7,417	679,826,629	2,527,076	1,363,953	683,717,658

The reconciliation between shareholders' equity and the result for the year as at December 31, 2020 shown in the separate financial statements of the Parent Company Multiversity S.r.l. and those resulting from the consolidated financial statements can be summarised as follows:

	Shareholders' equity	Income statement
Balances as per the financial statements of the Parent Company		
Multiversity S.r.l.	653,230,367	1,784,802
Pro-quota results achieved by the investees	57,661,658	57,661,658
Elimination of intra-group write-downs	277,914	277,914
Provision for deferred taxes on retained earnings of investees	(1,297,201)	(1,297,201)
Depreciation on higher values of fixed assets	(28,820,842)	(28,820,842)
Elimination of intra-group dividends	(1,300,000)	(1,300,000)
Release of deferred tax provision on the Platform	67,316	67,316
Consolidation reserve	7,417	—
Group shareholders' equity	679,826,629	28,373,647
Shareholders' equity attributable to minority interests	3,891,029	1,363,953
Total Shareholders' equity	683,717,658	29,737,600

13. Provisions for risks and charges

	Value at the beginning of the year	Provision in the year	Use in the year	Reclassification	Total changes	Year-end value
Provision for deferred taxes	16,216,743	1,297,201	(1,587,087)	—	(289,886)	15,926,857
Provision for disputes	90,349	—	—	—	—	90,349
Provision for various risks	1,646,433	105,850	(1,646,433)	—	(1,540,583)	105,850
Provision for tax risks	245,236	99,867	—	(206,874)	(107,007)	138,229
TFM (End of Mandate)						
Indemnity provision	124,800	—	—	—	—	124,800
Total provisions for risks and charges	18,323,561	1,502,918	(3,233,520)	(206,874)	(1,937,477)	16,386,084

The provision for deferred taxes at the beginning of the year amounted to € 16,216,743, established at the time of first consolidation by allocations on intangible assets (trademarks for roughly € 867 thousand and intellectual property for approximately € 10,349 thousand), on profits achieved by the various Group companies before consolidation and on which taxes accrue from the moment of payment of the dividend (€ 5,241 thousand).

During 2020, provisions of € 1,297,201 were recorded, relating to the retained earnings achieved by the subsidiaries net of uses of the provision amounting to € 1,587,087, of which € 1,499,782 by the Parent Company, € 19,988 by Certipass S.r.l. and € 67,316 relating to the amortisation of the surplus value deriving from the deficit from cancellation of the equity investment in Certipass S.r.l. and charged to the Group's intangible assets. The value of the provision for deferred taxes at December 31, 2020 amounts to € 15,926,857.

The provision for risks on disputes, for a total of € 90,349, includes the risk of being the losing party in ongoing disputes, also allocated on the basis of the merit judgment of the lawyers involved.

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

The provision for sundry risks includes an estimate of the potential risks relating to some assets relating to Certipass S.r.l.

The provision for tax risks includes, net of some reclassifications made by Universitas Mercatorum amounting to € 206,874, the accruals of € 99,867 made during the year by Certipass S.r.l. regarding the Report on Findings notified by the Revenue Agency on October 26, 2020 regarding the Research & Development tax credit relating to the years 2015 and 2016. The amount set aside includes penalties and interest.

14. Employee termination indemnity

Information on Employee termination indemnity:

	Value at the beginning of the year	Uses in the year	Accruals for the year	Year-end value
Employee Termination Indemnity (TFR)	887,551	(87,273)	377,449	1,177,727

The amount set aside represents the effective payable for the Group's severance pay at the end of the year to employees on the workforce at that date, net of the advances paid.

15. Changes and due dates of payables

	Value at the beginning of the year	Changes during the year	Year-end value	of which due beyond the year
Payables to shareholders	178	—	178	—
Payables to banks	496	(413)	83	—
Payables to other lenders	—	40,794	40,794	—
Advances	2,447,755	828,517	3,276,271	—
Payables to suppliers	14,530,238	2,284,812	16,815,050	—
Payables to associated companies	3,750	(3,750)	—	—
Tax payables	5,388,472	21,016,996	26,405,468	—
Payables due to social security institutions	749,505	328,688	1,078,193	—
Other payables	2,773,244	1,858,630	4,631,874	—
Total payables	25,893,638	26,354,473	52,247,910	—

The item payables to shareholders for loans includes the payable of Università Mercatorum to the shareholder Si.Camera for an amount of € 178.

The item payables to banks mainly includes the residual amount of a payable amounting to € 83 of debit balances of the ordinary current accounts of the companies of the Group.

The item payables to other lenders, amounting to € 40,794, includes a short-term loan taken out by the company Benecon S.c.a.r.l.

The item Advances, equal to € 3,276,271, mainly includes amounts paid by students in relation to enrolments in progress.

The item payables to suppliers, equal to € 16,815,050, mainly includes payables for consultancy and services, mainly rendered by guidance centres and promotional activities.

The item tax payables, equal to € 26,405,468, mainly includes the payable relating to current IRES, VAT and IRAP taxes, as well as the payable for withholding taxes related to self-employed work and the salaries of employees of Group companies. Furthermore, this item also includes the stamp duty payable to be paid virtually.

The item payables to welfare and social security institutions, amounting to € 1,078,193, includes payables relating to mandatory contributions accrued and not yet paid to social security and welfare institutions.

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

The item payables to others, equal to € 4,631,874, mainly includes payables to employees of Group companies for wages and holidays to be paid to their employees.

The area in which the Group operates is almost entirely national, consequently all payables refer to this geographical area.

16. Accrued liabilities and deferred income

	Value at the beginning of the year	Changes during the year	Year-end value
Accrued liabilities and deferred income	66,480,227	34,512,416	100,992,643

The item Accrued liabilities and deferred income, equal to € 100,992,643, almost entirely includes deferred income relating to fees for students who have submitted an application for enrolment in degree and/or postgraduate courses to the universities of the Group for the academic year 2020/2021 by December 31, 2020; the amount of these deferrals pertaining to the following year was determined on the basis of the duration of the academic year (August 1, 2020 – July 31, 2021). Finally, a residual portion includes deferred income on contributions received and accrued expenses for teaching and tutor costs accrued at the end of the fiscal year.

17. Revenues from sales and services

The following table, summarising the economic trend, highlights the main items that make up the revenues from sales and services in the 2020 fiscal year.

Revenues from sales and services	2020
Fees for enrolment in degree courses	97,826,158
Fees for enrolment in postgraduate courses	18,681,785
Fees for enrolment in single courses	23,070,121
Secretarial rights, issuing of parchments and certificates	5,599,347
Off-site exams	12,175,582
Contribution from undergraduate and postgraduate students	15,428,003
Training courses	2,793,463
EICARD sale	629,484
Publishing services	309,055
Other income related to teaching	10,663,567
Total	187,176,569

The value of sales and services amounting to € 187,176,569, mainly includes the revenues deriving from the training offer of the Universities of the Multiversity Group, training courses and Eipass cards offered by the company Certipass S.r.l., publishing services offered by the company Giapeto Editore S.r.l. and finally all other operating income related to teaching.

The area in which the Group operates is almost entirely national, consequently almost all of the revenues refer to this geographical area.

18. Change in work in progress, semi-finished and finished products

The item change in work in progress, semi-finished and finished products, amounting to € 49,561, essentially includes the change in the inventory of publishing products in the company Giapeto Editore S.r.l.

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

19. Other revenues and income

The following table, summarising the economic trend, highlights the main items that make up the item other revenues and income in the 2020 fiscal year.

<u>Other income</u>	<u>2020</u>
'5 per mille' contribution	325,806
Contributions for research projects and conventions	570,653
Other income from the release of ECP funds	1,281,007
Other contingent assets	590,999
Total	2,768,464

The item other revenues and income amounting to € 2,768,464 mainly includes '5 per mille' contributions and contributions related to university research projects for a total of € 897 thousand. In addition, the item includes the release of the provision relating to excess contributions allocated in previous years on contributions accrued for € 1,281 thousand and other contingent assets for € 590,999.

20. Costs for raw and ancillary materials, consumables and goods

The following table, summarising the economic trend, highlights the main items that make up the costs for raw and ancillary materials, consumables and goods in the 2020 fiscal year.

<u>Costs for raw and ancillary materials, consumables and goods</u>	<u>2020</u>
Advertising material	216,127
Stationery	56,901
Cleaning material	11,194
Maintenance material	52,614
Goods—purchases of teaching materials	94,395
Fuels	12,150
Other consumables	160,698
Total	604,078

The item costs for raw materials, amounting to € 604,078, primarily includes expenses for advertising material, books and materials needed for teaching, expenses for materials for the cleaning and maintenance of the offices of the Group's universities and other products needed for the Group's companies to carry out their ordinary activities.

21. Costs for services

The following table, summarising the economic trend, highlights the main items that make up the costs for services in the 2020 fiscal year.

<u>Costs for services</u>	<u>2020</u>
Contributions to guidance centres	23,650,848
Remuneration of the board of statutory auditors and auditors	575,296
Remuneration of the Board of Directors	659,226
Evaluation Team	145,534
Insurance, bank and postal charges	1,127,580
Tax and administrative consultancy	844,697
Utilities and other services	729,790
Teachers' fees	2,948,712
Advertising	26,840,187
Maintenance, cleaning and security services	803,867
Other costs for services	6,747,883
Total	65,073,620

The item costs for services amounting to € 65,073,620 mainly includes costs for contributions relating to university guidance centres for an amount of approximately € 23.6 million, costs incurred for promotional activities for an amount equal to approximately € 26.8 million, fees to the corporate bodies and the academic

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

evaluation team equal to roughly € 1.37 million, technical, legal and administrative consultancy for an amount of approximately € 845 thousand, insurance and bank charges of amounting to around € 1.13 million and other services connected with the operational management of the various Group companies.

22. Cost for use of third-party assets

The item costs for the use of third party assets for the year ended December 31, 2020 amounting to € 4,629,714 substantially includes rental costs for the numerous offices in the Italian and Maltese territory of the Group's universities, which amount to approximately € 3.2 million, while the remainder mainly relates to the rental of cars and other equipment necessary for the performance of the operating activities of the companies of the Group.

23. Cost of personnel

The item cost of personnel includes the entire expense for employees including social security contributions, the cost of unused holidays and accruals, legal provisions and collective agreements. The amounts of the individual cost items are broken down as follows:

- a) Wages and salaries of € 10,493,946;
- b) Social security charges of € 2,783,951;
- c) Accruals to employee termination indemnity of € 377,449
- d) Other personnel costs of € 28,098;

24. Amortization and depreciation

The depreciation of tangible assets and amortization of intangible assets for the year ended December 31, 2020 is broken down as follows.

<u>Depreciation of fixed assets</u>	<u>2020</u>
Amortisation of intangible assets	35,349,116
Depreciation of property, plant and equipment	1,073,808
Total	36,422,923

The item amortisation of intangible assets includes the amortisation of goodwill, calculated over an estimated useful life of 20 years and amounting to € 28,519,950. The remainder mainly includes the amortisation of trademarks, platforms and rights owned by the Parent Company and in use by the Group's universities.

The item depreciation of property, plant and equipment includes the cost of plant, machinery and equipment in use by the companies of the Group.

The details of this item by single category of tangible and intangible fixed assets are shown in the Assets section of this document.

25. Write-downs of current receivables

In the current year, provision was accrued for a total amount of € 6,037,133 for bad debts. Provisions for bad debt were made by estimating the amounts of credits accrued for academic years prior to 20/21 for which there is a risk of recoverability.

26. Accruals to provisions for risks

In the current year, the company Certipass S.r.l. has accrued a total amount of € 99,867 to the provisions for risks, relating to the PVC (report on findings) notified on 26.10.2020 by the Revenue Agency, as already described above in the paragraph dedicated to the Provisions for Risks and Charges under the liabilities section of the balance sheet.

27. Other operating expenses

Other operating expenses, amounting to € 8,146,917 as of December 31, 2020, mainly include costs for stamp duty paid in virtual mode, for donations to organisations and associations, various taxes and duties and contingent liabilities. It should also be noted that, in March 2020, the subsidiary Università Telematica Pegaso

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

S.r.l. agreed a settlement with the main E-learning Centre Points, which provides for the consensual termination of the agreements in place effective from January 1st, 2020, based on the payment of a total amount of € 4 million, in the form of compensation, and a total consideration of roughly € 16,600 per month, plus VAT, for the entire five-year duration of a series of obligations undertaken by E-learning Centre Points, including the obligation of not undertaking activities in competition with those of the university mentioned previously.

28. Financial income and expenses

Financial income amounting to € 28,732 mainly includes the financial income from the discounting of receivables by Università Telematica Pegaso S.r.l.

Financial expenses, by contrast, amounting to € 140,377, include primarily interest expense on trade payables.

29. Value adjustments of financial assets

Value adjustments of financial assets as at December 31, 2020 amounted to € 98,450, and concern the write-down of the equity investment of Pegaso Online DOO Beograd for € 19,950 and the write-down of long-term receivables due from said entity for € 73,500.

30. Income taxes for the year, current deferred and prepaid

The income tax charge pertaining to the year is determined on the basis of current legislation.

Deferred and prepaid taxes are determined on the basis of the temporary differences between the values of assets and liabilities and the corresponding values for tax purposes. In particular, prepaid taxes are recorded only if there is a reasonable certainty of their future recovery. Deferred taxes, on the other hand, are not recognised if there is a low probability that the related payable will arise.

Current taxes amount to € 25,755,174, related entirely to IRES.

The use of deferred taxes amounts to € 286,858, as already described previously in the paragraph relating to the Provisions for Risks and Charges, while prepaid taxes capitalised in the year and with an effect on the income statement amount to € 117,707.

Other information

31. Employment data

In compliance with the provisions of art. 2427 no. 15 of the Italian Civil Code, we inform you that the average number of employees as of December 31, 2020 is:

	<u>Workers</u>	<u>Teachers</u>	<u>Employees</u>	<u>Researchers</u>	<u>Executives</u>	<u>Total</u>
Average number	1	260	252	12	6	531

32. Remuneration and advances of directors and statutory auditors

The remuneration, advances and loans granted to directors and statutory auditors are shown in the following table:

	<u>Directors</u>	<u>Statutory Auditors and Auditors</u>
Compensation	659,226	575,296

33. Information on transactions with related parties

Information is provided on transactions with related parties, aggregated according to nature, as separate information is not considered necessary in order to understand the effects of the transactions on the Group's balance sheet.

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

Effects on the income statement (in thousands of Euro):

	Parent company	Subsidiary companies	Associated companies	Other companies	Total related parties
Value of production	—	—	—	—	—
Costs of production	—	—	—	1,215	1,215
Financial income and expenses	—	—	—	—	—

Commercial relations amounting to € 1.21 million refer to rental expenses and condominium expenses amounting to € 840 thousand with the company Bellerofonte S.r.l. relating to the building at Tower F/2 located in the Centro Direzionale (Business Centre) di Napoli (NA) where the Group's management, teaching, technical-IT, administrative and financial offices are located. For approximately € 375 thousand, reference is made to relations with Mr. Danilo Iervolino, regarding the rents paid for the property located in Piazza Trieste e Trento, 48 Naples (NA) where Università Telematica Pegaso S.r.l. has its registered office.

Effects on the balance sheet (in thousands of Euro):

	Parent company	Controlled indirectly	Associated companies	Other companies	Total related parties
Trade receivables	—	—	—	1,212	1,212
Financial receivables	43,908	—	51	—	43,959
Trade payables	—	—	—	—	—
Financial payables	—	—	—	178	178
Other payables	—	—	—	—	—

Trade receivables, amounting to € 1,212 thousand, refer to rent instalments paid early to Mr. Danilo Iervolino for the property located in Piazza Trieste e Trento, 48 Naples (NA) where Università Telematica Pegaso S.r.l. has its registered office.

Financial receivables, amounting to € 43,959, refer to:

- € 43,908 thousand for receivables due from the shareholder Multiversity S.p.A. relating to the sale by Università Telematica Pegaso S.r.l. of financial holdings in subsidiaries in the previous year;
- € 51,250 to long-term receivables for loans due to Giapeto Editore S.r.l. from the associated company Quotidiano Il Golfo S.r.l.

Financial payables of € 178 refer to a residual payable of the Mercatorum University to the shareholder Si.Camera.

34. Information on off-balance sheet agreements

There are no off-balance sheet agreements other than those already described in this document. It should also be noted that the Parent Company has the right to exercise the right of option to purchase the residual 50% of the share capital of the associated company Certipass S.r.l. by 30 June 2021 at a defined price.

35. Information on significant events occurring after the close of the fiscal year

With reference to the performance of Università Telematica Pegaso S.r.l, the Group's main strategic asset, in the period of pandemic emergency, it should be noted that the indirect subsidiary, given the method of providing courses in e-learning mode, did not suffer any impact on the performance of enrolments compared to the same period of the previous year.

On May 2, 2021 a bill was approved in the Senate, awaiting publication in the gazette, concerning the amendment to article 142 of the consolidated act referred to in the royal decree no. 1592 of August 31, 1933, concerning the abolition of the ban on simultaneous enrolment at different universities, at different faculties or schools of the same university and at different degree or diploma courses of the same faculty or school. This represents a highly modern approach since the existence of the now anachronistic prohibition described, actually established in a profoundly different historical and social context, affects a situation that sees our country in a

Notes to the consolidated financial statements as of and for the year ended December 31, 2020

highly critical position in comparison with most of European countries, and also allows the possibility of creating multidisciplinary paths and focusing on the enhancement and support of that training potential which, put to good use, constitutes the driving force for the country's longed-for social growth.

On February 2, 2021, Ministerial Decree 133 was issued (Amendment of the guidelines attached to Ministerial Decree no. 386/2007—Flexibility of study courses) aimed at universities.

In order 'to enhance the university autonomy in determining the educational systems of the study courses with regard to similar or supplementary training activities and to allow greater flexibility in the determination of the training courses', it is established that: the university institutions, in the their autonomy, define the related or supplementary activities, referred to in art. 10, paragraph 5, of the regulation adopted with decree no. 270 of October 22, 2004, in the educational regulations of the course of study, in line with the objectives of the training course. In the educational system, only the total credits assigned to these activities are indicated.

All training activities relating to scientific-disciplinary sectors not envisaged for basic and specialised activities can be part of the similar or supplementary activities, as defined by the ministerial decrees determining the degree classes and master's degree classes, which ensure a multi-disciplinary and inter-disciplinary training of the student.

The related and supplementary training activities can be organised in the form of teaching courses, laboratories, exercises, seminars or other activities as long as they are aimed at acquiring knowledge and skills functionally related to the cultural and professional profile identified by the course of study.

Ministerial Decree 289/2020 was published on March 25, 2021 concerning the GENERAL GUIDELINES FOR THE PROGRAMMING OF UNIVERSITIES 2021-2023 and INDICATORS FOR THE PERIODIC EVALUATION OF THE RESULTS for which the definition of new indicators is expected for the initial and periodic accreditation of university offices and courses by of ANVUR.

The valuation criteria set forth herein comply with the statutory regulations and the results of the consolidated financial statements correspond to the accounting records kept in compliance with the regulations in force. These explanatory notes, as well as the entire financial statements of which they constitute an integral part, give a true and fair view of the equity and financial situation of the Group and the economic result for the year.



CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

PREPARED IN ACCORDANCE WITH ITALIAN GAAP

**Multiversity S.r.l.
Registered Office
Rome, Piazza Mattei, 10**

This Consolidated Full Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

Independent Auditors' Report

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 (Translation from the original Italian text)

To the Shareholders of
Multiversity S.r.l.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Multiversity Group, which comprise the balance sheet as at December 31, 2019, the income statement and consolidated statement of cash flows for the fiscal year beginning October 1, 2019 and for the year then ended, and explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Multiversity S.r.l. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

Our audit was carried out in the context arisen as a result of the COVID 19 outbreak and related measures, including restrictions of movement, issued by the Italian Government to protect the health of citizens. Consequently, due to circumstances of force majeure, our audit procedures, defined by the professional standards, have been carried out in the context of (i) a rescheduled personnel organization, based on a wide use of working from home and (ii) of different ways of interfacing with the company employees and gathering evidence, through the use, for the most part, of electronic documentation transmitted to us with techniques of communication at distance.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Multiversity S.r.l. or to cease operations, or have no realistic alternative but to do so.

The audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

Independent Auditors' Report

accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Multiversity S.r.l. are responsible for the preparation of the Report on Operations¹ of Multiversity Group as at December 31, 2019, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Multiversity Group as at December 31, 2019 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Multiversity Group as at December 31, 2019 and comply with the applicable laws and regulations.

¹ The Report on Operations is not included in this Offering Memorandum

Independent Auditors' Report

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Naples, June 26, 2020

EY S.p.A.

Signed by: Mauro Ottaviani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

Multiversity S.r.l. and Subsidiaries
CONSOLIDATED BALANCE SHEET
As of December 31, 2019

in units of €	As of December 31,	
	2019	Notes
Assets		
B) NON-CURRENT ASSETS		
I Intangible assets (net of accumulated amortisation)		
1) Start-up and expansion costs	52,752	(3)
2) Development costs	—	(3)
3) Industrial patent and intellectual property rights	37,463,960	(3)
4) Concessions, licences, trademarks and similar rights	1,533,866	(3)
5) Goodwill	568,075,693	(3)
6) Fixed assets in progress and advances	207,404	(3)
7) Other intangible assets	1,173,745	(3)
Total Intangible assets	608,507,420	
II Property, plant and equipment (net of accumulated depreciation)		
2) Plants and equipment	164,764	(4)
3) Industrial and commercial equipment	60,273	(4)
4) Other tangible assets	2,651,277	(4)
5) Fixed assets in progress and advances	255	(4)
Total property, plant and equipment	2,876,568	
III Investments		
1 Equity investments in		
1 a) Equity investments in subsidiaries	19,950	(5)
1 b) Equity investments in associated companies	210,162	(5)
1 d-bis) Other companies	32,087	(5)
Total financial holdings	262,199	
2 Receivables		
2a) Due from subsidiaries	73,500	(6)
2b) Due from associated companies	60,000	(6)
2d-bis) Due from others	44,342,642	(6)
Total financial receivables	44,476,142	
3 Other securities		
Total Other securities	—	
TOTAL NON-CURRENT ASSETS	656,122,330	

Multiversity S.r.l. and Subsidiaries
CONSOLIDATED BALANCE SHEET
As of December 31, 2019

in units of €	As of December 31,	
	2019	Notes
C) CURRENT ASSETS		
I Inventories		
1) Raw, ancillary and consumable materials	34,689	
4) Finished products and goods	79,679	
Total inventories	114,368	
II Receivables with separate indication, for each item, of the amounts due within the next fiscal year		
1) Receivables from customers (net of bad debt provision)	69,738,040	(7)
5 bis) Tax receivables	408,593	(7)
5 ter) Deferred tax assets	119,005	(7)
5 quater) Receivables due from others	1,957,097	(7)
Total receivables	72,222,735	
IV Cash and cash equivalents		
1) Bank and post office deposits	35,754,294	(8)
2) Cheques	1,393	(8)
3) Cash on hand	10,507	(8)
Total cash and cash equivalents	35,766,194	
TOTAL CURRENT ASSETS	108,103,297	
D) ACCRUED INCOME AND PREPAID EXPENSES	636,100	(9)
TOTAL ASSETS	764,861,726	

Multiversity S.r.l. and Subsidiaries
CONSOLIDATED BALANCE SHEET
As of December 31, 2019

in units of €	As of December 31,	
	2019	Notes
A) Shareholders' equity		
I Share capital	10,000,000	
II Share premium reserve	640,812,341	
IV Legal reserve	—	
VI Consolidation reserve	—	
VII Profits (losses) carried forward	—	
IX Profit (loss) for the year	633,224	
Total Group shareholders' equity	651,445,565	
Capital and reserves pertaining to minority interests	1,831,184	
Profit (loss) of minority interests	—	
Total shareholders' equity pertaining to minority interests	1,831,184	
Total consolidated shareholders' equity	653,276,749	(10)
B) Provisions for risks and charges		
1) for pensions and similar obligations	124,800	(11)
2) for taxes, including deferred	16,216,743	(11)
4) Others	1,982,018	(11)
Total Provision for Risks and Charges	18,323,561	
C) Employees termination indemnity	887,551	(12)
D) Payables with separate indication, for each item, of the amounts due beyond the next fiscal year		
3) Payables to shareholders for loans	178	(13)
4) Payables to banks	496	(13)
6) Advances	2,447,755	(13)
7) Payables to suppliers	14,530,238	(13)
10) Payables to associated companies	3,750	(13)
12) Tax payables	5,388,472	(13)
13) Payables to welfare and social security institutions	749,505	(13)
14) Other payables	2,773,244	(13)
Total Payables	25,893,638	
E) ACCRUED INCOME AND PREPAID EXPENSES	66,480,227	(14)
TOTAL LIABILITIES	764,861,726	

Multiversity S.r.l. and Subsidiaries
CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2019

in units of €	Year ended as of December 31,	
	2019	Notes
A) Production value		
1) Revenues from sales and services	1,823,938	
2) Change in inventories of work in progress and finished products	—	
5) Other revenues and income, with separate indication of operating grants	—	
<i>Operating grants</i>	—	
<i>Others</i>	—	
Total Value of Production	1,823,938	(15)
B) Costs of production		
6) Costs for raw and ancillary materials, consumables and goods	—	
7) Costs for services	87,627	(17)
8) Costs for use of third-party assets	4,404	(18)
9) Cost of personnel:		
9-a) wages and salaries	144,092	(19)
9-b) social security charges	41,575	(19)
9-c) termination indemnity	22,784	(19)
9-e) other costs	—	(19)
10) Amortisation, depreciation and write-downs:		
10-a) amortisation of intangible fixed assets	927,143	(20)
10-b) depreciation of tangible fixed assets	3,276	(21)
10-d) write-down of current receivables	—	
11) Change in inventories of raw and ancillary materials	—	
12) Accruals to provisions for risks	—	
14) Other operating expenses	353	(22)
Total production costs	1,231,436	(16)
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION A-B	592,502	
C) Financial income and expenses		
16) Other financial income	—	
17) Financial charges	—	
Total financial income and expenses	—	
D) Value adjustments of financial assets		
19) Write-downs		
19-a) of equity investments	—	
19-b) of financial fixed assets	—	
Total value adjustments of financial assets	—	
Profit before taxes (A-B+/-C+/-D)	592,502	
Taxes for the year: current, deferred, prepaid		
22) Current income taxes for the year	226,359	(23)
Prepaid and deferred taxes	(267,081)	(23)
Taxes relating to previous years	—	(23)
Total income taxes for the year: current, deferred, prepaid	(40,722)	
Profit/(loss) for the year	633,224	
Attributable to:		
The Group	633,224	
Minority interests.	—	

Multiversity S.r.l. and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended December 31, 2019

	Year ended as of December 31, <u>2019</u>
A. Cash flows from operating activities	
Profit/(loss) for the year	633,224
Income taxes	(40,722)
Interest expenses / (income)	—
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from disposal	<u>592,502</u>
Adjustments to non-monetary items that do not affect net working capital (NWC)	
Accruals to provisions for liabilities	22,784
Amortization and depreciation	930,419
Total adjustments to non-monetary items that do not affect NWC	<u>953,203</u>
2) Cash flow before changes in net working capital	<u>1,545,705</u>
Changes in net working capital	
Decrease/(Increase) in receivables from customers	(1,060,963)
Increase/(Decrease) in payables to suppliers	321,252
Decrease/(Increase) in other receivables, payables, accruals and other assets and liabilities	(925)
Total changes in net working capital	<u>(740,636)</u>
Cash flow from operating activities (A)	<u>805,069</u>
B. Cash flows from investing activities	
Tangible fixed assets	
(Investments)	(23,771)
Intangible assets	
(Investments)	(202,715)
Cash flow from investing activities (B)	<u>(226,486)</u>
C. Cash flows deriving from financing activities	
Third party capital	
Increase (decrease) in short-term payables to banks	(19)
Cash flow from financing activities (C)	<u>(19)</u>
Increase (decrease) in cash and cash equivalents (A ± B ± C)	<u>578,564</u>
Cash and cash equivalents at the beginning of the year	<u>100,000</u>
Consolidated cash and cash equivalents	<u>35,087,631</u>
Cash and cash equivalents at the end of the year	<u>35,766,194</u>

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

1. Introduction and other information

This document represents the first consolidated financial statements prepared by Multiversity S.r.l. (hereinafter also the 'Parent Company' or 'Company'), established on October 1, 2019, which closed with a consolidated profit for the year of € 633,224 net of taxes of accrued in the year and shows the economic-financial data of a three-month year of activity of solely the Parent Company. The reason for this simplification is described in more detail in the section dedicated to the consolidation criteria.

For this reason, the layouts of the Balance Sheet and Profit and Loss Account do not show the corresponding values of the previous financial statements.

These consolidated financial statements as at December 31, 2019, consisting of the Balance Sheet, the Income Statement, the Cash Flow Statement and the Explanatory Notes, have been drawn up in compliance with the drafting principles and the formats referred to in articles 2423 et seq. of the Italian Civil Code and the legislation set forth in Legislative Decree no. 127 of 9/4/1991, without applying any of the exceptions provided for by art. 2423, paragraph 5, of the Italian Civil Code.

The aforementioned legislation has been interpreted and supplemented, where necessary, by the accounting standards issued by the Italian Accounting Standards Setter (OIC), in their version revised in 2016.

These consolidated financial statements, drawn up in Euro units, consist of the Balance Sheet (prepared in accordance with the format provided for by articles 2424 and 2424 bis of the Italian Civil Code), the Income Statement (prepared in accordance with the format referred to in to articles 2425 and 2425 bis of the Italian Civil Code), the Cash Flow Statement (the content of which, in compliance with article 2425-ter of the Italian Civil Code, is presented in accordance with the provisions of the accounting standard OIC 10) and these Explanatory Notes, drawn up in accordance with the provisions of art. 2427 and 2427-bis of the Italian Civil Code.

The entire document, as regards the parts of which it is composed, has been drawn up in such a way as to give a true and fair view of the financial position of the Multiversity Group ('Group'), as well as of the economic result for the year, providing, where necessary, additional complementary information for this purpose.

In relation to the content of the explanatory notes pursuant to art. 2427 of the Italian Civil Code, the Group:

- has not issued any bonds and/or similar financial instruments;
- did not carry out any financing transactions with the temporary sale of assets during the 2019 fiscal year;
- has not carried out any asset lending transactions against a security deposit of a sum of money;
- has no off-balance sheet agreements in place other than those reported in both these Explanatory Notes and in the Report on Operations, knowledge of which is useful for evaluating the equity and financial situation of the company;
- has not carried out any atypical or unusual transactions, or transactions that are unrelated to the normal management of the company or capable of significantly affecting the Group's economic and equity situation;
- has not issued any shares with regular dividend entitlement and bonds convertible into shares, or securities or similar instruments pursuant to art. 2427, first paragraph, no. 18 of the Italian Civil Code;
- does not have any separate assets dedicated to specific business or any special-purpose loans pursuant to art. 2447 bis et seq. of the Italian Civil Code.

In accordance with the provisions of art. 2423-bis of the Italian Civil Code, the following principles were observed in the preparation of the consolidated financial statements:

- the individual items were measured on the basis of the principles of prudence and based on the going concern assumption, as well as taking into account the economic function of the asset or liability element considered;
- only the profits actually realised during the year have been indicated;
- the income and expenses for the year have been indicated, regardless of when they were collected;

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

- the risks and losses pertaining to the year were considered, even if they became known after its closure;
- the dissimilar elements included in the various items of the consolidated financial statements have been assessed separately.

The Balance Sheet, the Income Statement and the Cash Flow Statement are drawn up in Euro units, rounding the amounts up or down; also in the explanatory notes the amounts are expressed in Euro units as they guarantee a better understanding of the document.

For the elements of the assets or liabilities that fall under more than one item of the financial statements, the explanatory notes also outline whether they belong to the items other than those in which they are recorded, if this is necessary for the purposes of understanding the financial statements.

Where applicable, the principles and recommendations published by the professional bodies responsible for accounting were also observed, in order to give a true and fair view of the equity, financial and economic situation.

The share capital of the Parent Company at the date of incorporation was equal to € 100,000, fully subscribed by the company Multiversity S.p.A. The incorporation is effective from October 4, 2019.

In October 2019, a corporate restructuring operation was carried out for the entry of the new financial partner into the share capital of the Parent Company, described below, whose objective is, in summarised form:

- the transfer of the business unit, on October 25, 2019 by Multiversity S.p.A., in favour of Multiversity S.r.l., a newly formed company, including the investment held in Università Telematica Pegaso S.p.A. (direct parent of Università Telematica S.r.l.). As a result of this extraordinary transaction, Multiversity S.r.l. acquired indirect control, through Università Telematica Pegaso S.p.A., of Università Telematica S.r.l., as well as joint control of the investment in Certipass S.r.l.;
- the entry into the capital of the Parent Company Multiversity S.r.l. of the new financial partner Paganini Investments Sàrl.

It should be noted that, following the sale of the 50% stake in Multiversity S.r.l., Multiversity S.p.A. lost full control due to joint control and this case makes the accounting envisaged by OPI 1 not applicable.

All the steps of the transaction summarised above are explained below.

On October 25, 2019, Multiversity S.p.A. transferred to Multiversity S.r.l., with effect from October 28, 2019, the business unit that carries out university training support services.

As a result of the aforementioned contribution, the value of which is equal to € 650 million, all existing relationships and all new activities relating to the aforementioned business unit are headed by the Parent Company with the aim of rationalising all the experience gained in the field of university training and replicating them in order to create the first 'Global University' with the same technology, philosophy, values and methods as such to make students feel at home in every university in the various countries of the world and allow the creation of multiple interdisciplinary and multicultural learning channels; a genuine 'Business Model' aimed at university and postgraduate training.

Finally, on November 4, 2019 Multiversity S.p.A. sold 50% of Multiversity S.r.l. to the company Paganini Investments S.a.r.l.

During the 2019 fiscal year, the transformation process of the subsidiary Università Telematica Pegaso (controlled by Università Telematica Pegaso S.p.A. which turns out to be the promoter, in turn wholly-owned by Multiversity S.r.l.) into a 'joint stock company' was completed, undertaken during the 2018 fiscal year. The process was definitively concluded with the registration in the Register of Companies of Naples, on 25.06.2019, of the transformation resolution adopted by the BoD on 19.11.2018.

From a legal point of view, the transformation transaction implemented by the University falls within the so-called 'progressive heterogeneous transformations' governed by art. 2500-octies of the Italian Civil Code; the main effect of this operation was the University's move from a non-commercial entity to a limited liability company.

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

In February 2019, the indirect subsidiary Università Telematica Pegaso S.r.l. established Principe di Napoli S.c.a.r.l. (jointly with the subsidiary Universitas Mercatorum, which holds a 10% stake in the share capital of the same), a consortium company with the aim of coordinating, carrying out and supporting the procedures and deeds relating to the implementation, on behalf of the two consortium members (Università Telematica Pegaso S.r.l. and Universitas Mercatorum), of their respective management programmes. In particular, the company favours coordination between the shareholders with reference to the concession contract for the management and use of the property 'Colonia Montana Principe di Napoli as a Centre for Higher Education and Postgraduate Studies in the gastronomy and tourism sectors', stipulated with the Municipality of Agerola in execution of the award of the open tender procedure announced by means of GC resolution no. 105 of September 14, 2018 and with subsequent determination of the LLPP (Public Works) and Environment Sector of the aforementioned Municipality no. 140 of September 19, 2018. The facility was temporarily closed due to the COVID emergency and is close to the complete resumption of educational activities.

The Parent Company is not subject to management and coordination activities pursuant to Article 2497 of the Italian Civil Code.

The shareholders' meeting on November 4, 2019 appointed the auditing company EY S.p.A. as the statutory auditors of the separate and consolidated financial statements of Multiversity S.r.l. for the three-year period 2019/2021.

The details of the transfer of a business unit by Multiversity S.p.A. are shown below:

BALANCE SHEET—ASSETS	Transfer value in units of €	BALANCE SHEET—LIABILITIES	Transfer value in units of €
Intangible assets	37,215,073	Provisions for risks and charges	18,308,227
Mobile App	22,321	Provision for deferred taxes	18,308,227
Platforms	35,726,855	Employee termination indemnity ...	35,401
Social Network	8,896	Payables for Employee termination indemnity	35,401
Software use licence	81,233	Payables to suppliers	22,949
Brand name	1,365,446	Payables to suppliers	22,949
Other intangible assets	10,322	Payables to subsidiaries	77,433
Investments in subsidiaries	627,504,967	Payables due to subsidiaries	77,433
UNIVERSITÀ TELEMATICA PEGASO S.p.A.	627,504,967	Payables to social security institutions	10,697
Investments in associated companies	3,003,249	Payables to social security institutions	10,697
Equity investment in Certipass S.r.l.	3,003,249	Other payables	74,272
Receivables from subsidiaries	1,506,279	Employees—salaries	17,001
Receivables due from Unipegaso	1,505,770	Employees—accruals	57,271
Receivables due from other subsidiaries	509		
Accruals and Deferrals	11,752		
Accruals and deferrals	11,752		

2. Basis of presentation and consolidation

2.1 Basis of presentation

The valuation criteria adopted for the preparation of the consolidated financial statements are in line with those used by the Parent Company, supplemented where necessary with the accounting principles adopted for particular items of the consolidated financial statements.

The valuation of the individual items is carried out according to the principles of prudence and accrual accounting, based on a going concern assumption, taking into account the economic function of the assets and liabilities, considered as envisaged by art. 2423-bis of the Italian Civil Code.

For the elements of the assets or liabilities that fall under more than one item of the financial statements, the explanatory notes also outline whether they belong to the items other than those in which they are recorded, if this is necessary for the purposes of understanding the financial statements.

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

Where applicable, the principles and recommendations published by the professional bodies responsible for accounting were also observed, in order to give a true and fair view of the Group's equity, financial and economic situation.

There have been no exceptional cases, incompatible with the general clause of true and fair view, pursuant to art. 2423, paragraph 5 of the Italian Civil Code, which required an exception to the legal provisions for the preparation of the consolidated financial statements.

In compliance with accounting standard OIC 29, no corrections have been made in the consolidated financial statements for significant errors committed in previous years.

2.2 Scope and basis of consolidation

The consolidated financial statements of the Group include the financial statements of Multiversity S.r.l. and of the Italian and foreign subsidiaries pursuant to article 2359 of the Italian Civil Code, which are consolidated on a line-by-line basis.

For this purpose, the following are considered subsidiaries:

- companies in which another company holds most of the votes that can be exercised at the ordinary shareholders' meeting;
- companies in which another company has enough votes to exercise a dominant influence in the ordinary shareholders' meeting;

In any case, the following are considered subsidiaries:

- companies over which another has the right, by virtue of a contract or a statutory clause, to exercise a dominant influence, when the applicable law allows such contracts or clauses;
- companies in which another, on the basis of agreements with other shareholders, alone controls the majority of the voting rights.

The equity investments in which the Parent Company holds joint control are also consolidated by applying the proportional method. Equity investments in associated companies were measured by applying the equity method (*so-called synthetic consolidation*).

Subsidiaries are excluded from line-by-line consolidation when their inclusion would be irrelevant for the purposes of representing clearly and in a true and fair manner the equity and financial situation and the economic result of the group (*art. 28, paragraph 2, letter a of Legislative Decree 127/1991*).

The table below shows the list of companies included in the consolidated financial statements using the line-by-line, proportional or equity method:

Company name	Headquarters	Share Capital	Consolidation Method	Shareholding		
				Direct	Indirect	% control
Multiversity S.r.l.	Rome	10,000,000	Parent company	n.a.	n.a.	n.a.
Certipass S.r.l.	Bari	10,000	Proportional	50%	—	50%
Pegaso S.p.A.	Rome	200,000	Line-by-line	100%	—	100%
Open Class S.r.l.	Naples	10,000	Line-by-line	—	100%	100%
Uniglobal Invest Ltd.	Malta	5,000	Line-by-line	—	100%	100%
Pegaso International Ltd.	Malta	1,200	Line-by-line	—	100%	100%
UniPegaso S.r.l.	Naples	1,000,000	Line-by-line	—	100%	100%
Pegaso Management S.r.l.	Naples	100,000	Line-by-line	—	100%	100%
Universitas Mercatorum S.r.l.	Rome	7,490,000	Line-by-line	—	66.67%	66.67%
Unimercaforum (Institution)	Rome	—	Line-by-line	—	66.67%	66.67%
Giapeto S.r.l.	Naples	30,000	Line-by-line	—	100%	100%
3D Civil S.r.l.	Naples	10,000	Line-by-line	—	85%	85%
Pegaso Online University S.r.l.	Naples	500,000	Line-by-line	—	100%	100%
Principe di Napoli S.c.a.r.l.	Naples	50,000	Line-by-line	—	100%	100%
Benecon S.r.l.	Naples	30,000	Net P.	—	20.28%	20.28%

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

The table below shows the list of companies excluded from consolidation:

Company name	Headquarters	Share Capital	Shareholding		
			Direct	Indirect	% control
Pegaso Online Doo Beograd	Serbia	2,362,929 (RSD)	—	100%	100%
Il Golfo Newspaper	Naples	10,000	—	50%	50%

The financial statements used for the consolidation are those approved by the respective Shareholders' Meetings for the year ended December 31, 2019 or, if not yet approved, the draft financial statements of the Group companies approved by the respective administrative bodies.

The financial statements of some companies included in the consolidation have been reclassified and adjusted to bring them into line with the accounting principles adopted by the Group; in particular, those of the foreign companies have been appropriately reclassified to make the balance sheet and financial data and the form of presentation consistent with that required for the preparation of the consolidated financial statements.

The consolidation principles adopted for the preparation of the consolidated financial statements are as follows:

- the financial statements of the subsidiaries included in the consolidation area have been consolidated using the line-by-line method, which consists in the assumption of the assets, liabilities, income and expenses in their total amount, regardless of the size of the shareholding held and the attribution to third-party shareholders, in the items 'Capital and reserves pertaining to minority interests' and 'Profit/(Loss) for the year attributable to minority interest', respectively, of the portion of shareholders' equity and profit/loss for the year pertaining to them.
- the financial statements of the companies in which the Parent Company holds joint control are consolidated by applying the proportional consolidation method, which provides for the proportional inclusion in the consolidated financial statements of the assets, liabilities, costs, revenues and cash flows of the companies over which it exercises joint control with shareholders not belonging to the group, considering only the part of their value corresponding to the interest held directly or indirectly by the parent company.
- The financial statements of associated companies are valued by applying the equity method, with which the original cost of the investment changes in the periods following the acquisition of the investment to take into account the pertinent shares of profits and losses and other changes in the shareholders' equity of the investee.
- The book value of equity investments consolidated using the line-by-line method was eliminated against the corresponding share of shareholders' equity, less the result for the year, at the date of first inclusion in the consolidation (taking into account what is specified in the next point). The difference between the acquisition cost and the net equity at fair value of the subsidiaries at the consolidation date is allocated, where possible, to the assets and liabilities of the subsidiaries net of deferred taxes, where applicable; any remaining difference, if positive and if the requirements for recording goodwill provided for by OIC 24 are met, is recognised in the item 'Goodwill' within intangible assets. The residual difference that cannot be allocated to assets and liabilities and to goodwill is charged to the income statement under item 'B14 Other operating expenses'.
- With regard to the date relating to the first inclusion in the scope of consolidation, it should be noted that the Parent Company, having finalised the transfer described above on 27 October 2019 and not having approved financial statements close to that date, decided to make use of the option granted by accounting standard OIC 17 to proceed with the first consolidation on the date in which the company is included in the consolidation area for the first time, and therefore with effect from December 31, 2019.
- Goodwill is amortised on the basis of estimated economic use according to its useful life, taking into account all the information available to determine the period in which the economic benefits will materialise; in exceptional cases in which it is not possible to reliably estimate their life, it is amortised over a period not exceeding ten years.
- If an excess of shareholders' equity is recognised over the acquisition cost, after having reduced, if necessary, the values of the assets recorded to their recoverable value and of the liabilities recognised to a value lower than their settlement value, net of prepaid taxes and having established the 'Consolidation

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

provision for future risks and charges' against estimated liabilities, this would be credited to the consolidated shareholders' equity under the item 'Consolidation reserve'. The portion of shareholders' equity attributable to minority interests of the consolidated subsidiaries is entered under the item 'Capital and reserves pertaining to minority interests' of the shareholders' equity, while the minority interests' share of the net result is shown separately in the consolidated income statement under the item 'Profit/(loss) of pertaining to minority interests'.

- The credit and debit items between the companies included in the consolidation have been eliminated.
- The income and charges relating to transactions between the companies included in the consolidation, starting from the first consolidation, have been eliminated.
- Significant profits and losses deriving from transactions between companies included in the consolidation relating to values still included in the balance sheet at the end of the year have been eliminated.
- Dividends distributed within the group were reversed from the consolidated income statement.
- The conversion into Euro of financial statements expressed in foreign currencies is carried out using the 'current exchange rate' method. The historical exchange rate at the date of first consolidation at December 31, 2019 was used for the items of shareholders' equity, the year-end exchange rate for the assets and liabilities of the balance sheet and the average exchange rate for those of the income statement. Any foreign exchange translation differences are charged directly to shareholders' equity in the specific item 'Translation reserve'.
- The differences deriving from the elimination of intra-group payables, receivables, costs and revenues in foreign currencies have been recorded under item '17-bis) Exchange gains and losses'.
- A deferred tax provision has been recorded on not distributable profits and reserves subject to deferred tax in consideration of any possible future distribution.

2.3 Valuation criteria applied

This section presents, in detail, the criteria that contributed to the formation of the individual items of the consolidated financial statements.

Assets

Non current assets

Intangible assets

Intangible assets are recorded at purchase cost including any accessory costs, financial charges and direct and indirect costs incurred before the use of the asset, for the portion reasonably attributable to them.

The cost of intangible assets, the use of which is limited over time, is systematically amortised in each fiscal year according to their residual possibility of use. In particular, depreciation rates are applied that reflect the estimated economically useful life of the assets.

The rates used are summarised in the following table:

Category	Rate
Goodwill	10%
Start-up and expansion costs	20%
Mobile App	14.3%
Brand names	5.56%
Fixed-term software licences	20%
IT platforms	14.3%
Social Network	20%
Other intangible assets	Based on the lease agreement or 20%
Usufruct	8.33%

It should be noted that the mobile applications, IT platforms and social networks owned by the Group came into operation during the 2016 fiscal year.

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

The cost of these intangible assets also includes the costs incurred for filing copyrights in the public software register.

Property, plant and equipment

Property, plant and equipment are recognised on the date on which the risks and benefits associated with the acquired assets are transferred and are recognised, within the limit of the recoverable value, at purchase or production cost net of the related accumulated depreciation, including all costs and directly attributable ancillary charges, indirect costs relating to internal production, charges relating to the financing of internal manufacturing incurred during the manufacturing period and up to the time when the asset can be used.

No legal revaluations have been carried out and the maximum limit of the measurements is the value in use, determined objectively, of the asset itself.

Property, plant and equipment are systematically depreciated each year on the basis of economic-technical rates determined in relation to the residual possibility of use of the assets, a criterion considered fully represented by the following depreciation rates, which have remained unchanged with respect to the previous year:

<u>Category</u>	<u>Rate</u>
Buildings	3.33%
Generic plants	15%
Specific plants	25%
Furniture and furnishings	15%
Electromechanical and electronic machines	25%
Cars	25%

Write-downs for impairment of tangible and intangible assets

At each balance sheet date, the Group assesses whether there is any indicator to suggest a fixed asset may have suffered impairment. If these indicators were to exist, the Group would estimate the recoverable value of the asset by making a write-down only if the latter were lower than the corresponding net book value. In the absence of indicators of potential impairment, the recoverable value is not determined.

When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.

The recoverable value of an asset is the greater of the fair value less costs to sell and its value in use determined as the present value of estimated future cash flows.

An impairment is recognised if the recoverable value is lower than the book value. When, subsequently, a loss on assets, other than goodwill, ceases or is reduced, the book value of the asset or the cash-generating unit is increased up to the new estimate of the recoverable value without exceeding the value that would have been determined if no loss had been detected.

Financial assets

Equity investments

Equity investments in unconsolidated 'subsidiaries' and 'other equity investments' are measured at purchase or subscription cost, including accessory charges and adjusted to take into account any capital losses deemed to be permanent.

The cost of the equity investments is not maintained, in compliance with the provisions of article 2426, number 3), of the Italian Civil Code, if, at the end of the fiscal year, the equity investment is permanently lower than the cost value. Impairment is determined by comparing the book value of the investment with its recoverable value, based on the future benefits that are expected to flow into the investee's economy. Impairment is permanent when, justifiably, the causes of said impairment are not expected to be eliminated in a short period of time, i.e. in a period so short as to make it possible to formulate reliable forecasts based on objective and

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

reasonably verifiable facts. If, on the other hand, the investee has prepared plans and programmes aimed at restoring the conditions of economic-financial equilibrium, with characteristics as such to justify the belief that the impairment of the investment is temporary, this can be defined as non-permanent.

Equity investments include investments in joint stock companies, consortium companies and consortia. Equity investments recorded under fixed assets represent a long-lasting and strategic investment by the Group.

In the consolidated financial statements there are no long-term investments for a value higher than their fair value.

Receivables

Receivables originating from revenues for the sale of goods or the provision of services are recognised under current assets on the basis of the accrual principle when the conditions for the recognition of the related revenues are met.

Receivables originating for different reasons are recognised if there is a 'title' to the receivable and therefore when they actually represent a third-party obligation to the company; if of a financial nature they are classified under financial fixed assets, with an indication of the portion due within the next fiscal year.

Receivables are valued in the financial statements at amortised cost, taking into account the time factor, and within the limits of their presumed realisable value and, therefore, are shown in the balance sheet net of the related bad debt provision deemed adequate to cover losses due to reasonably foreseeable non-collectability.

If the interest rate of the transaction is not significantly different from the market rate, the receivable is initially recorded at a value equal to the nominal value net of all premiums, discounts, rebates and inclusive of any costs directly attributable to the transaction, which generated the receivable. These transaction costs, any commission income and expense and any difference between the initial value and the nominal value at maturity are spread over the duration of the loan using the effective interest criterion.

On the other hand, when the interest rate of the transaction inferable from the contractual conditions is significantly different from the market rate, the receivable (and the corresponding revenue in the case of commercial transactions) is initially recorded at a value equal to the present value of future cash flows plus any transaction costs. The rate used to discount future flows is the market rate.

In the case of receivables arising from commercial transactions, the difference between the initial recognition value of the receivable thus determined and the forward value is recognised in the income statement as financial income over the duration of the receivable using the effective interest rate criterion.

In the case of financial receivables, the difference between the cash and cash equivalents disbursed and the present value of future cash flows, determined using the market interest rate, is recognised under financial income or expense in the income statement at the time of initial recognition, unless the substance of the transaction or contract leads to the attribution of a different nature to this component. Subsequently, the interest income accruing on the transaction is calculated at the effective interest rate and charged to the income statement with the value of the receivable as a contra entry.

The value of the receivables is subsequently reduced by the amounts received, both by way of principal and interest, as well as for any write-downs to bring the receivables back to their presumed realisable value or for losses.

The Group assumes that the effects deriving from the application of the amortised cost and the discounting back are not relevant when the maturity of the receivables is within 12 months, also taking into account all the contractual and substantial considerations in place on recognition of the receivable, and the transaction costs and any difference between the initial value and the nominal value at maturity is of an insignificant amount. In this case, discounting was omitted, the interest was calculated at nominal value and the transaction costs were entered among deferrals and amortised on a straight-line basis over the duration of the receivable to adjust the nominal interest income.

Cash and cash equivalents

Cash and cash equivalents, revenue stamps and cash balances resulting from the accounts held by the Group with credit institutions are allocated to this item, all expressed at their nominal value, specifically converted into national currency when dealing with accounts in foreign currencies.

Shareholders' equity

This item includes all transactions of a financial nature carried out between the Group and individuals who exercise their rights and duties as shareholders. The share capital increase is recognised in the accounts only after the transaction has been entered in the register of companies, as governed by art. 2444, paragraph 2, of the Italian Civil Code. In this case, the corresponding amount is recognised in a specific item of shareholders' equity (other than the item 'Capital'), which includes the amounts of capital subscribed by the shareholders, which will subsequently be reclassified upon verification of the conditions described above.

Provisions for risks and charges

They are set aside to cover losses or debts of certain or probable existence, whose amount or date of occurrence could not be determined at the end of the year.

In the measurement of these provisions, the general criteria of prudence and accrual accounting were respected, and no provision was made for generic risks without economic justification.

Contingent liabilities are recognised in the financial statements and booked under provisions when they are likely to materialise and when the amount of the related charge can be reasonably estimated.

Any risks for which the occurrence of a liability is only possible or for which no objective forecast of the resulting charge is possible are indicated in the Explanatory Notes without accruing provisions for risks and charges.

Risks whose probability of occurrence appears remote are not considered.

Employee termination indemnity

The provision for termination indemnities is set aside to cover the entire liability accrued towards employees, in compliance with current legislation and collective labour and supplementary company agreements. This liability is subject to revaluation pursuant to art. 2120 of the Italian Civil Code.

The termination indemnity recognised in the financial statements is given by the total of the individual indemnities accrued by employees including revaluations, net of the advances paid.

Payables

Payables originating from acquisitions of assets are recognised in the balance sheet when significant risks, charges and benefits associated with ownership have been substantially transferred. Payables relating to services are recognised when the services have been rendered, that is, the service has been performed.

Financial payables originating from financing transactions and payables arising for reasons other than the acquisition of goods and services are recognised when the company has an obligation towards the counterparty, identified in compliance of legal and contractual regulations.

On the other hand, advances received from customers for supplies of goods or services not yet carried out are included in the item advances.

Payables are valued in the financial statements at amortised cost, considering the time factor.

If the interest rate of the transaction is not significantly different from the market rate, the payable is initially recognised at a value equal to the nominal value, net of all transaction costs and all premiums, discounts and rebate deriving directly from the transaction that generated the payable. These transaction costs, such as ancillary expenses for obtaining loans, any commission income and expenses and any difference between the initial value and nominal value at maturity, are spread over the duration of the debt using the effective interest criterion.

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

When it appears that the interest rate of the transaction inferable from the contractual conditions is significantly different from the market rate, the payable (and the corresponding cost in the case of commercial transactions) is initially recognised at a value equal to the present value of future cash flows and taking into account any transaction costs. The rate used to discount future flows is the market rate.

In the case of payables arising from commercial transactions, the difference between the initial recognition value of the payable thus determined and the forward value is recognised in the income statement as a financial charge over the duration of the payable using the effective interest rate criterion. In the case of financial payables, the difference between the cash and cash equivalents disbursed and the present value of future cash flows, determined using the market interest rate, is recognised under financial income or expense in the income statement at the time of initial recognition, unless the substance of the transaction or contract leads to the attribution of a different nature to this component. Subsequently, the interest expense accruing on the transaction is calculated at the effective interest rate and charged to the income statement with the value of the payable as a contra entry.

The value of the payables is subsequently reduced by the amounts paid, both as principal and interest.

The Group assumes that the effects deriving from the application of the amortized cost and the discounting back are not relevant when the due date is within 12 months, also taking into account all the contractual and substantial considerations in place when the payable is recognised, and the transaction costs and any difference between the initial value and nominal value at maturity are of an insignificant amount. In this case, discounting is omitted and the interest is calculated at nominal value and the transaction costs are entered among deferrals and amortised on a straight-line basis over the duration of the payable to adjust the nominal interest expense.

Payables to group companies

Items D9, D10 and D11, where present, respectively include payables to subsidiaries (not consolidated), associated companies and parent companies, as defined pursuant to art. 2359 of the Italian Civil Code. These payables are indicated separately in the balance sheet.

Item D11 also includes payables to parent companies that control the Group indirectly, through their intermediate subsidiaries.

Payables to companies subject to common control (so-called sister companies), other than subsidiaries, associated companies or parent companies, are recognised in item D11-bis.

Costs and revenue

Costs and revenue are shown in the consolidated financial statements on the basis of the relevant accrual principle and are shown net of returns, discounts, rebates and premiums.

Financial income and expenses

They include all the positive and negative components of the economic result for the year connected with the financial activity of the Group and are recognised on the basis of the accrual principle.

Income taxes—Current, Prepaid and Deferred

Current income taxes are allocated according to the accrual principle on the basis of the tax charges resulting from the application of the tax legislation in force and are entered among tax payables net of advances.

Deferred and prepaid taxes are determined on the temporary differences between the value attributed to the assets and liabilities according to statutory criteria and the value attributed to the same assets and liabilities for tax purposes.

Deferred taxes are entered in the 'Provision for deferred taxes', recorded under liabilities among the provisions for risks and charges, while the prepaid taxes are recorded in the receivables from others under current assets.

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

Assets deriving from prepaid taxes are not recognised, in compliance with the prudence principle, if there is no reasonable certainty of the existence, in the fiscal years in which the relative temporary differences will be reversed, of a taxable income higher than the amount of the differences that will be cancelled. Liabilities for deferred taxes are recognised only if there is a reasonable certainty that they will reverse in the foreseeable future. Deferred tax assets and deferred tax liabilities are valued at the estimated tax rates applicable in the year in which the tax asset will be realised or the tax liability will be settled, based on the tax legislation established by the provisions in force at the reporting date.

Accruals and deferrals

The portions of costs and income common to two or more fiscal years, according to the matching and accrual principle, are recorded in these items. Based on this criterion, accruals or deferrals are recognised when the following conditions are met:

- the contract begins in one fiscal year and ends in a subsequent one;
- the consideration for the services is contractually due in advance or in arrears with respect to services common to two or more consecutive years;
- the amount of accruals and deferrals varies with the passage of time.

Income and charges that have accrued in full in the fiscal year to which the financial statements refer or in subsequent ones are not included among accruals and deferrals.

Conversion criteria for foreign currency items

In compliance with art. 2426, paragraph 1, no. 8-bis of the Italian Civil Code, monetary assets and liabilities in currencies other than the functional currency in which the financial statements are presented (so-called 'accounting currency'), after initial recognition, are recognised at the spot exchange rate on the closing date of the fiscal year. The consequent gains or losses on foreign exchange are recognised in the income statement under item C17-bis) 'foreign exchange gains and losses' and any net profit, which contributes to the formation of the operating result, is set aside in a specific reserve that cannot be distributed until realised.

Non-monetary assets and liabilities in currencies other than the accounting currency are recognised at the exchange rate in effect at the time of their acquisition. If the exchange rate in force at the closing date of the fiscal year is significantly different from that existing at the acquisition date, the exchange rate variation is one of the elements taken into consideration in the valuation process to determine the value that can be booked in the financial statements for the individual non-monetary assets. In this case, therefore, any exchange differences (positive or negative) contribute to the determination of the recoverable value.

3. Intangible assets

Changes in intangible assets:

	Net value transferred	Increase / Decrease	Amortisation	Consolidation	December 31, 2019
Cost					
Start-up, expansion and development costs	—	7,042	—	381,663	388,704
Patent rights and intellectual property rights	37,980,460	—	—	1,648,502	39,628,962
Concessions, licences, trademarks and similar rights	1,482,406	—	—	267,433	1,749,839
Goodwill	—	—	—	568,075,693	568,075,693
Fixed assets in progress and advances	—	207,404	—	—	207,404
Other intangible assets	—	—	—	3,918,358	3,918,358
Total cost	39,462,866	214,446	—	574,500,398	613,968,960

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

	<u>Net value transferred</u>	<u>Increase / Decrease</u>	<u>Amortisation</u>	<u>Consolidation</u>	<u>December 31, 2019</u>
Amortisation (accumulated)					
Start-up, expansion and development costs	—	—	(1,408)	(333,998)	(335,407)
Patent rights and intellectual property rights	(115,300)	—	(909,333)	(1,005,880)	(2,030,513)
Concessions, licences, trademarks and similar rights	(35,727)	—	(16,402)	(163,843)	(215,972)
Goodwill	—	—	—	—	—
Fixed assets in progress and advances	—	—	—	—	—
Other intangible assets	—	—	—	(2,744,612)	(2,744,612)
Total amortisation (accumulated)	(151,027)	—	(927,143)	(4,248,333)	(5,326,504)
Write-downs					
Start-up, expansion and development costs	—	—	—	(547)	(547)
Patent rights and intellectual property rights	—	—	—	(134,488)	(134,488)
Concessions, licences, trademarks and similar rights	—	—	—	—	—
Goodwill	—	—	—	—	—
Fixed assets in progress and advances	—	—	—	—	—
Other intangible assets	—	—	—	—	—
Total write-downs	—	—	—	(135,035)	(135,035)
Net Book Value	39,311,838	—	—	569,908,280	608,507,420

With regard to Intangible assets, the following is specified.

- The item Start-up and expansion costs, equal to € 52,751 as of December 31, 2019, includes the costs incurred by the Group in the constitution phase of the various companies included in the perimeter.
- The item Industrial patent rights and intellectual propertyrights, equal to € 37,463,961 as of December 31, 2019, exclusively includes assets belonging to the business unit transferred by Multiversity S.p.A, at the transfer value, mainly the 'Pegaso' and 'Eipass' brands.
- The item Concessions, licences, trademarks and similar rights, equal to € 1,533,866 as of December 31, 2019, only includes assets belonging to the business unit transferred by Multiversity S.p.A, at the transfer value.
- The item Goodwill, equal to € 568,075,693 as of December 31, 2019, includes the difference between the value of the investment and its net equity not allocated on separately identifiable assets and liabilities, and refers to the two cash generating units identified by the Multiversity Group at the moment of first-time consolidation, and therefore as of December 31, 2019, and specifically:
 - Università Telematica Pegaso for € 563,651,847;
 - Universitas Mercatorum for € 4,423,846.

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

4. Property, plant and equipment

Changes of property, plant and equipment:

	Net value transferred	Increase / Decrease	Amortisation	Consolidation	December 31, 2019
Cost					
Land and buildings	—	—	—	—	—
Plants and equipment	—	20,000	—	534,700	554,700
Industrial and commercial equipment	—	—	—	79,869	79,869
Fixed assets in progress and advances	—	—	—	255	255
Other tangible assets	11,000	—	—	6,758,952	6,769,952
Total cost	11,000	20,000	—	7,373,776	7,404,776
Amortisation (accumulated)					
Land and buildings	—	—	—	—	—
Plants and equipment	—	—	(3,000)	(386,936)	(389,936)
Industrial and commercial equipment	—	—	—	(19,596)	(19,596)
Fixed assets in progress and advances	—	—	—	—	—
Other tangible assets	(677)	—	(276)	(4,117,722)	(4,118,675)
Total amortisation (accumulated)	(677)	—	(3,276)	(4,524,254)	(4,528,207)
Net Book Value	10,323	—	—	2,849,522	2,876,569

5. Financial fixed assets

Changes in equity investments:

	Transfer value	Consolidation value	Year-end value
Equity investments in subsidiaries			
Pegaso Online Doo Beograd	—	19,950	19,950
Equity investments in associated companies			
Il Golfo Newspaper	—	34,000	34,000
Benecon S.c.a.r.l.	—	176,162	176,162
Equity investments in associated companies			
Gal Irpinia Sannio	—	10,282	10,282
Gal Peloritani Terre dei miti e della Bellezza	—	446	446
Gal Terra Protetta	—	12,395	12,395
Gal Vallo di Diano	—	2,714	2,714
Fractis	—	6,250	6,250
Equity investments	—	262,199	262,199

The companies Quotidiano il Golfo S.r.l. and Benecon S.c.a.r.l. are consolidated using the equity method.

6. Non current receivables

	Transfer value	Changes during the year	Consolidation value	Year-end value	of which beyond the fiscal year
Receivables from subsidiaries	—	—	73,500	73,500	73,500
Receivables from associated companies	—	—	60,000	60,000	60,000
Receivables from other companies	—	—	44,342,642	44,342,642	44,342,642
Total non-current receivables	—	—	44,476,142	44,476,142	44,476,142

The item receivables from subsidiaries, equal to € 73,500, includes receivables due for loans to the subsidiary Pegaso Online Doo Beograd.

The item receivables from associated companies, equal to € 60,000, includes receivables for loans to the associated company Quotidiano il Golfo S.r.l.

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

The item receivables from other companies, equal to € 44,342,642, mainly includes receivables due from the shareholder Multiversity S.p.A. for € 43,908,000 relating to the sale by Università Telematica Pegaso S.r.l. of financial holdings in subsidiaries, while the remainder includes security deposits for an amount of € 434,642.

7. Receivables

Changes in receivables recorded in current assets:

	<u>Transfer value</u>	<u>Changes during the year</u>	<u>Consolidation value</u>	<u>Year-end value</u>	<u>of which beyond the fiscal year</u>
Receivables from customers	—	—	69,738,039	69,738,039	—
Tax receivables	—	4,418	404,175	408,593	—
Deferred tax assets	—	—	119,005	119,005	—
Receivables due from others	—	322	1,956,774	1,957,097	—
Total receivables	—	4,740	72,217,993	72,222,733	—

The item trade receivables from customers, equal to € 69,738,039 as of December 31, 2019, mainly includes receivables due from students enrolled in degree, postgraduate and higher education courses for an amount equal to € 69,207,060.

In addition, there are receivables deriving from the sale of training courses and EICARDs for € 513,628 and for the sale of publishing services for an amount of € 17,351.

The tax receivables item, equal to € 408,593, mainly includes the receivables due from the tax authorities following the payment of the advances relating to the respective taxes.

The item deferred tax assets, equal to € 119,005, includes the taxes paid in advance that will be recovered in subsequent years.

Receivables due from others, equal to € 1,957,097, mainly include:

- rent expense—advances amounting to € 1,590,067 relating to the headquarters of Università Telematica Pegaso S.r.l. in Piazza Trieste and Trento. It should be noted that the payment plan will be completed by December 31, 2024 and that said property is placed at the disposal of the University by its President on the basis of the lease agreement;
- the residual balance of € 367,030 for advances to employees, professionals and suppliers awaiting invoices.

The Group operates almost entirely in the national domain. Consequently, almost all of the receivables recorded in current assets refer to this geographical area, with the exception of receivables for an amount of € 430,483 due in the territory of Malta.

8. Changes in cash and cash equivalents

	<u>Value at the beginning of the year</u>	<u>Changes during the year</u>	<u>Consolidation value</u>	<u>Year-end value</u>
Bank and post office deposits	100,000	578,564	35,075,730	35,754,294
Cheques	—	—	1,393	1,393
Cash and other valuables in hand	—	—	10,507	10,507
Total cash and cash equivalents	100,000	578,564	35,087,630	35,766,194

Cash and cash equivalents include the credit balance of the bank current account at the end of the year, cash and bank cheques.

9. Accrued income and prepaid expenses

	<u>Transfer value</u>	<u>Changes during the year</u>	<u>Consolidation value</u>	<u>Year-end value</u>
Accrued income and prepaid expenses	11,752	23,623	600,725	636,100

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

The item Accrued income and prepaid expenses, equal to € 636,100 as of December 31, 2019, mainly includes the deferred cost of the Group's offices leased and of the leased assets, as well as the costs incurred for strategic and digital consultancy, of advertising, insurance premiums, research, development and training costs with an accrual period referring to several fiscal years.

10. Changes in shareholders' equity items

	Capital	Contribution reserve	Other reserves	Profits (losses) carried forward	Profit (loss) for the year	Total consolidated shareholders' equity	Capital and reserves pertaining to minority interests	Profit of minority interests	Total
Transfer value	10,000,000	640,812,341	—	—	—	650,812,341	—	—	650,812,341
Increases	—	—	—	—	633,224	633,224	—	—	633,224
Decrease	—	—	—	—	—	—	1,831,184	—	1,831,184
Consolidation value	—	—	—	—	—	—	1,831,184	—	1,831,184
Year-end value	10,000,000	640,812,341	—	—	633,224	651,445,565	1,831,184	—	653,276,749

The reconciliation between shareholders' equity and the result for the year as at December 31, 2019 shown in the separate financial statements of the Parent Company Multiversity S.r.l. and those resulting from the consolidated financial statements can be summarised as follows:

	Shareholders' Equity	Income Statement
Balances as per the financial statements of the Parent Company		
Multiversity S.r.l.	651,445,565	633,224
Pro-quota results achieved by the subsidiaries	—	—
Revaluation of equity investments valued at equity	—	—
Consolidation reserve	—	—
Difference between book value and pro-quota value of shareholders' equity	—	—
Deferred tax on retained earnings	—	—
Group shareholders' equity	651,445,565	633,224
Shareholders' equity attributable to non-controlling interests	1,831,184	—
Total shareholders' equity	653,276,749	633,224

11. Provisions for risks and charges

	Transfer value	Provision in the year	Use in the year	Changes at the time of consolidation	Total changes	Year-end value
Deferred tax provision	—	—	(267,081)	16,483,824	16,216,743	16,216,743
Provision for disputes	—	—	—	90,349	90,349	90,349
Provision for various risks	—	—	—	1,646,433	1,646,433	1,646,433
Provision for tax risks	—	—	—	245,236	245,236	245,236
TFM (End of Mandate Indemnity) provision	—	—	—	124,800	124,800	124,800
Total provisions for risks and charges	—	—	(267,081)	18,590,642	18,323,561	18,323,561

The provision for deferred taxes was set up on consolidation, on intangible assets (trademarks for € 867 thousand and intellectual property for € 10,349 thousand), and on the profits earned by the various companies of the Group before consolidation and on which taxes will accrue as of the time of payment of the dividend (€ 5,241 thousand) for a total amount of € 16,483 thousand.

The utilisation in the year was equal to € 267 thousand, with reference to the amortisation of intangible assets for the period from October 28, 2019 to December 31, 2019.

The Provision for risks on disputes, for a total of € 90,349, includes the risk of being the losing party in ongoing disputes, also allocated on the basis of the merit judgment of the lawyers involved.

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

The Provision for sundry risks almost entirely includes an estimate of the potential contributions accrued in previous years to be paid to training partners.

For more extensive information, it is recalled that on November 20, 2019 a tax audit was launched by the Revenue Agency on Università Telematica Pegaso S.p.A. and Università Telematica S.r.l. for the years prior to the transformation of the Pegaso University into a joint-stock company for the tax years from 2015 to 2019. On the basis of the current status of the audits, there are consequently no prerequisites for setting aside any provisions, in view of the circumstances, in full compliance with the current regulations and the provisions of accounting standard OIC 31.

12. Employee termination indemnity

Information on Employee termination indemnity:

	Transfer value	Uses in the year	Accruals for the year	Consolidation value	Year-end value
TFR (Employee termination indemnity)	35,401	—	22,729	829,421	887,551

The amount set aside represents the effective payable for the Group's severance pay at the end of the year to employees on the workforce at that date, net of the advances paid.

The amount of severance pay relating to terminated employment contracts, whose payment has not yet been made at the end of the fiscal year, has been entered in item D) 14)—Other payables—of the balance sheet.

13. Changes and due dates of payables

	Transfer value	Changes during the year	Consolidation value	Year-end value	of which due beyond the year
Payables for loans to shareholders	—	—	178	178	—
Payables to banks	—	19	477	496	—
Advances	—	—	2,447,755	2,447,755	—
Payables to suppliers	22,949	282,525	14,222,219	14,530,238	—
Payables to associated companies	—	—	3,750	3,750	—
Tax payables	—	246,133	5,142,339	5,388,472	—
Payables due to social security institutions . . .	10,697	24,819	713,989	749,505	—
Other payables	74,272	96,533	2,676,710	2,773,244	—
Total payables	107,918	520,303	25,207,417	25,893,638	—

The item payables to shareholders for loans includes the payable of Università Mercatorum to the shareholder Si.Camera for an amount of € 178.

The item payables to banks mainly includes the residual amount of a payable amounting to € 413 of the company Certipass S.r.l. to BMW BANK for a medium/long-term loan. The residual balance of € 83 includes commissions for the ordinary management of the current accounts of the companies of the Group.

The item Advances, equal to € 2,447,755, mainly includes amounts paid by students in relation to enrolments in progress.

The item payables to suppliers, equal to € 14,530,238, mainly includes payables for consultancy and services, mainly rendered by guidance centres and promotional activities.

The item payables to associated companies, equal to € 3,750, includes the total amount of payables to the associated company Quotidiano Il Golfo S.r.l.

The item tax payables, equal to € 5,388,472, mainly includes the payable relating to current IRES, VAT and IRAP taxes, as well as the payable for withholdings related to self-employed work and the salaries of employees of the companies of the Group. Furthermore, this item also includes the stamp duty payable to be paid virtually.

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

The item payables to welfare and social security institutions, amounting to € 749,505, includes payables relating to mandatory contributions accrued and not yet paid to social security and welfare institutions.

The item payables to others, equal to € 2,773,244, mainly includes payables to employees of Group companies for wages and holidays to be paid to their employees.

The Group operates almost entirely in the national domain. Consequently, all payables refer to this geographical area, except for payables for an amount of € 581,326 referring to the territory of Malta.

14. Accrued liabilities and deferred income

	Transfer value	Changes during the year	Consolidation value	Year-end value
Accrued liabilities and deferred income	—	—	66,480,227	66,480,227

The item Accrued liabilities and deferred income, equal to € 66,480,227, almost entirely includes deferred income relating to fees for students who have submitted an application for enrolment in degree and/or post-graduate courses to the universities of the Group for the academic year 2019/2020 by December 31, 2019; the amount of these deferrals pertaining to the following year was determined on the basis of the duration of the academic year (August 1, 2019 – July 31, 2020). Finally, a small portion includes deferred income on contributions received and accrued expenses for teaching and tutor costs accrued at the end of the fiscal year.

15. Production value

The value of production at December 31, 2019 consists of the revenues of Multiversity S.r.l. for € 1,823,938 deriving from royalties on intangible assets granted for use by Università Telematica Pegaso S.r.l.

With reference to this item in the financial statements, it is recalled that the Group carried out the first consolidation with effect from December 31, 2019, therefore the income (as well as the charges) earned from companies included in the scope of consolidation were not subject to intra-group elimination.

All income was earned in Italy.

16. Costs of production

As a brief comment on the economic performance of the year, we specify the following with reference to the table below.

	2019
Costs for services	87,627
<i>Insurance</i>	<i>6,683</i>
<i>Board of Statutory Auditors' fees</i>	<i>8,282</i>
<i>Bank charges</i>	<i>153</i>
<i>Hosting Services</i>	<i>12,390</i>
<i>Tax and administrative consultancy</i>	<i>50,417</i>
<i>Remuneration of the Chairman of the Board of Directors</i>	<i>8,915</i>
<i>Other costs for services</i>	<i>787</i>
Costs for the use of third party assets	4,404
<i>Car rental</i>	<i>4,404</i>
Personnel expenses	208,633
<i>Administrative wages</i>	<i>144,092</i>
<i>Social security charges on administrative wages</i>	<i>41,757</i>
<i>TFR—Employee termination indemnity</i>	<i>22,784</i>
Amortisation of intangible assets	927,142
Depreciation of tangible assets	3,276
Other operating expenses	353
<i>Stamp duty</i>	<i>43</i>
<i>Government licence fee</i>	<i>310</i>
TOTAL production costs	1,231,436

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

17. Costs for services

The costs for services mainly include the costs for consultancy and assistance services connected to the management and development of the intangible assets owned by the company and to administrative/tax services and the cost of corporate bodies.

18. Costs for the use of third party assets

The costs for the use of third party assets for the year ended December 31, 2019 include costs relating to the rental of company cars for an amount of € 4,404.

19. Cost of personnel

The item includes the entire expenditure for employees including social security contributions, the cost of unused holidays and accruals, legal provisions and collective contracts.

20. Amortisation of intangible assets

The item includes the amortisation of intangible assets which, except for start-up costs, derive from the transfer of the business unit.

21. Depreciation of tangible assets

The item includes the depreciation of other tangible assets deriving from the transfer of a business unit.

22. Other operating expenses

The other management charges, equal to € 353 as of December 31, 2018, include the stamp duty paid virtually for € 43 and the government licence fee for € 310.

23. Income taxes for the year—current, deferred and prepaid

The income tax charge, pertaining to the year, is determined in compliance with current legislation.

Deferred and prepaid taxes are determined on the basis of the temporary differences between the values of assets and liabilities and the corresponding values relevant for tax purposes.

In particular, prepaid taxes are recorded only if there is a reasonable certainty of their future recovery. Deferred taxes, on the other hand, are not recognised if there is little probability that the related payable will arise.

Current taxes amount to € 226,359, relating entirely to IRES.

It should be noted that in determining the taxes for the year, the Company made use of the tax relief provisions of the so-called 'Patent box', which made it possible to take advantage of a tax reduction, for IRES and IRAP purposes, of 50% of taxable income deriving from the indirect use of intangible assets.

The use of deferred taxes, equal to € 267,081, relates to the amortisation of the brand and the intellectual property conferred during the year.

Other information

24. Employment data

In compliance with the provisions of art. 2427 no. 15 of the Italian Civil Code, we inform you that the average number of employees is:

	<u>Workers</u>	<u>Teachers</u>	<u>Employees</u>	<u>Researchers</u>	<u>Managers and Executives</u>	<u>Total</u>
Average number	1	186	236	16	6	445

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

25. Remuneration and advances of directors and statutory auditors

The remuneration, advances and loans granted to directors and statutory auditors are shown in the following table:

	<u>Directors</u>	<u>Statutory Auditors</u>
Compensation	<u>8,916</u>	<u>8,282</u>

26. Information on transactions with related parties

Information is provided on transactions with related parties, aggregated according to nature, as separate information is not considered necessary in order to understand the effects of the transactions on the Group's balance sheet.

Effects on the income statement (in Euro):

	<u>Parent company</u>	<u>Subsidiary companies</u>	<u>Associated companies</u>	<u>Other companies</u>	<u>Total related parties</u>
Value of production	—	1,823,938	—	—	1,823,938
Costs of production	—	—	—	—	—
Financial income/charges	—	—	—	—	—

As already mentioned above, since the Group carried out the first consolidation with effect from December 31, 2019, the income earned by Multiversity S.r.l. from Università Telematica Pegaso S.r.l. for € 1,823,938 deriving from royalties on the intangible assets granted for use, were not subject to intercompany elimination and therefore have been shown in the table.

Effects on the balance sheet (in Euro):

	<u>Parent company</u>	<u>Controlled indirectly</u>	<u>Associated companies</u>	<u>Other companies</u>	<u>Total related parties</u>
Trade receivables	—	—	—	1,590,067	1,590,067
Financial receivables	43,908,000	73,500	60,000	—	44,041,500
Trade payables	—	—	3,750	232,000	235,750
Financial payables	—	—	—	178	178
Other payables	—	—	—	—	—

Trade receivables, amounting to € 1,590,067, refer to lease payments paid in advance to Mr. Danilo Iervolino for the property located in Piazza Trieste e Trento, 48 Naples (NA) where Università Telematica Pegaso S.r.l. has its registered office.

Receivables of a financial nature, equal to € 44,041,678 refer to:

- € 43,908,000 for receivables due from the shareholder Multiversity S.p.A. relating to the sale by Università Telematica Pegaso S.r.l. of financial holdings in subsidiaries;
- for € 73,500 to long-term receivables due to Pegaso Online S.r.l. from the subsidiary Pegaso Online Doo Beograd for loans;
- for € 60,000 to long-term receivables due to Giapeto Editore S.r.l. from the associated company Quotidiano Il Golfo S.r.l. for loans

Trade payables, equal to € 3,982, refer to:

- € 3,750 to the payables of the company Giapeto Editore S.r.l. due to the associated company Quotidiano Il Golfo S.r.l.
- € 201,000 to payables for rental costs to the related party Bellerofonte S.r.l. for rental costs relating to the property at the Tower F/2 located in the Centro Direzionale di Napoli (Naples Management Centre) (NA) where the management, teaching, technical-IT, administrative and financial offices of Università Telematica Pegaso S.r.l. are located;

Notes to the consolidated financial statements as of and for the year ended December 31, 2019

- € 31,000 to payables for rental costs to the related party Mr. Danilo Iervolino for rental costs relating to the property located in Piazza Trieste e Trento, 48 Naples (NA) where Università Telematica Pegaso S.r.l. has its registered office.

27. Information on off-balance sheet agreements

There are no off-balance sheet agreements.

28. Information on significant events occurring after the close of the fiscal year

With the Decree of the President of the Council of Ministers of March 1, 2020 'Further implementing provisions of the decree-law of February 23, 2020, n. 6', containing urgent measures regarding the containment and management of the epidemiological emergency from COVID-19 and published in GU (Official Journal) Special Series no. 52 of March 1, 2020, among other things, the temporary closure of the Universities and Institutions of Higher Artistic, Musical and Choreutic Education was arranged, without prejudice to the possibility of carrying out distance learning activities. By means of subsequent memoranda and implementing provisions, starting from March 2020, universities and AFAM institutions were entitled, in the exercise of their autonomy, to prioritise alternative distance-based methods, mid-course examinations, including graduation sessions, which can be carried out using remote access methods.

These provisions, if reasonably confirmed also following the resolution of the COVID emergency, constitute a change of epic proportions in the processes on which traditional teaching is based, contributing significantly to the promotion of modern and indeed more democratic and global university education, helping to create a 'Global University' with the same technology, philosophy, values and methods able to make students feel at home in every university in the various countries of the world and allow the creation of multiple learning, interdisciplinary and multicultural channels.

Further assessments are carried out through continuous monitoring of the regulatory context and of all the provisions of the bodies in charge in order to guarantee the full safety of workers.

With reference to the performance of Università Telematica Pegaso S.r.l, the Group's main strategic asset, in the period of pandemic emergency, it should be noted that the indirect subsidiary, given the method of providing courses in e-learning mode, did not suffer any impact on the performance of enrolments compared to the same period of the previous year.

In January 2020, the Parent Company Multiversity S.r.l. entered into a revolving loan agreement with a leading bank for a maximum limit, in the event of drawdown, of € 15 million, with Università Telematica Pegaso S.p.A. and Università Telematica Pegaso S.r.l. guarantors in the event of any default by the Company. The loan was not used by the Parent Company at the date of preparation of this document.

As described in the paragraph Provisions for risks and charges, please note that on November 20, 2019 a tax audit was initiated by the Italian Revenue Agency for Università Telematica Pegaso S.p.A. and Università Telematica S.r.l. for the years prior to the transformation of the Pegaso University to a joint stock company for the tax years from 2015 to 2019. Audit activities are currently under way.

It should be noted that in May 2020, as part of the facilitation measures issued by the Italian government following the outbreak of the COVID-19 pandemic, with Legislative Decree no. 34 of May 19, 2020 on 'Urgent measures in the field of health, support for work and the economy, as well as social policies related to the epidemiological emergency from COVID-19', exemption from payment of the IRAP balance relating to 2019, was given to companies with total revenues not exceeding € 250,000,000. The companies of the Group, therefore, falling into the above category, in the preparation of the UNICO2020 model, relating to the fiscal year 2019, will account for contingent assets equal to the amount of the payable recorded in the financial statements as at December 31, 2019, relating to the tax IRAP not due.

The valuation criteria set forth herein comply with the statutory regulations and the results of the consolidated financial statements correspond to the accounting records kept in compliance with the regulations in force. These explanatory notes, as well as the entire financial statements of which they constitute an integral part, give a true and fair view of the equity and financial situation of the Group and the economic result for the year.



FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

PREPARED IN ACCORDANCE WITH ITALIAN GAAP

**Università telematica “Pegaso” S.r.l.
Registered Office
Naples, Piazza Trieste e Trento, 48**

This Consolidated Financial Statements has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

Independent Auditors' Report

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 (Translation from the original Italian text)

To the Sole Shareholder of
Università Telematica Pegaso S.r.l.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Università Telematica Pegaso S.r.l. (the Company), which comprise the balance sheet as at December 31, 2020, the income statement and statement of cash flows for the year then ended, and explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

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 our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the 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 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 International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

Independent Auditors' Report

- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have 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 have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Università Telematica Pegaso S.r.l. are responsible for the preparation of the Report on Operations¹ of Università Telematica Pegaso S.r.l. as at December 31, 2020, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Università Telematica Pegaso S.r.l. as at December 31, 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Università Telematica Pegaso S.r.l. as at December 31, 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Naples, June 4, 2021

EY S.p.A.

Signed by: Mauro Ottaviani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

¹ The Report on Operations is not included in this Offering Memorandum

Università telematica “Pegaso” S.r.l.
BALANCE SHEET
As of December 31, 2020

in units of €	As of December 31,		
	2020	2019	Notes
Assets			
B) NON-CURRENT ASSETS			
I Intangible assets			
2) Development costs	—	12,120	(3)
3) Industrial patent and intellectual property rights	157,307	151,818	(3)
4) Concessions, licences, trademarks and similar rights	47,991	45,533	(3)
7) Other intangible assets	1,756,511	924,277	(3)
Total Intangible assets	1,961,809	1,133,748	
II Property, plant and equipment			
2) Plants and equipment	42,494	57,651	(4)
4) Other tangible assets	1,516,549	1,951,397	(4)
Total property, plant and equipment	1,559,043	2,009,048	
III Financial assets			
1 Equity investments in			
a) Subsidiaries	1,798,565	600,954	(6)
b) Associated companies	—	176,162	
d-bis) Other companies	25,837	25,837	(7)
Total financial assets	1,824,402	802,953	(5)
2 Receivables			
a) From subsidiaries	6,004,396	5,652,396	(9)
—within the fiscal year	6,004,396	5,652,396	(9)
d-bis) From others	44,374,780	44,309,080	
—within the fiscal year	44,374,780	43,908,000	(10)
—beyond the fiscal year	—	401,080	(10)
Total financial receivables	50,379,176	49,961,476	(5)/(8)
3) Other securities	2,000,000	—	(5)/(11)
TOTAL NON-CURRENT ASSETS	57,724,430	53,907,225	

Università telematica “Pegaso” S.r.l.
BALANCE SHEET
As of December 31, 2020

in units of €	As of December 31,		
	2020	2019	Notes
C) CURRENT ASSETS			
II Receivables			
1) Receivables due from customers	76,132,278	61,449,008	(13)
2) Receivables due from subsidiaries	1,314,001	1,057,060	(14)
4) Receivables due from parent companies	2,750	2,750	(15)
5) Receivables due from companies subject to the control of the parent companies	45,006	44,399	(16)
5 bis) Tax receivables	111,257	56,366	(17)
5 ter) Deferred tax assets	114,818	72,809	(18)
5 quater) Receivables due from others	1,510,712	1,792,101	(19)
Total receivables	<u>79,230,822</u>	<u>64,474,493</u>	(12)
IV Cash and cash equivalents			
1) Bank and post office deposits	109,869,252	31,002,154	(20)
2) Cheques	4,480	800	(20)
3) Cash and cash equivalents	2,046	4,605	(20)
Total cash and cash equivalents	<u>109,875,778</u>	<u>31,007,559</u>	
TOTAL CURRENT ASSETS	<u>189,106,600</u>	<u>95,482,052</u>	
D) ACCRUED INCOME AND PREPAID EXPENSES	396,554	260,447	(21)
TOTAL ASSETS	<u>247,227,584</u>	<u>149,649,724</u>	

Università telematica “Pegaso” S.r.l.
BALANCE SHEET
As of December 31, 2020

in units of €	As of December 31,		Notes
	2020	2019	
A) Shareholders' equity			
I. Share capital	1,000,000	1,000,000	
IV. Legal reserve	200,000	200,000	
VI. Other reserves			
<i>Reserve from operating surplus prior to change of status</i>	<i>15,058,972</i>	<i>15,058,972</i>	
VIII. Profits (losses) carried forward	6,203,682	—	
IX. Profit of the fiscal year	54,050,020	6,203,682	
Total Shareholders' equity	<u>76,512,674</u>	<u>22,462,654</u>	(22)
B) Provisions for risks and charges			
4) Others	90,349	1,736,783	(23)
Total Provision for Risks and Charges	<u>90,349</u>	<u>1,736,783</u>	
C) Employees termination indemnity	<u>773,845</u>	<u>612,424</u>	(24)
D) Payables			
4) Payables to banks	—	64	(25)
6) Advances	2,691,686	2,096,874	(25)
7) Payables to suppliers	12,871,888	12,494,119	(25)
9) Payables to subsidiaries	687,154	868,403	(25)
11) Payables to parent companies	41,509,152	41,119,929	(25)
12) Tax payables	23,312,903	3,593,786	(25)
13) Payables to welfare and social security institutions	567,167	444,721	(25)
14) Other payables	3,929,681	2,419,005	(25)
Total Payables	<u>85,569,631</u>	<u>63,036,901</u>	
E) ACCRUED INCOME AND PREPAID EXPENSES	<u>84,281,083</u>	<u>61,800,962</u>	(26)
TOTAL LIABILITIES	<u>247,227,582</u>	<u>149,649,724</u>	

Unoversità telematica “Pegaso” S.r.l.
INCOME STATEMENT
For the years ended December 31, 2020

in units of €	Year ended as of December 31,		
	2020	2019	Notes
A) Value of production			
1) Revenues from sales and services	165,736,733	124,180,361	(28)
5) Other revenues and income, with separate indication of operating grants	2,738,709	1,584,036	
a) <i>Sundry</i>	1,842,251	104,287	(30)
b) <i>Operating grants</i>	896,458	1,479,749	(29)
Total production value	168,475,442	125,764,397	(27)
B) Costs of production			
6) Costs for raw and ancillary materials, consumables and goods	371,018	370,510	(32)
7) Costs for services	55,634,091	40,560,407	(33)
8) Costs for use of third-party assets	13,567,764	10,839,077	(34)
9) Cost of personnel:	7,883,409	6,615,371	
a) <i>wages and salaries</i>	6,115,169	5,058,235	(35)
b) <i>social security charges</i>	1,504,333	1,354,211	(35)
c) <i>termination indemnity</i>	239,103	170,063	(35)
e) <i>other costs</i>	24,804	32,862	(35)
10) Depreciation, amortisation and write-downs:	6,300,207	5,194,771	
a) <i>Amortisation of intangible assets</i>	718,620	407,685	(36)
b) <i>Depreciation of property, plant and equipment</i>	815,509	819,086	(37)
d) <i>Write-downs of current receivables</i>	4,766,078	3,968,000	(38)
12) Accruals to provision for risks	—	62,644	(39)
14) Other operating expenses	6,791,385	2,461,378	(40)
Total production costs	90,547,874	66,104,158	(31)
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS OF PRODUCTION A-B	77,927,568	59,660,239	
C) Financial income and expenses			
16) Other financial income	28,593	1,189,714	(41)
a) <i>Receivables recorded under fixed assets others</i>	28,593	1,189,714	(41)
17) Financial charges	8,926	50,808,203	(42)
<i>others</i>	8,926	50,808,203	(42)
17 bis) Profits and losses on exchange rates	(2)	—	
Total financial income and expenses	19,665	(49,618,489)	
D) Value adjustments of financial assets and liabilities			
18) Revaluations	16,239	—	
a) <i>of equity investments</i>	16,239	—	
19) Write-downs	231,509	425,253	
a) <i>of equity investments</i>	231,509	425,253	
Total value adjustments of financial assets and liabilities	(215,270)	(425,253)	
Profit (loss) before taxes (A-B+/-C+/-D)	77,731,963	9,616,497	
20) Income taxes for the year, current, deferred and prepaid			
a) Current taxes	23,723,952	3,485,624	(43)
b) Taxes from previous years	—	—	(43)
c) Deferred tax assets and liabilities	(42,009)	(72,809)	(43)
Total income taxes for the year: current, deferred, prepaid	23,681,943	3,412,815	
Profit/(loss) for the year	54,050,020	6,203,682	

Università telematica “Pegaso” S.r.l.
STATEMENT OF CASH FLOWS
For the years ended December 31, 2020

in units of €	Year ended as of December 31,	
	2020	2019
A. Cash flows from operating activities		
Profit/(loss) for the year	54,050,020	6,203,682
Income taxes	23,681,943	3,412,815
Interest expenses / (interest income)	8,926	50,808,203
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from sale in the net working capital	77,740,890	60,424,700
Adjustments to non-monetary items not offset in net working capital		
Accruals to provisions for employee termination indemnity	293,103	170,063
Accruals to provisions for risks	—	62,644
Depreciation and amortisation of fixed assets	1,534,129	1,226,771
Value adjustments to financial assets and liabilities of derivative financial instruments that do not involve monetary movements	215,270	425,253
Receivables write-downs	4,766,078	3,968,000
Total adjustments for non-monetary items without a counter.entry in the net working capital	6,754,579	5,852,731
2) Cash flow before changes in net working capital	84,495,469	66,277,431
Changes in net working capital		
Decrease/(Increase) in receivables from customers	(19,706,897)	(15,507,501)
Increase/(Decrease) in payables to suppliers	377,768	(276,367)
Increase/(Decrease) in payables to subsidiaries	(181,249)	373,303
Increase/(Decrease) in payables to parent companies	389,223	(309,785)
Decrease/(increase) in accrued income and prepaid expenses	(136,106)	7,232
Increase/(decrease) in accrued expenses and deferred income	22,480,121	12,705,761
Decrease/(increase) of other receivables in current assets	184,489	254,686
Decrease/(increase) of other receivables in current liabilities	2,227,935	55,411
Decrease/(increase) in tax payables	(3,962,827)	27,241
Total changes in net working capital	1,672,457	(2,670,019)
3. Cash flow after changes in net working capital	86,167,926	63,607,412
Other adjustments		
Collected/(paid) interests	(8,926)	(15,063)
(Income taxes paid)	—	(421,047)
(Use of provisions for risks)	(1,646,433)	(327,973)
(Use of provisions for employee termination indemnity)	(77,681)	(44,412)
Total other adjustments	(1,733,040)	(808,494)
Cash flow from operating activities (A)	84,434,886	62,798,917
B. Financial flows from investing activities		
Property, plant and equipment		
(Investments)	(365,503)	(508,078)
Intangible assets		
(Investments)	(1,546,679)	(82,791)
Financial fixed assets		
(Investments)	(3,654,420)	(29,366,446)
Divestments	—	1,932,004
Current financial assets		
Divestments	—	9,721,872
Cash flow from investing activities (B)	(5,566,603)	(18,303,439)
C. Cash flows from financing activities		
Dividends disbursement	—	(69,359,776)
Cash flow from financing activities (C)	—	(69,359,776)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	78,868,284	(24,864,297)

Notes to the financial statements as of and for the year ended December 31, 2020

1. Introduction and other information

This document represents the financial statements as at December 31, 2020 which closed with a profit of the fiscal year of € 54,050,021 net of taxes pertaining to the fiscal year for € 23,681,943.

The Financial Statements of Università Telematica Pegaso S.r.l. (hereinafter also referred to as the “University”) closed on December 31, 2020 were prepared in accordance with the provisions of the Italian Civil Code, as amended by Italian Legislative Decree 139/2015, interpreted and integrated by the Italian accounting standards issued by the Italian Accounting Body (“OIC”) in the version in force for the financial statements as at December 31, 2020.

The Financial Statements consist of the Balance Sheet (prepared in accordance with the format provided by Art. 2424 and 2424 bis of the Italian Civil Code), the Income Statement (prepared in accordance with the format referred to in Art. 2425 and 2425 bis of Italian Civil Code), the Cash Flow Statement (whose content, in compliance with Art. 2425-ter of the Italian Civil Code, is presented in accordance with the provisions of the OIC 10 accounting standard) and by these Explanatory Notes, prepared in accordance with the provisions of Art. 2427 and 2427-bis of the Italian Civil Code.

The entire document, in the parts of which it is composed, has been prepared to give a true and fair representation of the Company’s equity and financial situation, as well as of the economic result for the year, providing additional information complementary to this purpose where necessary.

In relation to the content of the Explanatory Notes pursuant to art. 2427 of the Italian Civil Code:

- the Company did not issue bonds and/or similar financial instruments;
- the Company did not carry out any financing transactions including the temporary sale of assets during the 2020 fiscal year;
- the Company did not borrow any assets against the payment of a sum of money as a security deposit;
- the Company has no off-balance sheet agreements in place beyond what is reported in both these Explanatory Notes and in the Report on Operations, whose knowledge is useful for assessing the company’s equity and financial situation;
- no atypical or unusual transactions, or unrelated to the normal management of the company or capable of significantly affecting the Company’s economic and equity situation, were carried out;
- the Company has not issued dividend-right shares and bonds convertible into shares, or securities or similar values pursuant to art. 2427, first paragraph 18 of the Italian Civil Code;
- the Company does not have any separate assets or loans intended for a specific transaction pursuant to art. 2447 bis et seq. of the Italian Civil Code.

a. Activities carried out

Università Telematica Pegaso S.r.l., established by Ministerial Decree of April 20, 2006 (OJ no. 118 of May 23, 2006—Ordinary Supplement 125), is a University founded on the most modern and effective e-learning technological standards. It makes use of modern educational systems and methodologies capable of responding to the various needs of today’s society. Study courses provide a high degree of independence and educational path personalisation, without any physical presence constraints but with constant interaction. Despite their peculiarities, at the same time, courses allow students to be followed and monitored through their continuous learning, also through frequent opportunities for evaluation and self-evaluation.

The company uses IT and remote access technologies and adopts a system architecture capable of managing and making high quality online university courses accessible to the user. The teaching support specialists who work alongside teaching staff (Tutors, Mentors and Coaches) assist the learner throughout their course of study, in order to achieve a perfect learning balance based on the achievement of one’s potential. Highly technological and interactive tools, TV learning and social learning involve the student in a truly unique and effective educational experience. Academic qualifications awarded at the end of study courses have the same legal value as qualifications issued by traditional universities.

Notes to the financial statements as of and for the year ended December 31, 2020

In the context of the educational offer, both graduate and postgraduate courses are available.

The income generated by courses derives entirely from the fees and ancillary contributions paid by the learners for the use of courses in e-learning mode. These are mainly fees for single-cycle master's degree courses (Law), three-year degree courses (Civil Engineering, Business Economics, Tourism Sciences, Sport Sciences, Education and Training Sciences), two-year master's degree courses (Education Sciences, Economic Sciences, Sport Management and Sport Sciences, and Safety Engineering), as well as master's, postgraduate courses and higher education courses.

The University, unlike most of the Italian public and private universities, does not receive the usual contributions paid by the State, including the ordinary MIUR funding ("FFO"), or by other public or private entities, aimed at covering management and operating costs without any result-linked constraint.

The company also pays great attention to national and international research activities, as well as to the promotion of training of younger generations in research activities.

Both within and outside of the EU, consistently with the general principles set out in its Articles of Association, Università Telematica Pegaso S.r.l. promotes the international development of education, research and studies, also and in particular through cultural exchanges between different countries and collaboration with the most prestigious universities within the Community area.

Università Telematica Pegaso S.r.l. has offices located throughout Italy, in many cases within the most prestigious palaces and monumental town complexes, places with the highest historical and cultural profile, also testifying to the University's authority and the consideration it enjoys among institutions, which have recognised its commitment, quality and high educational profile, and therefore allowed the use of their premises.

In recent years, Università Telematica Pegaso S.r.l. has achieved ever-increasing positive results by focusing on innovative projects, on the quality of its research, training processes and services. The University aims to play a driving role in cultural and economic development at the local, national and international level. For this reason, it has deemed it appropriate, as better described below, to change its legal form into one more suitable for a larger entity, also in accordance with the new and broader objectives that the entire education sector must focus on, following the profound social and economic transformations which, inevitably, have also had strong repercussions on education and training.

During the fiscal year, the activity was carried out on a regular basis; there were no events that significantly changed the management performance and which made it necessary to resort to the exceptions referred to in art. 2423, paragraph 5, of the Italian Civil Code.

b. Significant events that occurred during the year

With regard to the performance for the year and the future prospects of the Company, the following is set out.

With the Decree of the President of the Council of Ministers of March 1, 2020 "Further implementing provisions of the decree-law of February 23, 2020, no. 6", containing urgent measures regarding the containment and management of the epidemiological emergency from COVID-19 and published in GU Special Series no. 52 of March 1, 2020, among other things, the temporary closure of the Universities and Institutions of Higher Artistic, Musical and Choreutic Education was arranged, without prejudice to the possibility of carrying out distance learning activities. With subsequent acts and implementing provisions, starting from March 2020, universities and AFAM institutions were entitled, in the exercise of their autonomy, to prioritise alternative remote methods, progress examinations, including graduation sessions, which can be carried out using remote access methods. These provisions, if reasonably confirmed also following the resolution of the COVID emergency, constitute a change of epic proportions in the processes on which traditional teaching is based, contributing in a dramatic manner to the promotion of a modern and indeed more democratic and global university education, functional to the creation of a 'Global University' with the same technology, philosophy, values and methods able to make students feel at home in every university in the various countries of the world and allow the creation of multiple learning, interdisciplinary and multicultural channels.

The University immediately activated all the necessary measures to allow all employees to work remotely in order to guarantee their full safety and at the same time the operation of all activities.

Notes to the financial statements as of and for the year ended December 31, 2020

Finally, it should be noted that in January 2020 the Parent Company Multiversity S.r.l. stipulated a revolving loan agreement with a primary credit institution for a maximum use, in the event of a drawdown, of € 15 million, with Università Telematica Pegaso S.r.l. guarantor in the event of any default by the Parent Company. The loan was not used by the Parent Company at the date of preparation of this document.

2. Basis of presentation

In accordance with the provisions of art. 2423-bis of the Italian Civil Code, the following standards were adopted in the preparation of the Financial Statements:

- the valuation of the individual items was made based on principles of prudence and with a going concern view, as well as by taking into account the economic function of the asset or liability element considered;
- only the profits actually realised during the year have been included;
- the income and expenses for the year have been included, regardless of their numerical manifestation;
- the risks and losses pertaining to the year were taken into account, even if they became known after its closure;
- the heterogeneous elements included in the various items of the financial statements were assessed separately;
- the valuation criteria adopted were the same as those of the previous year.

The Balance Sheet and the Income Statement are prepared in Euro units, rounding the amounts up or down, in accordance to the provision of the EU Regulation; also in the explanatory notes, amounts are expressed in Euro units as they guarantee a better document clarity.

For assets and liabilities elements that fall under more than one item of the financial statements, the explanatory notes also note whether they pertain to items other than those in which they are recorded, if this is necessary for the purposes of understanding the financial statements.

Where applicable, the principles and recommendations published by the professional bodies responsible for accounting were also observed, always in order to give a true and fair view of the equity, financial and economic situation.

There have been no exceptional cases, incompatible with the general clause of true and correct representation, pursuant to art. 2423, fifth paragraph of the Italian Civil Code, which imposed an exception to the provisions of the Law for the preparation of the Financial Statements.

In accordance with the provisions of art. 2423-bis, point 6, of the Italian Civil Code, the valuation criteria were not changed from one year to another and there were no exceptional cases such as to justify an exception to this principle, pursuant to paragraph 2 of the same article.

In compliance with accounting standard OIC 29, no corrections have been made in the Financial Statements for significant errors committed in previous years.

2.1 Valuation criteria applied

This section presents, in detail, the criteria that contributed to the calculation of the individual items in the financial statements.

Assets

Non current assets

Intangible assets

Intangible assets are recorded at purchase cost including accessory and financial charges, and direct and indirect costs incurred before the use of the asset, for the portion reasonably attributable to them.

Notes to the financial statements as of and for the year ended December 31, 2020

The cost of intangible assets, whose use is limited over time, is systematically amortised in each fiscal year according to their residual possible use. In particular, amortisation rates are applied that reflect the estimated useful life of the assets.

The rates used are summarised in the following table:

Category	Rate
Start-up and expansion costs	20%
Industrial patent and intellectual property rights	20%
Concessions, licenses, trademarks and similar rights	20%
Other intangible assets:	
- <i>Improvements on third party assets</i>	Based on the lease agreement or 20%
- <i>Usufruct on real estate</i>	8.33%

Property, plant and equipment

Property, plant and equipment, whose use is limited in time, are recognised in the financial statements at purchase cost, including directly attributable accessory charges, and have been depreciated on a straight-line basis, based on the useful life of the assets and taking into account their residual possibility of use, physical wear, technological evolution and obsolescence.

Maintenance costs of an ordinary nature have been charged in full to the income statement, while those of an incremental nature (expansion, modernisation or improvement), connected to an increase in the production capacity or safety of the asset or an extension of its useful life, are attributed to the assets to which they refer and are depreciated in relation to the residual possibility of use of the same.

The depreciation rates used are summarised in the following table:

Category	Rate
Plants and equipment:	
- <i>Generic plants</i>	15%
- <i>Specific plants</i>	25%
Other tangible assets:	
- <i>Furniture and furnishings</i>	15%
- <i>Other tangible assets</i>	25%

Write-downs for impairment of intangible assets

At each balance sheet date, the Company assesses whether there are indicators to suggest that an asset may have suffered an impairment. If such an indicator is present, the Company estimates the recoverable value of the asset and writes it down only if this is lower than the corresponding net book value. In the absence of indicators of potential impairment, the recoverable value is not calculated.

When it is not possible to estimate the recoverable value of an individual asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

The recoverable value of an asset is the greater of their fair value net of sales costs and its value in use determined as the present value of estimated future cash flows.

An impairment is recognised if the recoverable value is lower than the book value. Subsequently, when the impairment of an asset, other than goodwill, no longer applies or is reduced, the book value of the asset or of the cash-generating unit is increased to the new estimate of the recoverable value without exceeding the value that would have been determined if no impairment had been detected.

Financial assets

Equity investments

Controlling, associate and joint venture equity investments, if not valued at cost, are recognised using the equity method in compliance with art. 2426, number 4, of the Italian Civil Code and according to the indications of the

Notes to the financial statements as of and for the year ended December 31, 2020

OIC 17. Equity investments accounted for using the equity method are initially recognised at purchase cost, including ancillary charges.

On initial recognition, the purchase cost of the equity investment is compared with the value of the corresponding share of the shareholders' equity resulting on the purchase date or on the date resulting from the last financial statements of the investee. An initial positive difference (i.e. when the cost incurred for the purchase of the equity investment is higher than the corresponding fraction of the shareholders' equity of the investee) is maintained in the book value of the equity investment if it is attributable to higher values of the assets in the investee's balance sheet or in the presence of goodwill, and indicating the reasons for it in the Explanatory Notes; this difference must be amortised for the part attributable to depreciable assets, including goodwill. Otherwise, the initial value of the equity investment is written down and the difference is recognised in the income statement under item D19a) "write-downs of equity investments". In the presence of an initial negative difference (i.e. when the cost incurred for the purchase of the equity investment is lower than the corresponding fraction of shareholders' equity of the investee), if this is not attributable to the forecast of losses but to the completion of a good business, the equity investment is entered at the higher value of the adjusted shareholders' equity of the investee company with respect to the cost price, recognising in a non-distributable reserve under the item AVI "Other reserves" the capital gains on of the equity investments acquired as a counter-entry. If the initial negative difference is instead due to the presence of assets recorded for values higher than their recoverable value or liabilities recorded at a value lower than their extinction value or, again, to the forecast of unfavourable economic results, the equity investment is initially recognised for a value equal to the cost incurred.

The original book value of the equity investment is modified in the periods following the acquisition to take into account the portions pertaining to profits and losses and other changes in the shareholders' equity of the investee. In particular, the investee's profit or loss for the year, duly adjusted to eliminate the effects of intra-companies transactions and to take into account any other adjustments necessary according to OIC 17, are recognised in the Income Statement of the investee, for the portion pertaining to it, according to the accruals principle in item D18 a) "revaluations of equity investments" or D19 a) "write-downs of equity investments" with a counter entry, respectively, in the increase or decrease in the related items of the equity investments recorded in fixed assets.

If the shareholders' equity of the investee increases, as a result of monetary revaluation pursuant to special laws, or decreases, due to a reduction in share capital or distribution of reserves, the value of the shareholding will be respectively increased or reduced in the investing company's balance sheet and that of the non-distributable reserve. In any case, these changes are not recognised in the income statement.

In the case of capital operations that modify the measure of the shareholders' equity of the investee pertaining to the Company, the change in the value of the equity investment is recorded in the same way as a realisation transaction carried out with third parties which increases or reduces the value of the equity investment with a corresponding entry respectively in item D18 a) "write-downs of equity investments" or D19 a) "write-downs of equity investments".

The book value of the equity investment is written down in the presence of permanent losses in value, determined by comparing the book value of the equity investment with its recoverable value, calculated on the basis of the future benefits that are expected to flow into the investor's economy. This occurs when the loss in value is caused by factors internal or external to the Company, or to a combination of them, and it is not expected that the reasons that caused it can be eliminated in a short period of time. All evaluations are carried out separately for each individual equity investment.

Equity investments include investments in joint stock companies, consortium companies and consortia. Equity investments recorded under fixed assets represent long-lasting and strategic investments by the company.

Receivables

Receivables originating from revenues for the sale of goods or the provision of services are recognised under current assets on the basis of the accrual principle when the conditions for the recognition of the related revenues are met.

Receivables originating for different reasons are recognised if there is a 'title' to the receivable and therefore when they actually represent an obligation by third parties towards the company; if of a financial nature, they are classified under financial fixed assets, with indication of the portion due within the next fiscal year.

Notes to the financial statements as of and for the year ended December 31, 2020

Receivables are valued in the financial statements at amortised cost, taking into account the time factor, and within the limits of their presumed realisable value and, therefore, are shown in the balance sheet net of the related bad debt provision deemed adequate to cover losses due to reasonably predicted bad debt.

If the transaction's interest rate is not significantly different from the market rate, the receivable is initially recorded at a value equal to the nominal value net of all premiums, discounts, rebates and inclusive of any costs directly attributable to the transaction that generated the receivable. These transaction costs, any commission income and expense and any difference between the initial value and the nominal value at maturity are spread over the duration of the loan using the effective interest criterion.

On the other hand, when the interest rate of the transaction inferable from the contractual conditions is significantly different from the market rate, the receivable (and the corresponding revenue in the case of commercial transactions) is initially recorded at a value equal to the present value of future cash flows plus any transaction costs. The rate used to discount future flows is the market rate.

In the case of receivables arising from commercial transactions, the difference between the initial recognition value of the receivable thus determined and the forward value is recognised in the income statement as financial income over the duration of the receivable using the effective interest rate criterion.

In the case of financial receivables, the difference between the cash and cash equivalents disbursed and the present value of future cash flows, determined using the market interest rate, is recognised under financial income or expense in the income statement at the time of initial recognition, unless the substance of the transaction or contract leads to the attribution of a different nature to this component. Subsequently, the interest income accruing on the transaction is calculated at the effective interest rate and charged to the income statement with an offsetting entry against the value of the receivable.

The value of the receivables is subsequently reduced by the amounts received, both by way of principal and interest, as well as for any write-downs to bring the receivables to their presumed realisable value or for losses.

The Company assumes that the effects deriving from the application of the amortised cost and of its discount are irrelevant when the maturity of the receivables is within 12 months, also taking into account all the contractual and substantive considerations in place at the time the credit is recognised, and the transaction costs and any difference between the initial value and the nominal value at maturity are of an insignificant amount. In this case, discounting is omitted, the interest is calculated at nominal value and the transaction costs are entered under deferrals and amortised on a straight-line basis over the duration of the receivable to adjust the nominal interest income.

Cash and cash equivalents

Cash and cash equivalents, revenue stamps and cash balances resulting from the accounts held by the Company with credit institutions are allocated to this item, all expressed at their nominal value, specifically converted into national currency in the case of accounts in foreign currencies.

Shareholders' equity

This item includes all the transactions of a financial nature carried out between the Company and subjects who exercise their rights and duties as shareholders. The share capital increase is recognised in the accounts only after the transaction has been entered in the companies' register, as governed by art. 2444, paragraph 2, of the Italian Civil Code. In this case, the corresponding amount is recognised in a specific item of shareholders' equity (other than the item 'Share capital'), which includes the amounts of share capital subscribed by the shareholders, which will be subsequently reclassified when the conditions described above are met.

Provisions for risks and charges

They are set aside to cover losses or debts of certain or probable existence, whose amount or date of occurrence could not be determined at the end of the year.

In the valuation of these provisions, the general criteria of prudence and accrual were respected and no provision was made for generic risks without economic justification.

Notes to the financial statements as of and for the year ended December 31, 2020

Potential liabilities are recognised in the financial statements and recorded in the provisions when their manifestation is considered probable and when the amount of the related charge can be reasonably estimated.

Any risks for which the occurrence of a liability is only possible or for which no objective forecast of the resulting charge is possible are indicated in the Explanatory Notes without making allocations to provisions for risks and charges.

Risks whose probability of occurrence appears remote are not taken into account.

Employee termination indemnity

The provision for employee termination indemnity is set aside to cover the entire liability accrued towards employees, in compliance with current legislation and collective employment and supplementary company agreements. This liability is subject to revaluation pursuant to art. 2120 of the Italian Civil Code.

The employee termination indemnity recognised in the financial statements is given by the total of the individual indemnities accrued by employees, including revaluations, net of the advances paid, and taking into account the effects of the reform introduced by Law no. 296 (2007 Finance Law) of 27 December 2006, on the allocation of employee termination indemnity provision (to the INPS treasury fund or other selected entities).

As a result of this reform, the employee termination indemnity accrued up to December 31, 2006 remain in the company and contribute to forming the provision for employee termination indemnity accrued in the financial statements.

Starting from January 1, 2007, the employee termination indemnity accrued during the year are charged to the income statement and are reflected, for the part still to be paid to the INPS Treasury Fund or other funds, under current payables in item D14.

Payables

Payables originating from acquisitions of assets are recognised in the balance sheet when significant risks, charges and benefits associated with their ownership have been substantially transferred. Payables relating to services are recognised when the services have been rendered, that is, the service has been performed.

Financial payables arising for financing transactions and payables arising for reasons other than the acquisition of goods and services are recognised when the company has an obligation towards the counterparty, identified on the basis of legal and contractual regulations.

The advances received from customers for the supply of services not yet carried out are included in the item advances.

Payables are valued in the financial statements at amortised cost, taking into account the time factor.

If the transaction's interest rate is not significantly different from the market rate, the payable is initially recognised at a value equal to the nominal value, net of all transaction costs and all premiums, discounts and rebates deriving directly from the transaction that generated the payable. These transaction costs, such as ancillary expenses for obtaining loans, any commission income and expenses and any difference between the initial value and nominal value at maturity, are spread over the duration of the payable using the effective interest criterion.

On the other hand, when the transaction's interest rate inferable from the contractual conditions is significantly different from the market rate, the payable (and the corresponding cost in the case of commercial transactions) is initially recorded at a value equal to the present value of future cash flows, taking into account any transaction costs. The rate used to discount future flows is the market rate.

In the case of payables arising from commercial transactions, the difference between the initial recognition value of the payable thus determined and the forward value is recognised in the income statement as a financial charge over the duration of the payable using the effective interest rate criterion. In the case of financial payables, the

Notes to the financial statements as of and for the year ended December 31, 2020

difference between the cash and cash equivalents disbursed and the present value of future cash flows, determined using the market interest rate, is recognised under financial income or expense in the income statement at the time of initial recognition, unless the substance of the transaction or contract suggests the attribution a different nature to this component. Subsequently, the interest expense accruing on the transaction is calculated at the effective interest rate and charged to the income statement with an offsetting entry against the value of the payable.

The value of the payables is subsequently reduced by the amounts paid, both in terms of the principal and of interest.

The Company assumes that the effects deriving from the application of the amortised cost and the discount are irrelevant when the due date of payables is within 12 months, also taking into account all the contractual and substantial considerations in place when the payable is recognised, and the costs transaction and any difference between initial value and nominal value at maturity are of an insignificant amount. In this case, discounting is omitted and the interest is calculated at nominal value and the transaction costs are entered under deferrals and amortised on a straight-line basis over the duration of the payable to adjust the nominal interest expense.

Payables to group companies

Items D9, D10 and D11 respectively include payables to subsidiaries, associates and parent companies, as defined pursuant to art. 2359 of the Italian Civil Code. These payables are indicated separately in the balance sheet.

Item D11 also includes payables to parent companies that indirectly control the Company, through their intermediate subsidiaries.

Payables to companies subject to common control ('sister companies'), other than subsidiaries, associates or parent companies, are recognised in item D11-bis.

Revenue

Revenues from the provision of services are recognised on the date on which the services are completed or, for those dependent on contracts with periodic payments, on the date of accrual of the payments.

Sales revenue are recognised net of returns, discounts, allowances and bonuses, as well as taxes directly connected with the sale, the provision of services and adjustments to revenues for the year are directly deducted from the item revenues.

The item "other revenues and income" includes positive non-financial income components deriving entirely from ancillary management.

Costs

Purchase costs are recognised on an accruals basis. The costs for raw and ancillary materials, consumables and goods include accessory purchase costs (transport, insurance, loading and unloading, etc.) if included by the supplier in the purchase price of the same, otherwise they are recognised separately under costs for services according to their nature.

Not only costs of a certain amount, but also those not yet documented for which the transfer of ownership has already taken place or the service has already been received, are recognised under costs.

Financial income and expenses

They include all the positive and negative components of the economic result for the year connected with the company's financial asset and are recognised on an accrual basis.

Income taxes—Current, Prepaid and Deferred

Current income taxes are allocated according to the accrual principle on the basis of the tax charges resulting from the application of the tax legislation in force and are entered under tax payables net of advances.

Notes to the financial statements as of and for the year ended December 31, 2020

Deferred and prepaid taxes are determined on the temporary differences between the value attributed to the assets and liabilities according to statutory criteria and the value attributed to the same assets and liabilities for tax purposes.

Deferred taxes are entered under the 'Deferred tax reserve' recorded under liabilities among the provisions for risks and charges, while prepaid taxes are recorded under receivables from others under current assets.

Assets deriving from prepaid taxes are not recognised, in compliance with the principle of prudence, if there is no reasonable certainty of the existence, in the fiscal years in which the relative temporary differences will be reversed, of a taxable income higher than the amount of the differences to be cancelled. Liabilities for deferred taxes are recognised only if there is a reasonable certainty that they will be reversed in the foreseeable future. Deferred tax assets and deferred tax liabilities are valued at the estimated tax rates applicable in the year in which the tax assets will be realised or the tax liability will be extinguished, based on the tax legislation established by provisions in force at the reference date of the financial statements.

Accruals and deferrals

The portions of costs and income common to two or more fiscal years are recorded under these items, according to the criterion of economic and temporal competence. Based on this criterion, accruals or deferrals are recognised when the following conditions are met:

- the contract begins in one fiscal year and ends in a subsequent one;
- the consideration for the services is contractually due in advance or in arrears with respect to services common to two or more consecutive years;
- the amount of accruals and deferrals varies with the passage of time.

Income and charges whose accrual has matured in full in the fiscal year to which the financial statements refer or in subsequent ones are not included under accruals and deferrals.

Conversion criteria for foreign currency items

In compliance with art. 2426, paragraph 1, no. 8-bis of the Italian Civil Code, monetary assets and liabilities in currencies other than the functional currency in which the financial statements are presented ('accounting currency'), are recognised at the spot exchange rate on the closing date of the exercise after initial recognition. The consequent gains or losses on foreign exchange are recognised in the income statement under item C17-bis) 'profits and losses on foreign exchange' and any net profit, which contributes to the calculation of the operating result, is set aside in a specific non-distributable reserve until realisation.

Non-monetary assets and liabilities in currencies other than the accounting currency are recognised at the exchange rate in effect at the time of their purchase. If the exchange rate in force at the closing date of the fiscal year is significantly different from that at the acquisition date, the exchange rate variation is one of the elements taken into consideration in the valuation process to determine the book value of individual non-monetary assets in the financial statements. In this case, therefore, any exchange differences (positive or negative) contribute to the determination of the recoverable value.

3. Intangible assets

Changes in intangible assets:

	January 1, 2020	Increases due acquisitions	Amortisation for the year	December 31, 2020
Cost				
Research and development costs	160,600	—	—	160,600
Industrial patent and intellectual property rights	895,648	98,851	—	994,499
Grants, licences, trademarks and similar rights	184,363	24,429	—	208,793
Other intangible assets	3,615,134	1,423,399	—	5,038,532
Total cost	5,064,495	1,546,679	—	6,611,175

Notes to the financial statements as of and for the year ended December 31, 2020

	January 1, 2020	Increases due acquisitions	Amortisation for the year	December 31, 2020
Amortisation (accumulated)				
Research and development costs	(148,480)	—	(12,120)	(160,600)
Industrial patent and intellectual property rights	(609,342)	—	(93,363)	(702,705)
Grants, licences, trademarks and similar rights	(138,831)	—	(21,972)	(160,803)
Other intangible assets	(2,690,857)	—	(591,165)	(3,282,022)
Total depreciation (accumulated)	(3,587,509)	—	(718,620)	(4,306,129)
Write-downs				
Research and development costs	—	—	—	—
Industrial patent and intellectual property rights	(134,488)	—	—	(134,488)
Grants, licences, trademarks and similar rights	—	—	—	—
Other intangible assets	—	—	—	—
Total write-downs	(134,488)	—	—	—
Net Book Value	1,133,748	—	—	1,961,808

Compared to the previous year, intangible assets increased by € 828,060 due to the combined effect of new investments in the period and relative pertaining amortisation.

With regard to the aforementioned item, the following is specified:

- The item patent rights and intellectual property rights is equal to € 157,307 and increased by € 5,488 following new acquisitions (for € 98,851) and the recognition of the amortisation quotas for the year (for € 93,363).

The aforementioned item refers to:

- for € 68,061 to software licenses held by the company;
- for € 36,600 for the costs for the acquisition and development of the internet domain;
- for € 2,309 for patent rights costs;
- for € 50,336 for intellectual property costs.
- Concessions, licenses, trademarks and similar rights amounted to € 47,990 and increased by € 2,458 following new investments for the year (for € 24,429) and the recognition of the amortisation charges for the year (for € 21,972).

The aforementioned item refers to:

- For € 37,225 to set-time software licenses held by the company;
- For € 10,776 for trademarks owned and registered by the University.
- The item other intangible assets is equal to € 1,756,511 and increased by € 832,234 as a result of investments in the year (for € 1,423,399, of which € 1,387,091 relating to multi-year indemnities for non-competition towards third parties) and to the recognition of the amortisation charges for the year (for € 591,165).

The aforementioned item refers to:

- For € 484,829 for renovation and improvement works of University premises;
- For € 147,379 to the right of usufruct on the property located in Naples in the Isola Direzionale Centre A3 acquired in 2010 and expiring in 2022;
- For € 1,124,303 to other multi-year costs to be amortised.

Notes to the financial statements as of and for the year ended December 31, 2020

4. Property, plant and equipment

Changes of property, plant and equipment:

	January 1, 2020	Increases due acquisitions	Depreciation for the year	December 31, 2020
Cost				
Plants and equipment	407,380	10,325	—	417,705
Industrial and commercial facilities	16,680	—	—	16,680
Other assets	5,720,343	348,838	—	6,069,180
Total cost	6,144,403	359,163	—	6,503,566
Depreciation (accumulated)				
Plants and equipment	(349,729)	—	(25,483)	(375,212)
Industrial and commercial equipment	(16,680)	—	—	(16,680)
Other assets	(3,768,946)	—	(783,686)	(4,552,632)
Total depreciation (accumulated)	(4,135,355)	—	(809,169)	(4,944,523)
Net Book Value	2,009,048	—	—	1,559,043

Compared to the previous year, intangible assets decreased by € 450,006 due to the difference between investments and amortisation for the period.

With regard to the aforementioned item, the following is specified:

- The item plant and machinery amounted to € 42,494 and decreased by € 15,157 following new acquisitions (for € 10,325) and the recognition of the depreciation charges for the year (for € 25,483).
- 2) The item other assets amounted to € 1,516,549 and decreased by € 434,848 following new acquisitions (for € 348,838) and the recognition of the depreciation charges for the year (for € 783,686).

The aforementioned item refers to:

- for € 180,359 for office furniture and machines;
- for € 359,614 for electronic office machines;
- for € 124,350 for cars owned by the University;
- for € 821,781 for furniture and furnishings of University operational offices;
- for € 30,344 for works of art held in the University's operational offices.

5. Financial assets

	As of December 31, 2020	AS of December 31, 2019	Change	%
Financial assets	54,203,578	50,764,428	3,439,150	7%
Total	54,203,578	50,764,428	3,439,150	7%
	2020	2019	Change	%
<i>Equity investments in subsidiaries</i>	<i>1,798,566</i>	<i>600,954</i>	<i>22,086</i>	<i>4%</i>
Pegaso Management S.r.l.	172,841	—	172,841	100%
Giapeto Editore S.r.l.	35,974	74,328	-38,354	-52%
3D Civil Engineering S.r.l.	28,643	12,404	16,239	131%
Università Telematica Pegaso S.r.l.	340,582	469,222	-128,639	-27%
Principe di Napoli S.c.a.r.l.	45,000	45,000	—	0%
Benecon S.c.a.r.l.	1,175,526	—	1,175,526	100%
<i>Investments in associated companies</i>	<i>—</i>	<i>176,162</i>	<i>(176,162)</i>	<i>-100%</i>
Benecon S.c.a.r.l.	—	176,162	(176,162)	-100%
<i>Equity investments in other companies</i>	<i>25,837</i>	<i>25,837</i>	<i>—</i>	<i>0%</i>
Gal Irpinia Sannio	10,282	10,282	—	0%
Gal Peloritani Terre dei miti e della Bellezza	446	446	—	0%
Gal Terra Protetta	12,395	12,395	—	0%
Gal Vallo di Diano	2,714	2,714	—	0%

Notes to the financial statements as of and for the year ended December 31, 2020

	As of December 31, 2020	AS of December 31, 2019	Change	%
	2020	2019	Change	%
Receivables from subsidiaries	6,004,396	5,652,396	352,000	6%
Pegaso Management	4,714,096	4,962,096	-248,000	-5%
3D Civil Engineering Lab S.r.l.	1,000	1,000	—	0%
Principe di Napoli	1,289,300	689,300	600,000	87%
Receivables from others	46,374,780	44,309,080	2,065,700	5%
Multiversity S.p.A.	43,908,000	43,908,000	—	0%
Security deposits on real estate leases	466,780	401,080	65,700	16%
Asset management	2,000,000	—	2,000,000	100%
Total	54,203,578	50,764,428	2,263,624	4%

6. Equity investments in subsidiaries

Equity investments in subsidiaries (pursuant to art. 2359 of the Italian Civil Code) are valued using the equity method (art. 2426 no. 4).

The breakdown of the item Equity investments in subsidiaries is shown below, compared with the previous year:

	As of December 31, 2020	As of December 31, 2019	Change	%
Equity investments in subsidiaries				
Pegaso Management S.r.l.	172,841	—	172,841	100%
Giapeto Editore S.r.l.	35,974	74,328	-38,354	-52%
3D Civil Engineering S.r.l.	28,643	12,404	16,239	>100%
Università Telematica Pegaso S.r.l.	340,582	469,222	-128,639	-27%
Principe di Napoli S.c.a.r.l.	45,000	45,000	—	100%
Benecon S.c.a.r.l.	1,175,526	—	1,175,526	0%
Total	1,798,566	600,954	1,197,612	>100%

Compared to the previous year, the item “Equity investments in subsidiaries” increased overall by € 1,197,612 due mainly to:

- increase of € 172,841 in the equity investment in Pegaso Management S.r.l. due to the waiver of loans approved in the 2020 fiscal year;
- increase of € 1,175,526 in the equity investment in Benecon S.c.a.r.l., due to the capital increase subscribed by the company and which brought the percentage of control by the University to 63%. The equity investment in the previous year was recorded among the equity investments in associated companies at a value of € 175 thousand.

The following table shows the changes in the item “Equity Investments in subsidiaries” in 2020:

Equity investments in Subsidiaries	Share capital as at Dec 31, 2020	Shareholders' Equity as at Dec 31, 2019	Release of provisions for hedging charges p.	Increase in Capital/Res. or purchases	Result for the year 2020	Shareholders' equity as at Dec 31, 2020	Share as at Dec 31, 2020	University shareholders' equity	Value Dec 31, 2020
PEGASO MANAGEMENT									
SRL—Naples	100,000	—	(62,645)	300,000	(64,514)	172,841	100%	172,841	172,841
GIAPETO EDITORE SRL—									
Naples	30,000	74,329	—	—	(35,974)	38,854	100%	38,854	35,974
3D CIVIL ENGINEERING									
SRL—Naples	10,000	14,593	—	—	14,050	28,643	85%	28,347	28,643
PEGASO ONLINE—Naples ...	500,000	469,222	—	—	(128,639)	340,582	100%	340,582	340,582
BENECON									
S.C.A.R.L.—Naples	323,200	880,105	—	999,937	1,151	1,880,620	63%	1,184,810	1,175,526
PRINCE OF									
NAPLES—Naples	50,000	50,732	—	—	667	51,398	90%	46,258	45,000

Notes to the financial statements as of and for the year ended December 31, 2020

a) Pegaso Management S.r.l.

<u>Name</u>	<u>Pegaso Management S.r.l.</u>
City, if in Italy, or foreign country	Naples
Tax code (for Italian companies)	07045141210
Share capital in Euro	100,000
Profit (loss) last fiscal year in Euro	(64,514)
Shareholders' equity in Euro	172,841
Shareholding shares in Euro	100,000
Shareholding shares in %	100
Balance sheet value	172,841

Pegaso Management S.r.l. is the corporate vehicle that holds the shareholding in Unimerctorum S.r.l. (equal to 66.66% of the share capital), the promoter and supporter of the Universitas Mercatorum University, in partnership with Unioncamere.

Pegaso Management S.r.l. was established with a deed by notary Vittorio Margarita on 8 November 2011 (file no. 46303—volume no. 14851) with share capital of € 100,000 fully subscribed and paid up by the University.

The book value of the equity investment in the financial statements as at December 31, 2020 is € 172,841.

b) Giapeto Editore S.r.l.

<u>Name</u>	<u>Giapeto Editore S.r.l.</u>
City, if in Italy, or foreign country	Naples
Tax code (for Italian companies)	07559331215
Share capital in Euro	30,000
Profit (loss) last fiscal year in Euro	(35,974)
Shareholders' equity in Euro	38,854
Shareholding shares in Euro	30,000
Shareholding shares in %	100
Balance sheet value	35,974

Giapeto Editore S.r.l. is the Group company which carries out publishing activities, established with a deed by notary Vittorio Margarita on July 29, 2013 (file no. 46955—volume no. 15280) with share capital of € 30,000 fully subscribed and paid up by the University.

The book value in the financial statements as at December 31, 2020 is equal to € 35,974.

c) 3DCivil Engineering S.r.l.

<u>Name</u>	<u>3DCivil Engineering S.r.l.</u>
City, if in Italy, or foreign country	Naples
Tax code (for Italian companies)	08149841218
Share capital in Euro	10,000
Profit (loss) last fiscal year in Euro	14,050
Shareholders' equity in Euro	28,643
Shareholding shares in Euro	8,500
Shareholding shares in %	85
Balance sheet value	28,643

3DCivil Engineering S.r.l. was established with a deed by notary Stefano Paladini on 20 July 2015 (file no. 1822—volume no. 1322) with share capital of € 10,000 subscribed by the University for € 8,500 (equal to 85% of the share capital).

Notes to the financial statements as of and for the year ended December 31, 2020

The company is currently inactive and the value of the equity investment is recorded in the financial statements at December 31, 2020 for € 28,643.

d) Università Telematica Pegaso S.r.l.

<u>Name</u>	<u>Università Telematica Pegaso S.r.l.</u>
City, if in Italy, or foreign country	Naples
Tax code (for Italian companies)	09041741217
Share capital in Euro	500,000
Profit (loss) last fiscal year in Euro	(128,639)
Shareholders' equity in Euro	340,582
Shareholding shares in Euro	500,000
Shareholding shares in %	100
Balance sheet value	340,582

Università Telematica Pegaso S.r.l. was established with a deed by notary Stefano Paladini on October 8, 2018 (file no. 6229—volume no. 4332) with share capital of € 500,000 fully subscribed and paid up by the University. The subsidiary holds 100% of the share capital in the company Pegaso Online doo Beograd, with registered office in Serbia, and both are inactive and have not produced revenues as of December 31, 2020.

The equity investment in question is recognised in the financial statements as at December 31, 2020 for € 340,582.

e) Principe di Napoli S.c.a.r.l.

<u>Name</u>	<u>Principe di Napoli S.c.a.r.l.</u>
City, if in Italy, or foreign country	Naples
Tax code (for Italian companies)	09156791213
Share capital in Euro	50,000
Profit (loss) last fiscal year in Euro	732
Shareholders' equity in Euro	51,398
Shareholding shares in Euro	45,000
Shareholding shares in %	90
Balance sheet value	45,000

The company Principe di Napoli S.c.a.r.l. was established with a deed by notary Stefano Paladini on February 8, 2019 (file no. 6656—volume no. 4596) with share capital of € 50,000 subscribed and paid by the University for 90% of the share capital equal to € 45,000 and the remaining 10% from the other university of the Universitas Mercatorum group.

The company in question is a special purpose company, in the form of a limited liability consortium company, finalised at pursuing all the commitments indicated in the concession contract signed with the Municipality of Agerola for the management and use of the property “Colonia Montana Principe di Napoli” as a Centre for Higher Education and University Specialisation in the sectors of gastronomy and tourism.

This equity investment is recognised in the financial statements as at December 31, 2020 for € 45,000.

f) Benecon S.c.a.r.l.

<u>Name</u>	<u>Benecon S.c.a.r.l.</u>
City, if in Italy, or foreign country	Naples
Tax code (for Italian companies)	06453531219
Share capital in Euro	323,200
Profit (loss) last fiscal year in Euro	1,151
Shareholders' equity in Euro	1,880,620
Shareholding shares in Euro	1,184,790
Shareholding shares in %	63
Balance sheet value	1,175,526

Notes to the financial statements as of and for the year ended December 31, 2020

The associated company Benecon S.c.a.r.l. is a university research consortium participated by 5 universities; it is endowed with skills and technologies of high scientific and innovative value which carries out scientific research in the fields of engineering and aerial surveys of territories.

The equity investment in the consortium was acquired with a deed by notary Paolo Guida on October 10, 2016 (file no. 30224—volume no. 14151) for a consideration of € 100,000 and the University holds a share with a nominal value of € 203,614 (equal to 63% of the share capital of € 150,000).

This equity investment is recognised in the financial statements at December 31, 2020 for € 1,175,526.

7. Other equity investments

The breakdown of the item of other equity investments is shown below, compared with the previous year:

	2020	2019	Change	%
<i>Equity investments in other companies</i>				
Gal Irpinia Sannio	10,282	10,282	—	0%
Gal Peloritani Terre dei miti e della Bellezza	446	446	—	0%
Gal Terra Protetta	12,395	12,395	—	0%
Gal Vallo di Diano	2,714	2,714	—	0%
Total	25,837	25,837	—	0%

The equity investment in the limited liability consortium company “Gal Peloritani Terre dei Miti e della Bellezza” was acquired with deed by notary Francesco Coppa on August 11th, 2016 (file no. 22893—volume no. 14303) with share capital of € 120,750 subscribed by Università Telematica Pegaso for € 12,500 (equal to 10.35% of the share capital) and recognised for € 12,395.

The equity investment in the limited liability consortium company “Gal Vallo di Diano” was acquired with deed by notary Maria D’Alessio on August 24, 2016 (file no. 2379—volume no. 1713). Università Telematica Pegaso subscribed a shareholding with a nominal value of € 4,000 (equal to 2.60% of the share capital of € 154,000) for a consideration of € 4,000; the above mentioned equity investment is recognised in the financial statements for a value of € 2,714.

8. Non-current receivables

	Value at the beginning of the year	Changes during the year	Year-end value	Portion due within the year	Portion due beyond the year
Non-current receivables from subsidiaries . . .	5,652,396	352,000	6,004,396	6,004,396	—
Other non current receivables	44,309,080	65,700	44,374,780	44,374,780	—
Total non-current receivables	49,961,476	417,700	50,379,176	50,379,176	—

With regard to the breakdown of receivables as at December 31, 2020 by geographical area (art. 2427, first paragraph, no. 6, of the Italian Civil Code), it should be noted that they are entirely from Italian companies.

9. Non-current receivables from subsidiaries

The item “Receivables from subsidiaries” equal to € 6,004,396 is represented by the receivables due from the subsidiaries for loans disbursed to support the business.

The breakdown of the item “Receivables from subsidiaries” is shown below, compared with the previous year:

	2020	2019	Change	%
Receivables from Pegaso Management	4,714,096	4,962,096	(248,000)	-5%
Receivables from 3D Civil Engineering Lab S.r.l.	1,000	1,000	—	0%
Receivables from Principe di Napoli	1,289,300	689,300	600,000	87%
Total	6,004,396	5,652,396	352,000	6%

Notes to the financial statements as of and for the year ended December 31, 2020

The item “Receivables from subsidiaries” decreased compared to the previous year by € 352,000 (+6%).

The changes that occurred during the year are provided in detail:

- Pegaso Management S.r.l.—The loan expires on December 31, 2021, but rescheduling of this loan beyond 12 months is being defined.
- Principe di Napoli S.c.a.r.l.—During the previous year, the University disbursed non-interest bearing loans to the subsidiary consortium company for a total of € 1,250,000, partially offset by the consortium contributions charged in 2019 by the subsidiary. In the 2020 fiscal year, additional loans were disbursed for € 600 thousand. The receivable as at December 31, 2020 amounts to € 1,289,300.

10. Other non-current receivables

The breakdown of the item “Other non-current receivables” is shown below, compared with the previous year:

	2020	2019	Change	%
Receivable from Multiversity S.p.A.	43,908,000	43,908,000	—	0%
Security deposits on real estate leases	466,780	401,080	65,700	16%
Total	44,374,780	44,309,080	65,700	0%

The item “Other non-current receivables” for € 44,374,780 includes:

- € 43,908,000 for the receivable from Multiversity S.p.A. for consideration for the sale of equity investments in subsidiaries.
- Security deposits paid for the signing of the lease contracts relating to the University premises amount to € 466,780.

11. Other securities

The following table shows the change in the item “Other securities” compared to the previous year:

	2020	2019	Change	%
Asset management	2,000,000	—	2,000,000	100%
Total	2,000,000	—	2,000,000	100%

The aforementioned item refers to the Asset Management held by the Company as a guarantee for Banca Fideuram for the issue of sureties in favour of third parties (the amount of the guarantees at the end of the year is shown below in this document).

12. Receivables included in current assets

Before proceeding with the analysis of individual items, the analytical composition and comparison of current assets in the two fiscal years considered is provided in the following table:

	Value at the beginning of the year	Changes during the year	Year-end value	Portion due within the year	Portion due beyond the year
Receivables due from customers	61,449,008	14,683,271	76,132,278	76,132,278	—
Receivables from subsidiaries	1,057,060	256,941	1,314,001	1,314,001	—
Receivables from parent companies	2,750	—	2,750	2,750	—
Receivables from companies subject to the control of parent companies	44,399	606	45,006	45,006	—
Tax receivables	56,366	54,890	111,256	111,256	—
Deferred tax assets	72,809	42,009	114,818	114,818	—
Receivables from others	1,792,101	(281,388)	1,510,713	1,510,713	—
Total receivables	64,474,492	14,756,330	79,230,822	79,230,822	—

With regard to the breakdown of receivables as at December 31, 2020 by geographical area (art. 2427, first paragraph, no. 6, of the Italian Civil Code), it should be noted that they are entirely from Italian companies.

Notes to the financial statements as of and for the year ended December 31, 2020

13. Receivables due from customers

The item “Receivables due from customers” equal to € 76,132,278 is mainly represented by the receivables due from students enrolled in degree, postgraduate and higher education courses, net of the related bad debt provision of € 20,161,826.

Receivables are recorded at their presumed realisable value which corresponds to the difference between the nominal value of the receivables and the adjustments recognised in the provision for credit risks, recorded in the financial statements as a direct reduction of the assets to which they refer. The amount of these adjustment funds is commensurate with the extent of the risk of non-collection prudentially estimated on the amounts of receivables accrued for academic years prior to 20/21 for which there is a recoverability risk.

The breakdown of the item trade receivables is shown below, compared with the previous year:

	2020	2019	Change	%
Trade receivables	96,294,104	78,094,414	18,199,690	23%
Bad debts provision	(20,161,826)	(16,645,407)	(3,516,418)	21%
Total	76,132,278	61,449,007	14,683,271	24%

The increase in gross receivables is due exclusively to the increase in the amounts recorded during the year as detailed in the report on the financial statements.

14. Receivables from subsidiaries

The item “Receivables from subsidiaries” equal to € 1,057,060 is represented by the receivables due from the subsidiaries for services provided at market prices:

The breakdown of the item “Receivables from subsidiaries” is shown below, compared with the previous year:

	2020	2019	Change	%
Pegaso Management S.r.l.	130,188	115,022	15,166	13%
Giapeto S.r.l.	1,183,813	942,038	241,775	25%
Total	1,314,001	1,057,060	256,941	24%

15. Receivables from parent companies

The item “Receivables from parent companies” equal to € 2,750 is represented by the receivables due from the subsidiary Università Telematica Pegaso S.p.A. advances disbursed.

16. Receivables from companies subject to the control of the parent companies

The item “Receivables from companies subject to the control of the parent companies” equal to € 45,006 is represented by the receivables due from the company Certipass S.r.l. for training projects provided to the aforementioned company.

17. Tax receivables

The item “Tax receivables” amounts to € 111,257.

The breakdown of the item tax receivables is shown below, compared with the previous year:

	2020	2019	Change	%
VAT	45,967	—	45,967	100%
Tax receivables pursuant to Italian Legislative Decree 66/2014	39,478	30,729	8,748	28%
Receivable for employee termination indemnity substitute tax	21,894	21,922	-28	0%
Tax receivable for excess withholding tax	3,307	3,103	204	7%
Other Tax Receivables	611	612	-1	0%
Total	111,257	56,366	54,890	97%

Notes to the financial statements as of and for the year ended December 31, 2020

18. Deferred tax assets

The item deferred tax assets is equal to € 114,818.

The receivables in question refers to IRES calculated on temporary increases relating to taxes pertaining to subsequent years.

19. Receivables from others

The item “Receivables from others” is equal to € 1,510,712.

The breakdown of the item receivables from others is shown below, compared with the previous year:

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Advances for lease payments	1,213,245	1,590,067	(376,838)	-24%
Confirmatory deposits	—	—	—	100%
Advances for suppliers	12,000	12,000	—	0%
Receivables from social security institutions	29,642	29,642	—	0%
Receivables from MIUR Teacher Bonus	117,799	65,058	52,741	81%
Other receivables	138,027	95,334	42,709	45%
Total	<u>1,510,712</u>	<u>1,792,101</u>	<u>(281,388)</u>	<u>-16%</u>

The aforementioned item includes:

- For € 1,212,445, advances for lease payments relating to the headquarters in Piazza Trieste and Trento. This amount includes the positive effect of € 28,577 recognised in the income statement under financial income deriving from the discounting of the nominal value, on the basis of the payment plan which will be completed by December 31, 2024;
- For € 12,000, advances paid to suppliers awaiting invoices;
- € 29,642, receivables from social security institutions;
- For € 117,799, receivables from MIUR for the teacher bonus in application of Law 107 of July 13th, 2016;
- Other receivables relating to projects amount to € 138,027.

20. Cash and cash equivalents

	<u>Value at the beginning of the year</u>	<u>Changes during the year</u>	<u>Year-end value</u>
Bank and post office deposits	31,002,154	78,867,098	109,869,252
Cheques	800	3,680	4,480
Cash and other valuables in hand	4,605	(2,558)	2,046
Total cash and cash equivalents	<u>31,007,558</u>	<u>78,868,220</u>	<u>109,875,778</u>

Cash and cash equivalents are valued at nominal value and include the positive balances of bank current accounts at the end of the year and cash and checks available.

21. Accrued income and prepaid expenses

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Accrued income and prepaid expenses	<u>396,554</u>	<u>260,447</u>	<u>136,106</u>	<u>52.26%</u>

The portions of costs and income common to two or more fiscal years are recorded under these items, according to the criterion of economic and temporal competence. Based on this criterion, accruals or deferrals are recognised when the following conditions are met:

- the contract begins in one fiscal year and ends in a subsequent one;
- the consideration for the services is contractually due in advance or in arrears with respect to services common to two or more consecutive years;
- the amount of accrued income and prepaid expenses varies with the passage of time.

Notes to the financial statements as of and for the year ended December 31, 2020

At the end of each fiscal year, it is checked that the conditions that determined the initial recognition of the accrual or deferred income are still met; if necessary, the necessary value adjustments are made. This valuation takes into account not only the passage of time but also the possible recoverability of the amount recognised in the financial statements.

There are no accrued income and prepaid expenses with a duration of more than 5 years.

22. Shareholders' equity

	2020	2019	Change	%
Shareholder's equity	76,512,675	22,462,654	54,050,021	>100%

A summary table of the changes that occurred in the shareholders' equity items during the year is provided, as required by art. 2427, paragraph 1, point 4, of the Italian Civil Code.

	Share Capital	Legal reserves	Other reserves	Profits (losses) carried forward	Profit (loss) for the year	Total shareholders' equity
Value at the beginning of the year	1,000,000	200,000	15,058,972	—	6,203,682	22,462,654
Allocation of the result from previous years	—	—	—	6,203,682	(6,203,682)	—
Dividend distribution						
Profit (loss) for the year	—	—	—	—	54,050,021	54,050,021
Year-end value	1,000,000	200,000	15,058,972	6,203,682	54,050,021	76,512,675

Total shareholders' equity increased compared to the previous year by € 54,050,021 to € 76,512,675 due to the result for the year 2020.

The item Other reserves includes the Reserve for operating surpluses before the conversion; it was formed as a result of the operating surpluses of the non-commercial entity up to December 31, 2018.

The profit of the fiscal year as at December 31, 2019, carried forward, of € 6,203,682 is made up as follows: i) € 3,757,841 relating to the portion from 1 January 2019 to 24 June 2019 (pre-conversion period); ii) € 2,445,841 relating to the portion from 25 June 2019 to December 31, 2019 (post-conversion period).

It should be noted that the shareholders' equity formed in the periods prior to the effective date of the conversion, which took place on June 25, 2019, is equal to € 82,780,008.

The items of shareholders' equity are reported in the following table, pursuant to point 7-bis of art. 2427 of the Italian Civil Code, specifying, for each, the nature and possibilities of utilisation/distributability and its use in the 3 previous years:

	Amount	Origin/nature	Possibility of use	Available portion	Uses in last 3 years
Share Capital	1,000,000	SHARE CAPITAL		0	
		RETAINED EARNINGS			
Legal reserve	200,000	RESERVE	B	0	
Other reserves					
<i>Extraordinary reserve</i>		RETAINED EARNINGS			
		RESERVE			
<i>Various other reserves</i>	<i>15,058,972</i>	RETAINED EARNINGS			
		RESERVE	A, B, C	15,058,972	
Total other reserves	15,058,972			15,058,972	
Profits carried forward	0	RETAINED EARNINGS			
		RESERVE			
Total	16,258,972			15,058,972	
Non-distributable portion	1,200,000				
Residual distributable share	15,058,972				

Notes to the financial statements as of and for the year ended December 31, 2020

KEY/NOTES:

A = for capital increase

B = to cover losses

C = for distribution to shareholders

D = for other statutory constraints

E = other

23. Provisions for risks and charges

They are set up against charges or payables of a determined nature and of probable or already certain existence at the balance sheet date, but of which, at the same date, either the amount or the date of occurrence are undetermined.

The provisions reflect the best possible estimate based on the information available.

The changes in the amount of the item “Provisions for risks and charges” are listed below:

	Value at the beginning of the year	Changes During the year	Accruals During The year	Releases For the year	Use in the year	Total changes	Year-end value
Provision for legal risks	90,349	—	—	—	—	—	90,349
Provision for other risks	1,583,789	—	—	(1,281,007)	(302,782)	(1,583,789)	—
Loss coverage provision	62,644	—	—	—	(62,644)	(62,644)	—
Total provisions for risks and charges	1,736,783	—	—	(1,281,007)	(365,426)	(1,646,433)	90,349

The provisions for risks and charges consist of:

- provisions for legal risks for a total of € 90,349 which refer to the risk of defeats on disputes in progress as per the opinions of the lawyers appointed;
- provision to cover loss of subsidiaries, set up in the previous year for € 62,644 to cover the 2019 equity deficit of Pegaso Management S.r.l., was fully released by reason of the capital payment made by Università Telematica Pegaso S.r.l. during the year to cover of such losses and better described in the specific section “Equity investments” of this document.

The provision for sundry risks was released in 2020 as the related risks that had determined the provision no longer existed.

For more extensive information, please note that on November 20, 2019 a tax audit was initiated by the Revenue Agency for the years prior to the transformation into a joint-stock company for the tax years from 2015 to 2019.

The verifying office has acquired the accounting, corporate, administrative and fiscal documentation, also from the promoter, Università Telematica Pegaso S.p.A.. The document verification and acquisition activities by the Revenue Agency (AdE—Agenzia delle Entrate) are still in progress at the date of preparation of this document and, with the help of trusted consultants, the company is promptly responding to the requests and questions raised.

On the basis of the current state of the checks and in the absence of findings received to date, no areas of possible criticality are detected and, consequently, there is no evidence of the existence of any prerequisites to make allocation, at current state of the documents, in full compliance with the regulations in force and the provisions of accounting standard OIC 31.

Notes to the financial statements as of and for the year ended December 31, 2020

24. Employee termination indemnity

	Value at the Beginning of the year	Changes During The year	Accruals during the year	Total changes	Year-end value
employee termination indemnity	612,424	138,136	23,286	161,422	773,845

The payable for employee termination indemnity was calculated in accordance with the provisions in force governing the employment relationship for employees and corresponds to the actual company's commitment towards individual employees at the closing date of the financial statements.

The amount set aside represents the actual payable for the company's employee termination indemnity at the end of the year to employees in post at that date, net of the advances paid.

The amount of employee termination indemnity relating to terminated employment contracts, whose payment has not yet been made at the end of the fiscal year, has been entered under item D) 14)—Other payables—of the balance sheet.

25. Payables

	2020	2019	Change	%
Payables	85,569,631	63,036,901	22,532,730	36%

Payables as at December 31, 2020 amounted to a total of € 84,611,515.

The changes in the amount of the item "Payables" are presented below:

	Value at the Beginning of the year	Change in the year	Value at the End of the year	Maturity of portion beyond
Payables to banks	64	(64)	—	—
Advances	2,096,874	594,812	2,691,686	—
Payables to suppliers	12,494,119	377,769	12,871,888	—
Payables to parent companies	41,119,929	389,223	41,509,152	—
Payables to subsidiaries	868,403	(181,249)	687,154	—
Tax payables	3,593,786	19,719,117	23,312,903	—
Payables to social security institutions	444,721	122,446	567,167	—
Other payables	2,419,005	1,510,676	3,929,681	—
Total payables	63,036,901	22,532,730	85,569,631	—

Payables with a maturity of more than five years are not measured.

As can be seen from the following table, overall payables increased by an amount equal to € 22,532,730 compared to the previous year.

The item "Advances" indicated in item D.6 for € 2,691,686 includes the sums paid by students for enrolments in the process of completion.

The increase in the item "Payables to suppliers", less than proportional to the increase in operating costs, is due to an improvement in the average ratio relating to the suppliers' days of payment.

The item "Payables to subsidiaries" for € 687,154 as at December 31, 2020, almost entirely includes the residual debt to the subsidiary Principe di Napoli S.c.a.r.l. relating to the reversal of consortium costs referred to in art. 9 of the consortium statute.

The item "Payables to parent companies" for € 41,509,152 as at December 31, 2020,

- for € 37,993,906 the residual debt relating to the accrued charge, for the year 2019, with reference to the ongoing contractual relationship between the company and the promoter, Università Telematica Pegaso

Notes to the financial statements as of and for the year ended December 31, 2020

S.p.A., pursuant to and for the purposes of art. 2 of the University Statute, as better described in the relevant comment section of the income statement items of this document. It should be noted that the contract in question ceased to all effects starting from the 2020 fiscal year;

- for € 3,515,246 for royalties accrued during the 2020 fiscal year to the Parent Company Multiversity S.r.l. as per the contract signed on February 1st, 2016. This contract provides for the concession for use by the Università Telematica Pegaso of the Pegaso brand, the entire software structure for distance learning activities, technology, specific know-how and functional platforms for online university training and teaching activities, management and administration of the University;

The table below shows the change in the item “Payables to parent companies” compared to 2020:

	2020	2019	Change	%
Pegaso S.p.A.	37,993,906	37,993,906	—	0%
Multiversity S.r.l.	3,515,246	3,126,023	389,222	12%
Total	41,509,152	41,119,929	389,222	1%

The item “Tax payables” for € 23,312,903 as at December 31, 2020 mainly includes the following items:

- for € 197,774 of the VAT payable to be paid as at December 31, 2019;
- for € 18.148.671, the IRES payable net of the advances paid during the year;
- for € 4.181.570, the IRAP payable net of the advances paid during the year
- for € 444,808 of the stamp duty payable to be settled online, net of the advances paid during the year;
- for € 15,388 of the payable for withholding taxes for self-employed work;
- for € 315,242 of the payable for withholding taxes related to company employees’ salaries.

The item “Payables to welfare and social security institutions”, amounting to € 567,167, includes payables relating to mandatory contributions accrued and not yet paid to social security and welfare institutions.

The item “Other payables” for € 3,929,681 as at December 31, 2020 mainly includes the following items:

- € 718,666 for the balance of payables to employees for wages to be paid;
- € 409,832 for payables to employees for holiday pay;
- € 1,476,404 for the balance of payables to withdrawing students for sums paid which must be reimbursed;
- for € 1,324,778 for sundry payables.

With regard to the breakdown of payables as at December 31, 2020 by geographical area, it should be noted that they are entirely due to EU companies.

26. Accrued expenses and deferred income

They were determined according to the principle of economic and temporal competence, taking care to allocate the portions of costs and revenues pertinent to the closing fiscal year.

The composition of the item compared with that of the previous year is detailed as follows (art. 2427, first paragraph, no. 7, of the Italian Civil Code):

	2020	2019	Change	%
Accrued income and prepaid expenses	715,769	674,874	40,895	6%
Accrued income and prepaid expenses	83,565,314	61,126,088	22,439,227	37%
Total	84,281,083	61,800,962	22,480,121	36%

Accrued expenses for € 715,769 mainly include teaching staff costs accrued at the end of the fiscal year; for this item the amount of accruals was determined on the basis of the contractual term which, in most cases, coincides with the academic year.

Notes to the financial statements as of and for the year ended December 31, 2020

The following table shows the change in the aforementioned item:

	2020	2019	Change	%
Accrued expenses Tutor	11,509	11,984	(475)	-4%
Accrued lecturers expenses	704,051	644,935	59,116	9%
Accrued expenses for various compensation payments	209	17,955	(17,746)	-99%
Total	715,769	674,874	40,895	6%

The item 'Deferred income' for € 83,565,314 consists of:

- prepaid expenses of € 83,241,810 relating to fees for students who have submitted an application for enrolment in degree and/or postgraduate courses for the academic year 2020/2021 by December 31, 2021; the amount of these prepaid expenses pertaining to the following year was determined on the basis of the duration of the academic year (August 1st 2020 to July 31, 2021);
- other deferred income for € 323.504 relating to research grants as part of the institutional activity pertaining to subsequent years.

27. Value of production

The following table highlights the changes in the items of the value of production compared to the previous year, summarising the economic performance:

	2020	2019	Change	%
Revenues from sales and services	165,736,733	124,180,361	41,556,372	33%
Contributions for the fiscal year	896,458	1,479,249	(582,790)	(39)%
Other revenue and income	1,842,251	104,787	1,737,464	>100%
Total other revenue	2,738,710	1,584,036	1,154,674	73%
Total	168,475,443	125,764,397	42,711,046	34%

There are no significant revenue items of an exceptional nature as at December 31, 2020.

28. Revenues from sales and services

Revenues from the provision of services of the typical management of the company amounted to a total of € 165,736,733 with an increase compared to the previous year equal to € 41,556,372 (+ 33%).

Referring to the report on operations for a detailed comment on performance, it is noted that all sales revenues were achieved in the national territory.

29. Contributions

The item Grants amounts to € 896,458 and it decreased by € 582,790 (-39%) compared to the previous year.

	2020	2019
Proceeds from research projects for Extraordinary Professors	330,029	581,960
Contribution for projects and conventions	194,007	463,897
ERASMUS project contributions	19,039	158,437
Contributions to the S-FEST project	—	2,011
Contributions to the S-FEST project	—	12,000
Contributions to the CISOTRA project	27,578	1,519
Revenues for 0.5% contributions	325,806	259,925
Total	896,458	1,479,749

The aforementioned item consists of:

- € 330,029 from the proceeds related to research projects managed by the Extraordinary Professors appointed by the University. The figure of "Extraordinary Professor" is regulated pursuant to art. 1, paragraph 12, of Law 230 of 2005, according to which universities can carry out specific research programs on the basis of

Notes to the financial statements as of and for the year ended December 31, 2020

agreements with companies or foundations, or with other public or private subjects, for periods not exceeding six years, with financial charges borne by the same subjects, through the conferral of assignments of a maximum duration of three years, renewable on the basis of a new agreement, to those who have are eligible for the category of full professors, or to subjects with high scientific and professional qualifications. The University, in fulfilment of the aforementioned agreement, approved in advance by the Academic Bodies and signed with the funding body, stipulates a contract for the appointment of extraordinary professor for the professor entrusted with the related research project.

- € 325,806 from revenues from the 0.5% contributions allocated to the University through tax returns;
- € 194,007 from income linked to various projects and agreements. In the context of this case, the main projects in which our University participates are: a) for € 125,170 the “Skills for school, skills for life” project signed with the Campania Region, whose objective is linked to the establishment of a list of internal Italian language and mathematics teachers to be entrusted, following a training course carried out by the Implementing Body, with training actions that will be activated as part of the project b) for € 78,000, the “TISMA” project signed with the Campania Region, whose objective is linked to the creation of an integrated platform for monitoring historic centres of high artistic and cultural value.
- € 19,039 from income related to “Erasmus” projects; the University participates in the aforementioned project, whose objective is to encourage the mobility abroad of university students;
- € 27,578 from proceeds related to the Cisotra project. The University participates in the aforementioned project whose objective is to develop and implement an innovative methodology to fill the current gap in support for unaccompanied minors towards adulthood.

Finally, it should be noted that the income from the 0.5% contributions was fully reinvested in research activities carried out within the University’s institutional activities, also in compliance with the resolution of the Board of Directors of December 16, 2019.

30. Other revenue

The item other revenues amounted to € 223,368 and compared to the previous year it shows an increase of € 118,582 (+113%).

	2020	2019
Allowances and rounding-ups	167	322
Ordinary contingent assets	517,123	32,718
Other revenues and miscellaneous income	1,306,534	15,539
Extraordinary capital gains	—	23,056
Capital gains from the sale of fixed assets	—	1,043
Other miscellaneous revenues	18,427	7,022
Non-existent assets	—	24,585
Total	1,842,251	104,287

Other revenue and miscellaneous income include the release of the provision relating to the contributions accrued to guidance centres as already described in the section relating to the movement of funds in this document.

31. Costs of production

	2020	2019	Change	%
Costs of production	90,547,874	66,104,158	24,443,716	37%
	2020	2019	Change	%
Costs for raw material	371,018	370,510	508	0%
Costs for services	55,634,091	40,560,407	15,073,683	37%
Costs for use of third party assets	13,567,764	10,839,077	2,728,687	25%
Wages and salaries	6,115,169	5,058,235	1,056,935	21%
Social security charges	1,504,333	1,354,211	150,122	11%
Employee termination indemnity	239,103	170,063	69,040	41%

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	2020	2019	Change	%
Other staff costs	24,804	32,862	(8,058)	(25)%
Amortisation of intangible assets	718,620	407,685	310,935	76%
Depreciation of property, plant and equipment	815,509	819,086	(3,577)	(0)%
Write-downs of current assets	4,766,078	3,968,000	798,078	20%
Accruals to provisions for risks	—	62,644	(62,644)	(100)%
Other operating expenses	6,791,385	2,461,378	4,330,007	176%
Total	90,547,874	66,104,158	24,443,716	37%

The following table shows the amount of costs of exceptional size or incidence recognised in the current year among other management costs:

	2020	2019	Change	%
Previous years waste tax	3,056	235,292	-232,236	-99%
Contingent liabilities	4,000,000	37,000	3,963,000	10711%
Total	4,003,056	272,292	3,730,764	1370%

32. Costs for raw and ancillary materials, consumables and goods

The costs of raw and ancillary materials, consumables and goods, net of returns, allowances and discounts, amounted to € 371,018 and increased by € 508 (+0.1%) compared to the previous year.

33. Costs for services

Costs for services amounted to € 54,123,329 and they increased by € 15,073,684 (+27%) compared to the previous year.

The following table shows the changes in the item “Costs for services” compared to the previous year:

	2020	2019	Change	%
Promotional activities	24,889,762	11,380,205	13,509,557	119%
Publishing Services	267,973	513,396	-245,423	-48%
ECP contributions	21,245,297	20,182,055	1,063,243	5%
Professional consultancy	1,084,061	712,389	371,672	52%
Teachers’ fees	919,424	729,823	189,600	26%
Tutor fees	160,027	208,289	-48,262	-23%
Extraordinary professors	1,303,920	1,315,117	-11,197	-1%
Compensation for Board Members	574,389	528,332	46,057	9%
Collaborators	464,535	521,645	-57,109	-11%
Board of Evaluation	32,200	37,000	-4,800	-13%
Fees for copyright	66,176	120,674	-54,498	-45%
Conventions with institutions and universities	22,560	39,600	-17,040	-43%
Social security charges on remuneration	414,974	430,306	-15,332	-4%
Refunds	38,844	107,710	-68,867	-64%
Audit	72,534	91,701	-19,167	-21%
Board of Statutory Auditors’ remuneration	50,000	8,120	41,880	516%
Telephone charges	529,446	400,165	129,281	32%
Hosting Service	50,648	45,637	5,011	11%
Electric energy	132,296	161,730	-29,434	-18%
Other utilities	22,658	26,968	-4,310	-16%
Offices cleaning costs	320,052	378,262	-58,209	-15%
Insurance	55,731	24,287	31,445	129%
Facility management	273,048	179,340	93,708	52%
Different maintenances	40,299	53,046	-12,747	-24%
Commissions and bank charges	992,859	739,532	253,328	34%
Travel and transfers	349,527	779,654	-430,127	-55%
Other costs for services	303,078	331,854	-28,776	-9%
Costs for projects	100,809	185,052	-84,244	-46%

Notes to the financial statements as of and for the year ended December 31, 2020

	2020	2019	Change	%
Other costs for services	320,953	104,119	216,834	208%
Costs for student support and the right to study	525,000	224,400	300,600	134%
Mileage allowance refunds	11,010	—	11,010	>100%
Total	55,634,091	40,560,407	15,073,682	37%

Compared to the previous year, the main changes in the item “costs for services” are as follows;

- €1,063,243 for the higher contributions paid to ECPs and related to the increase in the University’s activities;
- € 13,509,557 for the higher costs incurred for promotional activities in support of the University “brand”.

34. Costs for use of third party assets

These costs mainly consist of rent fees and condominium expenses relating to the University’s operating offices and of royalties payable to the Parent Company Multiversity S.r.l. as per the contract signed on 1 February 2016. This last contract provides for the concession for the use by Università Telematica Pegaso of the Pegaso brand, the entire software structure for distance learning activities, technology, specific know-how and functional platforms for online university training, and the University’s teaching, management and administrative activities.

The costs for the use of third party assets amounted to € 13,567,764 for the year 2020 and compared to the previous year they increased by € 2,728,687 (+16%). As better described in the report on operations on the financial statements, the item “Rents payable for operating headquarters” increased due to the opening of new operating offices in Italy.

The following table shows the changes in the item “Costs for the use of third party assets” compared to the previous year:

	2020	2019	Change	%
Rental charges for operational headquarters	2,817,919	2,686,617	131,302	5%
Operating offices condominium expenses	358,343	318,349	39,994	13%
Various rentals	17,392	26,996	- 9,603	-36%
Royalties costs	10,374,110	7,807,115	2,566,995	33%
Total	13,567,764	10,839,077	2,728,687	25%

35. Personnel costs

This item includes the entire expenditure for employees, including merit improvements, category changes, contingency increases, cost of unused holidays and provisions set forth by law and collective agreements.

The item increased by € 1,056,935 (+ 19%) mainly due to the increase in the educational and administrative staff employed by the University.

The following table shows the changes in the item “Personnel costs” compared to the previous year:

	2020	2019	Change	%
Wages and salaries	5,108,642	4,394,261	714,380	16%
Temporary employment	1,017,538	663,973	353,565	53%
Social security contributions	1,504,333	1,354,211	150,122	11%
Employee termination indemnity	239,103	170,063	69,040	41%
Other staff costs	24,804	32,862	(8,058)	-25%
Total	7,894,420	6,615,370	1,279,050	19%

Notes to the financial statements as of and for the year ended December 31, 2020

36. Amortisation of intangible assets

The following table shows the changes in the item “Amortisation of intangible assets” compared to the previous year:

	2020	2019	Change	%
Amortisation of Research and development costs	12,120	12,120	—	0%
Amortisation of Patent Rights	577	—	577	100%
Amortisation of Intellectual Property Rights	25,164	—	25,164	100%
Amortisation of Trademarks	634	—	634	100%
Amortisation of Internet Domains	36,600	36,600	—	0%
Amortisation of Software Licenses	52,360	43,619	8,741	20%
Amortisation of extraordinary works on third party assets	144,382	145,992	(1,609)	-1%
Amortisation of Other multi-year costs	300,108	22,680	277,428	1223%
- Amortisation of Usufruct on real estate	146,675	146,675	—	0%
Total	718,620	407,685	310,935	76%

37. Depreciation of property, plant and equipment

The following table shows the changes in the item “Depreciation of property, plant and equipment” compared to the previous year:

	2020	2019	Change	%
Plant depreciation	25,483	30,481	(4,998)	-16%
Equipment depreciation	6,340	16,680	(10,340)	-62%
Amortisation of electronic office machines	404,641	420,722	(16,080)	-4%
Depreciation of cars	41,450	—	41,450	100%
Furniture depreciation	337,594	351,204	(13,609)	-4%
Total	815,509	819,086	(3,577)	0%

38. Write-downs of receivables

As already highlighted in the commentary on the item “trade receivables”, an allocation to the provision for bad debts was set aside for a total amount of € 4,766,078.

The allocation to the bad debt provision was made by estimating the amounts of receivables accrued for academic years prior to 20/21 for which there is a risk of recoverability.

39. Accruals to provisions for risks

This item includes the allocation to the provision to cover losses on equity investments and that relating to pending legal disputes.

As shown in the following table, no further amounts were estimated in the item “Provision for risks” in the current year:

	2020	2019	Change	%
Accruals to provisions for risks	—	—	—	100%
Accruals to provision to cover subsidiaries’ losses	—	62,644	(62,644)	-100%
Total	—	62,644	(62,644)	-100%

40. Other operating expenses

The item for 2020, equal € 6,791,385, is mainly composed of the costs for the online stamp duty (€ 1,782,812), for donations to organisations and associations, for contributions measured for the subsidiary Principe di Napoli S.c.a.r.l. (€ 785,250), from various taxes and duties and contingent liabilities (€ 4,098,204).

With reference to contingent liabilities, it should also be noted that in March 2020 a settlement agreement was signed between the main E-learning Centre Points (ECPs”) and the University, which provides for the consensual termination of the agreements in place effective from 1 January 2020, based on the payment of a total amount of € 4 million, in the form of compensation, and a total consideration of approximately € 16,600.00 per month, plus

Notes to the financial statements as of and for the year ended December 31, 2020

VAT, for the entire five-year duration of a series of obligations undertaken by said ECPs, including the obligation of not undertaking activities in competition with those of the University. The transaction was formalised due to the decision to internalise the main activities carried out by the ECPs at the University structures. Therefore, this operation falls within a broader context of reorganisation of the group's structure, also in order to optimise internal processes.

41. Financial income

The following table shows the changes in the item "Financial income" compared to the previous year:

	2020	2019	Change	%
Income from asset management	—	1,098,418	(1,098,418)	-100%
Interest income and other income	16	669	(654)	-98%
Financial income from discounting of receivables	28,577	90,627	(62,050)	-68%
Total	28,593	1,189,714	(1,161,121)	-98%

42. Financial charges

The following table shows the changes in the item 'Financial expenses' compared to the previous year:

	2020	2019	Change	%
Financial company interests	8,262	13,007	(4,745)	-36%
Interest expense tax	664	1,332	(668)	-50%
Sundry interest expenses	0	50	(50)	-100%
Charge for the Promoting Body	—	50,793,814	(50,793,814)	-100%
Total	8,926	50,808,203	(50,799,277)	-100%

Interest and other financial charges, equal to € 8,926, are attributable to:

- interest paid to financial companies for granting deferred payments to students for € 8,262;
- interest expense for late payment of taxes for € 664.

The significant difference compared to the previous year is due to the termination of the promotion and support contract signed on October 14, 2010 between the University and the Promoter (Università Telematica Pegaso S.p.A.) and resolved by consensus starting from the fiscal year 2020, given the changed legal status of the University after its conversion into a joint stock company in 2019. Furthermore, the Promoter has undertaken, for as long as it holds the role of partner and promoter of the University, to provide the latter, through capital payments, the financial resources that would be necessary in the event of significant losses, indispensable and instrumental for the functioning of the University and for the pursuit of its aims

43. Income taxes for the year—current, deferred and prepaid

The income tax charge pertaining to the year is determined on the basis of current legislation.

Deferred and prepaid taxes are determined on the basis of the temporary differences between the values of assets and liabilities and the corresponding values for tax purposes.

In particular, prepaid taxes are recorded only if there is a reasonable certainty of their future recovery. Deferred taxes, on the other hand, are not recognised if there is a low probability that the related payable will arise.

The following table shows the changes in the item "Income taxes, current, deferred and prepaid" compared to the previous year:

	2020	2019	Change	%
IRES for the year	19,949,306	1,801,248	18,148,058	1008%
IRAP for the year	4,433,353	1,684,376	2,748,977	163%
Taxes from previous years	(658,707)	—	(658,707)	100%
Deferred tax assets	(42,009)	(72,809)	30,800	(42)%

The increase in taxes for the year is mainly due to the economic impact of the consensual termination of the contractual relationship of promotion and support, starting from January, 2020, as well as to the increase in the tax base due to the significant increase in the Company's value of production.

Notes to the financial statements as of and for the year ended December 31, 2020

RECONCILIATION BETWEEN ORDINARY RATE AND ACTUAL RATE

Reconciliation between the tax burden from the financial statements and the theoretical tax burden (IRES)	Dec 31, 2020
<i>Profit (loss) before tax</i>	77,742,962
<i>Theoretical tax charge (tax 24%)</i>	18,658,311
<i>Increases in business income</i>	6,116,114
<i>Decreases in business income</i>	-1,395,675
<i>Taxable income for IRES</i>	83,122,108
<i>Current IRES on income for the year</i>	19,949,306
<i>Effective IRES rate</i>	24.00%
Reconciliation between the tax burden from the financial statements and the theoretical tax burden (IRAP)	Dec 31, 2020
<i>Difference between production values and production costs</i>	77,920,140
<i>Theoretical tax charge (tax 4.97%)</i>	3,872,361
<i>Increases</i>	3,324,989
<i>Decreases</i>	0
<i>IRAP taxable income</i>	89,202,264
<i>Current IRAP for the year (gross of the excerpt of the first advance payment for 2020 pursuant to the “Relaunch” Legislative Decree)</i>	4,433,353
<i>Effective IRAP rate</i>	4.97%

Other information

44. Employment data

In addition to the information already provided on personnel, it should be noted that the average workforce of the Group companies, relating only to administrative staff and subordinate IT operators, has undergone the following changes compared to the previous year:

Year	Number of employees (absolute values)		
	Men	Women	Total
2019	59	117	176
2020	62	149	211

Human resources are one of the critical success factors of our company. In this direction, also in 2020, the policy of valuing people who grown within the organisation for the design and implementation of our services continued.

Training plans were implemented, aimed at developing creative and managerial skills, improving computer skills, language courses, use of new technologies, workplace risk prevention and support for individual initiatives.

Our company pays constant attention to entrance selection activities to guarantee the inclusion within the company of qualified personnel with skills, attitudes and motivations that are functional to the company production context, also with a view to facilitating the internal professional growth process.

45. Remuneration and advances of directors and statutory auditors

	Directors	Auditors
Remuneration for the year	574,389	50,000

The remuneration of the board of directors, amounting to € 574,389, and the remuneration of the board of statutory auditors, amounting to € 50,000 for the fiscal year 2020, comply with the resolutions of the shareholders' meeting of November 4, 2019 and December 16, 2019.

The costs in question include non-deductible VAT for the University.

Notes to the financial statements as of and for the year ended December 31, 2020

46. Remuneration for statutory auditor or auditing company

Pursuant to no. 16-bis, art. 2427 of the Italian Civil Code, the relevant fees payable to the statutory auditor or the auditing company for the following services are reported below:

- € 38,000 plus VAT for the statutory audit of annual financial accounts.

47. Commitments and guarantees

The table below shows guarantees given directly and indirectly as well as guarantees received (if applicable) as at December 31, 2020, differentiating between sureties and other guarantees, for an amount equal to the actual commitment and collateral for an amount equal to value of the right or asset given as a guarantee:

Commitments and guarantees given	1,481,641
of which sureties given to third parties	1,481,641
of which guarantees given to subsidiaries	0
of which guarantees given to parent companies	0

Sureties given to third parties, both those given in the context of research projects and as a guarantee for lease payments of the operating offices.

48. Information on transactions with related parties

With regard to relations with subsidiaries, associates and jointly controlled companies, parent companies and companies subject to the control of Università Telematica Pegaso S.r.l., it should be noted that they are all part of the normal and ordinary management activity and are concluded with reference to normal market conditions.

A summary table is shown below, constructed from the balance sheet and income statement data, depicting the main relationships with the Multiversity Group companies, in financial and economic terms, also specifying the nature of the transactions.

Name	INTER-GROUP TRANSACTIONS							
	RECEIVABLES		PAYABLES		COSTS		REVENUES	
	Commercial	Financial	Commercial	Financial	Commercial	Financial	Commercial	Financial
Multiversity S.p.A.	48	43,908						
Multiversity S.r.l.			3,515		10,374			
Pegaso S.p.A.	3			37,994				
Giapeto Editore S.r.l.	1,183						242	
Certipass S.r.l.	45							
Pegaso Management S.r.l.	130	4,714					15	
Principe di Napoli S.c.a.r.l.		1,289	2	685	2	785		
3D Civil Engineering Lab S.r.l.		1			26			
TOTAL	1,409	49,912	3,517	38,679	10,402	785	257	—

Financial receivables from the shareholder Multiversity S.p.A. amount to € 43,908 thousand, and are related to the sale of some of the equity investments in 2019.

With reference to the parent company Multiversity S.r.l., payables and costs of a commercial nature mainly concern the payment of royalties, as the company Multiversity S.r.l. from October 27, 2019 became the owner of the business unit, previously held by Multiversity S.p.A., with the relative assets, including the platform and of all other intangible assets indispensable for the University to carry out its business.

Financial payables to the company Pegaso S.p.A. refer to sums relating to the previous function of promotion and support of the University exercised by the company Pegaso S.p.A. up to the end of the previous year.

Notes to the financial statements as of and for the year ended December 31, 2020

With reference to the subsidiary Giapeto Editore S.r.l., relations of a commercial nature relate to research projects carried out by the University on behalf of the subsidiary.

Receivables and revenues of a commercial nature from the company Certipass S.r.l. (50% controlled by Multiversity S.r.l.) for an amount of € 45 thousand, mainly relate to the sale by the University of training packages.

With reference to the subsidiary Pegaso Management S.r.l., there are financial receivables equal to € 4,714 thousand, relating to non-interest bearing loans disbursed by the University in favour of the subsidiary in previous years and relationships of a commercial nature relative to research projects carried out by the University on behalf of the subsidiary.

With reference to the subsidiary Principe di Napoli S.c.a.r.l., there are financial receivables for a value of € 1,289 thousand, for non-interest bearing loans disbursed for an amount of € 600 thousand in the 2020 fiscal year and for an amount of € 689 in the 2019 fiscal year. Financial payables for an amount of € 685 thousand refer to the consortium contribution to the investee, while the commercial relations of € 2 thousand mainly concern the recharging of direct costs by Principe di Napoli S.c.a.r.l. A further € 785 thousand refer to the consortium contribution paid for the year 2020.

Lastly, with reference to the subsidiary 3D Civil Engineering Lab S.r.l., relations of a commercial nature refer to technical consultancy provided by the latter to the University.

Below is a summary table showing the main relationships with related parties:

Name	TRANSACTIONS WITH RELATED PARTIES							
	RECEIVABLES		PAYABLES		COSTS			REVENUES
	Commercial	Financial	Commercial	Financial	Commercial	Financial	Commercial	Financial
Bellerofonte S.r.l.		—	—	—	840	—	—	—
Mr. Danilo Iervolino	1,212	—	—	—	375	—	—	—
TOTAL	1,212	—	—	—	1,215	—	—	—

With reference to the related party Bellerofonte S.r.l., relations of a commercial nature refer to rental costs relating to the property at the Tower F/2 located in the Naples (NA) Business Centre, where the Company's management, teaching, technical-IT, administrative and financial offices are located.

In relation to the natural person of Mr. Danilo Iervolino, trade receivables refer to lease payments paid in advance for the property located in Piazza Trieste e Trento, 48 Naples (NA) where the Università Telematica Pegaso S.r.l. has its registered office, while the payables and costs of a commercial nature refer to rental expenses for the year 2019.

49. Information on agreements not resulting from the balance sheet

There are no agreements not resulting from the balance sheet.

50. Information on significant events occurring after the close of the fiscal year

During the year 2021, 15 associate professors were put into service in execution of the achievement plans presented on the 12 courses active in the academic year 2020/2021 in order to be able to submit the request for the establishment of new Study Programs for the purposes of Accreditation for the academic year 2021-2022 taking into consideration the data relating to the two previous years (MIUR circular reference 29229 of October 23, 2020).

On May 2, 2021 a bill was approved in the Senate, awaiting publication in the gazette, concerning the amendment to article 142 of the consolidated act referred to in the royal decree no. 1592 of August 31, 1933, concerning the abolition of the ban on simultaneous enrolment at different universities, at different faculties or schools of the same university and at different degree or diploma courses of the same faculty or school. This represents a highly modern approach since the existence of the now anachronistic prohibition described, actually established in a profoundly different historical and social context, affects a situation that sees our country in a highly critical position in comparison with the majority of European countries, and also allows the possibility of

Notes to the financial statements as of and for the year ended December 31, 2020

creating multidisciplinary paths and focusing on the enhancement and support of that training potential which, put to good use, constitutes the driving force for the country's longed-for social growth.

On February 2, 2021, Ministerial Decree 133 was issued (Amendment of the guidelines attached to Ministerial Decree no. 386/2007—Flexibility of study courses) aimed at universities.

In order 'to enhance the university autonomy in determining the educational systems of the study courses with regard to similar or supplementary training activities and to allow greater flexibility in the determination of the training courses', it is established that: the university institutions, in their autonomy, define the related or supplementary activities, referred to in art. 10, paragraph 5, of the regulation adopted with decree no. 270 of October 22, 2004, in the educational regulations of the course of study, in line with the objectives of the training course. In the educational system, only the total credits assigned to these activities are indicated.

All training activities relating to scientific-disciplinary sectors not envisaged for basic and specialised activities can be part of the similar or supplementary activities, as defined by the ministerial decrees determining the degree classes and master's degree classes, which ensure a multi-disciplinary and inter-disciplinary training of the student.

The related and supplementary training activities can be organised in the form of teaching courses, laboratories, exercises, seminars or other activities as long as they are aimed at acquiring knowledge and skills functionally related to the cultural and professional profile identified by the course of study.

Ministerial Decree 289/2020 was published on March 25, 2021 concerning the GENERAL GUIDELINES FOR THE PROGRAMMING OF UNIVERSITIES 2021-2023 and INDICATORS FOR THE PERIODIC EVALUATION OF THE RESULTS for which the definition of new indicators is expected for the initial and periodic accreditation of university offices and courses by of ANVUR.

51. Information pursuant to art. 1, paragraph 125, of law no. 124 of 4 August 2017

The Company took advantage of the IRAP excerpt pursuant to the "Relaunch" Legislative Decree relating to the 2019 IRAP balance of € 682,274 and the first 2020 payment of € 599,717.

It should be noted that the company received a contribution of € 180,463 in relation to the incremental advertising investments made in the daily and periodical press, including online, and on local television and radio broadcasters (art. 57-bis of decree law no. 50 of April 24, 2017, converted by law no. 96 of June 21st, 2017, and subsequent amendments).

52. Name and registered office of the companies that draw up the financial statements of the largest smallest set

Our company is part of a group of companies that draws up the consolidated financial statements and therefore information is provided on the name, registered office and place where the consolidated financial statements are filed.

*Multiversity S.r.l.—Piazza Mattei 10—Post Code 00186 Rome—Tax Code and VAT Registration
Number 15438171009*

53. Information relating to derivative financial instruments pursuant to art. 2427-bis of the Italian Civil Code

The Company has not subscribed derivative financial instruments pursuant to art. 2427 bis of the Italian Civil Code.

The valuation criteria set forth herein comply with the statutory regulations and the results of the consolidated financial statements correspond to the accounting records kept in compliance with the regulations in force. These explanatory notes, as well as the entire financial statements of which they constitute an integral part, give a true and fair view of the equity and financial situation of the Group and the economic result for the year.

The presentation of the values required by art. 2427 of the Italian Civil Code was drawn up in compliance with the principle of clarity.



FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

PREPARED IN ACCORDANCE WITH ITALIAN GAAP

**Università telematica “Pegaso” S.r.l.
Registered Office
Naples, Piazza Trieste e Trento, 48**

This Consolidated Financial Statements have been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

Independent Auditors' Report

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 (Translation from the original Italian text)

To the Sole Shareholder of
Università Telematica Pegaso S.r.l.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Università Telematica Pegaso S.r.l. (the Company), which comprise the balance sheet as at December 31, 2019, the income statement and statement of cash flows for the year then ended, and explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

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 our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

Our audit was carried out in the context arisen as a result of the COVID 19 outbreak and related measures, including restrictions of movement, issued by the Italian Government to protect the health of citizens. Consequently, due to circumstances of force majeure, our audit procedures, defined by the professional standards, have been carried out in the context of (i) a rescheduled personnel organization, based on a wide use of working from home and (ii) of different ways of interfacing with the company employees and gathering evidence, through the use, for the most part, of electronic documentation transmitted to us with techniques of communication at distance.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' Report

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have 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 have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Università Telematica Pegaso S.r.l. are responsible for the preparation of the Report on Operations¹ of Università Telematica Pegaso S.r.l. as at December 31, 2019, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Università Telematica Pegaso S.r.l. as at December 31, 2019 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Università Telematica Pegaso S.r.l. as at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Naples, June 11, 2020

EY S.p.A.

Signed by: Mauro Ottaviani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

¹ The Report on Operations is not included in this Offering Memorandum

Università telematica “Pegaso” S.r.l.
BALANCE SHEET
As of December 31, 2019

in units of €	As of December 31,		
	2019	2018	Notes
Assets			
B) NON-CURRENT ASSETS			
I Intangible assets			
2) Development costs	12,120	24,240	(3)
3) Industrial patent and intellectual property rights	151,818	176,699	(3)
4) Concessions, licences, trademarks and similar rights	45,533	45,872	(3)
7) Other intangible assets	924,277	1,211,832	(3)
Total Intangible assets	1,133,748	1,458,643	
II Property, plant and equipment			
2) Plants and equipment	57,651	35,338	(4)
4) Other tangible assets	1,951,397	2,284,718	(4)
Total property, plant and equipment	2,009,048	2,320,056	
III Financial assets			
1 Equity investments in			
a) Subsidiaries	600,954	1,736,683	(6)
b) Associated companies	176,162	176,162	(7)
d-bis) Other companies	25,837	25,644	(8)
Total financial assets	802,953	1,938,489	(5)
2 Receivables			
a) From subsidiaries	5,652,396	20,246,544	(9)
- <i>within the fiscal year</i>	5,652,396	20,246,544	(9)
d-bis) From others	44,309,080	390,580	(9)
- <i>within the fiscal year</i>	43,908,000	—	(9)
- <i>beyond the fiscal year</i>	401,080	390,580	(9)
Total financial receivables	49,961,476	20,637,124	(5)/(9)
3) Other securities	—	—	(10)
TOTAL NON-CURRENT ASSETS	53,907,225	26,783,940	

Università telematica “Pegaso” S.r.l.
BALANCE SHEET
As of December 31, 2019

in units of €	As of December 31,		
	2019	2018	Notes
C) CURRENT ASSETS			
II Receivables			
1) Receivables due from customers	61,449,008	50,288,997	(12)
2) Receivables due from subsidiaries	1,057,060	687,022	(13)
4) Receivables due from parent companies	2,750	2,750	(14)
5) Receivables due from companies subject to the control of the parent companies	44,399	37,346	(15)
5 bis) Tax receivables	56,366	57,528	(16)
5 ter) Deferred tax assets	72,809	—	(17)
5 quater) Receivables due from others	1,792,101	2,795,626	(18)
Total receivables	64,474,493	53,869,269	(11)
III Financial assets not fixed			
6) Other securities	—	9,721,872	(19)
Total financial assets not fixed	—	9,721,872	
IV Cash and cash equivalents			
1) Bank and post office deposits	31,002,154	55,859,163	(20)
2) Cheques	800	600	(20)
3) Cash and cash equivalents	4,605	12,092	(20)
Total cash and cash equivalents	31,007,559	55,871,855	
TOTAL CURRENT ASSETS	95,482,052	119,462,996	
D) ACCRUED INCOME AND PREPAID EXPENSES	260,447	267,679	(21)
TOTAL ASSETS	149,649,724	146,514,615	

Università telematica “Pegaso” S.r.l.
BALANCE SHEET
As of December 31, 2019

in units of €	As of December 31,		Notes
	2019	2018	
A) Shareholders' equity			
I. Share capital	1,000,000	—	
IV. Legal reserve	200,000	—	
VI. Other reserves			
<i>Reserve from operating surplus prior to change of status</i>	15,058,972	9,402,283	
VIII. Profits (losses) carried forward	—	—	
IX. Profit of the fiscal year	6,203,682	6,856,689	
Total Shareholders' equity	22,462,654	16,258,974	(22)
B) Provisions for risks and charges			
4) Others	1,736,783	2,002,111	(23)
Total Provision for Risks and Charges	1,736,783	2,002,111	
C) Employees termination indemnity	612,424	486,773	(24)
D) Payables			
4) Payables to banks	64	64	(25)
6) Advances	2,096,874	2,468,449	(25)
7) Payables to suppliers	12,494,119	12,770,486	(25)
9) Payables to subsidiaries	868,403	495,100	(25)
11) Payables to parent companies	41,119,929	59,995,676	(25)
12) Tax payables	3,593,786	577,576	(25)
13) Payables to welfare and social security institutions	444,721	426,236	(25)
14) Other payables	2,419,005	1,938,033	(25)
Total Payables	63,036,901	78,671,556	
E) ACCRUED INCOME AND PREPAID EXPENSES	61,800,962	49,095,201	(26)
TOTAL LIABILITIES	149,649,724	146,514,615	

Unoversità telematica “Pegaso” S.r.l.
INCOME STATEMENT
For the years ended December 31, 2019

in units of €	Year ended as of December 31,		
	2019	2018	Notes
A) Value of production			
1) Revenues from sales and services	124,180,361	102,184,502	(29)
5) Other revenues and income, with separate indication of operating grants	1,584,036	19,714,402	
a) <i>Sundry</i>	104,287	18,033,873	(31)
b) <i>Operating grants</i>	1,479,749	1,680,529	(30)
Total production value	125,764,397	121,898,904	(28)
B) Costs of production			
6) Costs for raw and ancillary materials, consumables and goods	370,510	660,903	(33)
7) Costs for services	40,560,407	34,639,605	(34)
8) Costs for use of third-party assets	10,839,077	9,363,373	(35)
9) Cost of personnel:	6,615,371	5,992,561	
a) <i>wages and salaries</i>	5,058,235	4,426,779	(36)
b) <i>social security charges</i>	1,354,211	1,358,118	(36)
c) <i>termination indemnity</i>	170,063	168,596	(36)
e) <i>other costs</i>	32,862	39,068	(36)
10) Depreciation, amortisation and write-downs:	5,194,771	4,113,580	
a) <i>Amortisation of intangible assets</i>	407,685	420,997	(37)
b) <i>Depreciation of property, plant and equipment</i>	819,086	748,199	(38)
d) <i>Write-downs of current receivables</i>	3,968,000	2,944,384	(39)
12) Accruals to provision for risks	62,644	208,025	(40)
13) Accruals to other provisions	—	496,664	
14) Other operating expenses	2,461,378	1,727,244	(41)
Total production costs	66,104,158	57,201,955	(32)
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS OF PRODUCTION A-B	59,660,239	64,696,949	
C) Financial income and expenses			
16) Other financial income	1,189,714	323,517	(42)
a) <i>Receivables recorded under fixed assets others</i>	1,189,714	112,877	(42)
d) <i>Income other than the above</i>	—	210,640	
17) Financial charges	50,808,203	57,196,459	(43)
<i>others</i>	50,808,203	57,196,459	(43)
Total financial income and expenses	(49,618,489)	(56,872,942)	
D) Value adjustments of financial assets and liabilities			
18) Revaluations	—	3,157	(44)
a) of equity investments	—	3,157	(44)
19) Write-downs	425,253	614,151	(45)
a) of equity investments	425,253	614,151	(45)
Total value adjustments of financial assets and liabilities	(425,253)	(610,994)	
Profit (loss) before taxes (A-B+/-C+/-D)	9,616,497	7,213,013	
20) Income taxes for the year, current, deferred and prepaid			
a) Current taxes	3,485,624	356,324	(46)
b) Taxes from previous years	—	—	(46)
c) Deferred tax assets and liabilities	(72,809)	—	(46)
Total income taxes for the year: current, deferred, prepaid	3,412,815	356,324	
Profit/(loss) for the year	6,203,682	6,856,689	

Università telematica “Pegaso” S.r.l.
STATEMENT OF CASH FLOWS
For the years ended December 31, 2019

in units of €	Year ended as of December 31,	
	2019	2018
A. Cash flows from operating activities		
Profit/(loss) for the year	6,203,682	6,856,689
Income taxes	3,412,815	356,324
Interest expenses / (interest income)	50,808,203	57,196,459
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/ losses from sale in the net working capital	60,424,700	64,409,472
Adjustments to non-monetary items not offset in net working capital		
Accruals to provisions for employee termination indemnity	170,063	168,596
Accruals to provisions for risks	62,644	704,689
Depreciation and amortisation of fixed assets	1,226,771	1,169,196
Value adjustments to financial assets and liabilities of derivative financial instruments that do not involve monetary movements	425,253	610,995
Receivables write-downs	3,968,000	2,944,384
Other increases/(decreases) for non-monetary items	—	(19,402,083)
Total adjustments for non-monetary items without a counter.entry in the net working capital	5,852,731	(13,804,223)
2) Cash flow before changes in net working capital	66,277,431	50,605,249
Changes in net working capital		
Decrease/(Increase) in receivables from customers	(15,507,501)	(14,428,387)
Increase/(Decrease) in payables to suppliers	(276,367)	4,950,358
Increase/(Decrease) in payables to subsidiaries	373,303	495,100
Increase/(Decrease) in payables to parent companies	(309,785)	911,108
Decrease/(increase) in accrued income and prepaid expenses	7,232	(194,383)
Increase/(decrease) in accrued expenses and deferred income	12,705,761	5,725,435
Decrease/(increase) of other receivables in current assets	254,686	(985,737)
Decrease/(increase) of other receivables in current liabilities	55,411	329,804
Decrease/(increase) in tax payables	27,241	(8,585)
Total changes in net working capital	(2,670,019)	(3,205,287)
3. Cash flow after changes in net working capital	63,607,412	47,399,962
Other adjustments		
Collected/(paid) interests	(15,063)	(636,683)
(Income taxes paid)	(421,047)	—
(Use of provisions for risks)	(327,973)	—
(Use of provisions for employee termination indemnity)	(44,412)	(37,816)
Total other adjustments	(808,494)	(674,499)
Cash flow from operating activities (A)	62,798,917	46,725,463
B. Financial flows from investing activities		
Property, plant and equipment		
(Investments)	(508,078)	(452,903)
Intangible assets		
(Investments)	(82,791)	(125,700)
Financial fixed assets		
(Investments)	(29,366,446)	(9,705,887)
Divestments	1,932,004	3,812,396
Current financial assets		
Divestments	9,721,872	525,820
Cash flow from investing activities (B)	(18,303,439)	(5,946,274)
C. Cash flows from financing activities		
Dividends disbursement	(69,359,776)	(23,739,541)
Cash flow from financing activities (C)	(69,359,776)	(23,739,541)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(24,864,297)	17,039,648

Notes to the financial statements as of and for the year ended December 31, 2019

1. Introduction

This document represents the financial statements as at December 31, 2019 which closed with a profit of the fiscal year of € 6,203,682 net of taxes for the period of € 3,412,815.

The Financial Statements of Università Telematica Pegaso S.r.l. (hereinafter also referred to as the “University”) closed on December 31, 2019 were prepared in accordance with the provisions of the Italian Civil Code, as amended by Italian Legislative Decree 139/2015, interpreted and integrated by the Italian accounting standards issued by the Italian Accounting Body (“OIC”) in the version in force for the financial statements as at December 31, 2019. As a consequence of the process of updating the accounting standards initiated by the OIC, in addition to those of December 2016, the new elements of the amendments to the OIC accounting standards 12, 13, 16, 19, 21, 24, 29 and 32, published in December 2017, and the provisions of the new OIC 11 “Aims and assumptions of the financial statements” issued in March 2018, as well as the amendments to OIC standards 28 and 32 published on January 28, 2019, were observed, where applicable.

The Financial Statements consist of the Balance Sheet (prepared in accordance with the format provided by art. 2424 and 2424-bis of the Italian Civil Code), the Income Statement (prepared in accordance with the format referred to in art. 2425 and 2425 bis of Italian Civil Code), the Cash Flow Statement (whose content, in compliance with art. 2425-ter of the Italian Civil Code, is presented in accordance with the provisions of the OIC 10 accounting standard) and by these Explanatory Notes, prepared in accordance with the provisions of art. 2427 and 2427-bis of the Italian Civil Code.

The entire document, in the parts of which it is composed, has been prepared to give a true and fair representation of the Company’s equity and financial situation, as well as of the economic result for the year, providing additional information complementary to this purpose where necessary.

In relation to the content of the Explanatory Notes pursuant to art. 2427 of the Italian Civil Code:

- The company did not issue bonds and/or similar financial instruments;
- The company did not carry out any financing transactions including the temporary sale of assets during the 2019 fiscal year;
- The company did not borrow any assets against the payment of a sum of money as a security deposit;
- The company has no off-balance sheet agreements in place beyond what is reported in both these Explanatory Notes and in the Report on Operations, whose knowledge is useful for assessing the company’s equity and financial situation;
- No atypical or unusual transactions, or unrelated to the normal management of the company or capable of significantly affecting the Company’s economic and equity situation, were carried out;
- The company did not issue dividend-right shares and bonds convertible into shares, or securities or similar values pursuant to art. 2427, first paragraph, no. 18, of the Italian Civil Code;
- The company does not have any separate assets or loans intended for a specific transaction pursuant to art. 2447 bis et seq. of the Italian Civil Code.
- The financial statements do not include assets and liabilities held under reverse purchase agreements.

a. Activities carried out

Università Telematica Pegaso S.r.l., established by Ministerial Decree of April 20, 2006 (OJ no. 118 of May 23, 2006—Ordinary Supplement 125), is a University founded on the most modern and effective e-learning technological standards. It makes use of modern educational systems and methodologies capable of responding to the various needs of today’s society. Study courses provide a high degree of independence and educational path personalisation, without any physical presence constraints but with constant interaction. Despite their peculiarities, at the same time, courses allow students to be followed and monitored through their continuous learning, also through frequent opportunities for evaluation and self-evaluation.

The company uses IT and remote access technologies and adopts a system architecture capable of managing and making high quality online university courses accessible to the user. The teaching support specialists who work

Notes to the financial statements as of and for the year ended December 31, 2019

alongside teaching staff (Tutors, Mentors and Coaches) assist the learner throughout their course of study, in order to achieve a perfect learning balance based on the achievement of one's potential. Highly technological and interactive tools, TV learning and social learning involve the student in a truly unique and effective educational experience. Academic qualifications awarded at the end of study courses have the same legal value as qualifications issued by traditional universities.

In the context of the educational offer, both graduate and postgraduate courses are available.

The income generated by courses derives entirely from the fees and ancillary contributions paid by the learners for the use of courses in e-learning mode. These are mainly fees for single-cycle master's degree courses (Law), three-year degree courses (Civil Engineering, Business Economics, Tourism Sciences, Sport Sciences, Education and Training Sciences), two-year master's degree courses (Education Sciences, Economic Sciences, Sport Management and Sport Sciences, and Safety Engineering), as well as master's, postgraduate courses and higher education courses.

The University, unlike most of the Italian public and private universities, does not receive the usual contributions paid by the State, including the ordinary MIUR funding ("FFO"), or by other public or private entities, aimed at covering management and operating costs without any result-linked constraint.

The Company also pays great attention to national and international research activities, as well as to the promotion of training of younger generations in research activities. Both within and outside of the EU, consistently with the general principles set out in its Articles of Association, Università Telematica Pegaso S.r.l. promotes the international development of education, research and studies, also and in particular through cultural exchanges between different countries and collaboration with the most prestigious universities within the Community area.

Università Telematica Pegaso S.r.l. has offices located throughout Italy, in many cases within the most prestigious palaces and monumental town complexes, places with the highest historical and cultural profile, also testifying to the University's authority and the consideration it enjoys among institutions, which have recognised its commitment, quality and high educational profile, and therefore allowed the use of their premises.

In recent years, Università Telematica Pegaso S.r.l. has achieved ever-increasing positive results by focusing on innovative projects, on the quality of its research, training processes and services. The University aims to play a driving role in cultural and economic development at the local, national and international level. For this reason, it has deemed it appropriate, as better described below, to change its legal form into one more suitable for a larger entity, also in accordance with the new and broader objectives that the entire education sector must focus on, following the profound social and economic transformations which, inevitably, have also had strong repercussions on education and training.

During the fiscal year, the activity was carried out in a regular basis; there were no events that significantly changed the management performance and which made it necessary to resort to the exceptions referred to in art. 2423, paragraph 5, of the Italian Civil Code.

b. Significant events that occurred during the year

During the 2019 fiscal year, the process of converting the University into a "joint stock company", undertaken during the 2018 fiscal year, was completed. The process was definitively concluded with the registration in the Register of Companies of Naples, on June 25, 2019, of the conversion resolution adopted by the BoD on November 19, 2018, as a result of which the conversion became immediately effective.

From a legal point of view, the conversion transaction implemented by the University falls within the so-called 'progressive heterogeneous conversions' governed by art. 2500-octies of the Italian Civil Code; the main effect of this operation was the University's move from a non-commercial entity to a joint stock company.

In February 2019, Università Telematica Pegaso S.r.l. established Principe di Napoli S.c.a.r.l. (jointly with the subsidiary Universitas Mercatorum, which holds a 10% stake in the share capital of the same), a consortium company with the aim of coordinating, carrying out and supporting the procedures and deeds relating to the implementation, on behalf of the two consortium members (Università Telematica Pegaso S.r.l. and Universitas

Notes to the financial statements as of and for the year ended December 31, 2019

Mercatorum), of their respective management programmes. In particular, the company favours coordination between the shareholders with reference to the concession contract for the management and use of the property 'Colonia Montana Principe di Napoli as a Centre for Higher Education and Postgraduate Studies in the gastronomy and tourism sectors', stipulated with the Municipality of Agerola in execution of the award of the open tender procedure announced by means of GC resolution no. 105 of September 14, 2018 and with subsequent determination of the LLPP (Public Works) and Environment Sector of the aforementioned Municipality no. 140 of September 19, 2018. The facility was temporarily closed due to the Covid outbreak and, at the date of preparation of this document, new regulatory provisions are pending regarding the timing of reopening.

In addition, in September and October 2019, a corporate reorganisation was carried out functional to the entry into the share capital of the Parent Company of the new financial partner, described below, concerning, in summary:

- the transfer of the business unit, on October 25, 2019, from Multiversity S.p.A., the former Parent Company, to Multiversity S.r.l., a newly established company and current Parent Company, including the equity investment held in Università Telematica Pegaso S.p.A. (now direct parent company of Università Telematica S.r.l.). As a result of this extraordinary transaction, Multiversity S.r.l. assumed indirect control of Università Telematica S.r.l. through Università Telematica Pegaso S.p.A.;
- the sale by the University to Multiversity S.p.A. of some controlling equity investments considered no longer strategic and outside the reference corporate perimeter of the new shareholder;
- the entry into the share capital of the Parent Company Multiversity S.r.l. of the new financial partner Paganini Investments Sàrl.

For an analytical description of the divestments of the controlling equity investments made by the University in implementation of the aforementioned reorganisation, as well as the economic and financial impacts of the aforementioned transactions, please refer to the section relating to "Equity investments in subsidiaries" later in this document.

In November 2019, Paganini Investment Sàrl, indirectly controlled by the private equity funds assisted by CVC Capital Partners, acquired 50% of the share capital of the Parent Company Multiversity S.r.l..

c. The conversion of Università Telematica Pegaso and budgetary obligations

With regard to the accounting and budgetary obligations dictated for the operations of progressive heterogeneous conversion, it should be noted that the Italian Civil Code and the national accounting standards do not impose specific requirements, given that the legal form of the entity is changed with the aforementioned operation but the continuity in pre-existing legal relationships remains unchanged.

Also taking into account the indications from operating practices, it was considered appropriate to draw up a balance sheet on the effective date of the conversion (June 25, 2019), in order to ascertain the value of the balance sheet components on the same date and the shareholders' equity of the changing body.

From a tax point of view, given the provisions of art. 171 of the TUIR, applicable to heterogeneous conversion operations (progressive and regressive) and to the practice documents published by the Revenue Agency (Resolution no. 102/2009), there is the need to carry out an extraordinary survey of the income realised on the date the conversion is considered to be completed, in consideration of the different quantification and qualification regime of the tax base applicable to the pre- (non-commercial) and post-conversion (commercial, and consequent classification in the business income category).

Therefore, considering the tax provisions as well as the tax operating practices referred to above, the following were prepared:

With regard to the accounting and budgetary obligations dictated for the operations of progressive heterogeneous conversion, it should be noted that the Italian Civil Code and the national accounting standards do not impose specific requirements, given that the legal form of the entity is changed with the aforementioned operation but the continuity in pre-existing legal relationships remains unchanged.

Notes to the financial statements as of and for the year ended December 31, 2019

Also taking into account the indications from operating practices, it was considered appropriate to draw up a balance sheet on the effective date of the conversion (June 25, 2019), in order to ascertain the value of the balance sheet components on the same date and the shareholders' equity of the changing body.

From a tax point of view, given the provisions of art. 171 of the TUIR, applicable to heterogeneous conversion operations (progressive and regressive) and to the practice documents published by the Revenue Agency (Resolution no. 102/2009), there is the need to carry out an extraordinary survey of the income realised on the date the conversion is considered to be completed, in consideration of the different quantification and qualification regime of the tax base applicable to the pre- (non-commercial) and post-conversion (commercial, and consequent classification in the business income category).

Therefore, considering the tax provisions as well as the tax operating practices referred to above, the following were prepared:

- the balance sheet and the income statement relating to the period between the beginning of the fiscal year and the day prior to the effective date of the conversion (January 1st 2019 to June 24, 2019), on the basis of which the result for the portion of the fiscal year and the shareholders' equity of the entity was determined, converting on the conversion date the ordinary balance sheet for the year as at December 31, 2019 at the end of the normal administrative period, referred to in this document and including the determination of the entire fiscal year (January 1, 2019 to December 31, 2019);
- the income statement for the period from June 25, 2019 to December 31, 2019, necessary for the quantification of corporate income taxes in the post-conversion period.

Finally, it should be noted that Università Telematica Pegaso has drawn up the financial statements for the year preceding the one in which the conversion into a joint stock company took place, in compliance with the accounting standards and the schedules attached to the Interministerial Decree no. 19 of January 14, 2014 (hereinafter also referred to as "ID" for convenience) which definitively implemented Italian Legislative Decree no. 18 of January 27, 2012, and which introduced, for all universities, the obligation to keep an economic and financial accounting system and the preparation of individual universities' annual financial statements.

On this point, it is recalled that, as established by article 1, paragraph 3, of the aforementioned ID, in drawing up the financial statements the University has also always taken into account, for all that is not expressly sanctioned by the decree itself, the provisions of the Italian Civil Code (Article 2423 and following) and the national accounting standards issued by the Italian Accounting Organisation (OIC) and adapted by the latter to the new provisions of Italian Legislative Decree no. 139/2015 approved in accordance with EU directive 34/13, in addition to the indications contained in the technical-operational manual issued by the Commission for the economic and financial accounting of Universities envisaged by art. 9 of Italian Legislative Decree no. 18 of January 27, 2012 and in accordance with the provisions of art. 8 of the ID.

It is further highlighted that the University, on the basis of the indications provided by the MIUR in the communication of June 19, 2019 concerning the authorisation to convert the company, will transmit to the Ministry the accounting documents required by art. 8, paragraph 2, of Italian Legislative Decree no. 18 of January 27, 2012, for non-state universities, as well as the certifications of the financial statements in accordance with the provisions laid down for limited liability companies.

Finally, it should be noted that the application of the accounting standards and budget assumptions established by art. 2 of the aforementioned ID did not result in different book values for the previous year compared to those obtained with the application of the principles established by art. 2423/bis of the Italian Civil Code, with the consequence that, for the purposes of comparability of the items in these financial statements with those of the previous year, the items were exclusively reclassified according to the formats of the Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Note provided for by the Italian Civil Code

2. Basis of presentation

In accordance with the provisions of art. 2423-bis of the Italian Civil Code, the following standards were adopted in the preparation of the Financial Statements:

- the valuation of the individual items was made based on principles of prudence and with a going concern view, as well as by taking into account the economic function of the asset or liability element considered;

Notes to the financial statements as of and for the year ended December 31, 2019

- only the profits actually realised during the year have been included;
- the income and expenses for the year have been included, regardless of their numerical manifestation;
- the risks and losses pertaining to the year were taken into account, even if they became known after its closure;
- the heterogeneous elements included in the various items of the financial statements were assessed separately;
- the valuation criteria adopted were the same as those of the previous year.

The Balance Sheet and the Income Statement are drawn up in Euro units, rounding the amounts up or down, in accordance to the provision of the EU Regulation; also in the explanatory notes, amounts are expressed in Euro units as they guarantee a better document clarity.

For assets and liabilities elements that fall under more than one item of the financial statements, the explanatory notes also note whether they pertain to items other than those in which they are recorded, if this is necessary for the purposes of understanding the financial statements.

Where applicable, the principles and recommendations enacted by the professional bodies responsible for accounting were also observed, always in order to give a true and fair view of the equity, financial and economic situation.

There have been no exceptional cases, incompatible with the general clause of true and correct representation, pursuant to art. 2423, fifth paragraph of the Italian Civil Code, which imposed an exception to the provisions of the Law for the preparation of the Financial Statements.

In accordance with the provisions of art. 2423-bis, point 6, of the Italian Civil Code, the valuation criteria were not changed from one year to another and there were no exceptional cases such as to justify an exception to this principle, pursuant to paragraph 2 of the same article.

In compliance with accounting standard OIC 29, no corrections have been made in the Financial Statements for significant errors committed in previous years.

2.1 Comparability and adaptation

These financial statements are the first drawn up after the conversion of the University into a joint stock company, as well as according to the Balance Sheet and Income Statement formats provided for by art. 2424 and following of the Italian Civil Code; consequently, all the items in the balance sheet and income statement of the previous year have been adapted and made comparable with those of the current year. In this regard, it should be noted that, starting from the 2018 fiscal year, the University has brought forward the duration of the academic year previously scheduled for the period October 1 to September 30. Consequently, the allocation of accrued revenues and deferred income for the 2018 fiscal year considers the new period of duration of the academic year.

In accordance with art. 2423/ter of the Italian Civil Code, therefore, the corresponding amount of the previous year is indicated for each item of the balance sheet and income statement. On this point, please refer to the further explanation in the previous paragraph entitled “The conversion of Università Telematica Pegaso and budgetary obligations”

2.2 Valuation criteria applied

This section presents, in detail, the criteria that contributed to the calculation of the individual items in the financial statements.

Assets

Non current assets

Intangible assets

Intangible assets are recorded at purchase cost including accessory and financial charges, and direct and indirect costs incurred before the use of the asset, for the portion reasonably attributable to them.

Notes to the financial statements as of and for the year ended December 31, 2019

The cost of intangible assets, whose use is limited over time, is systematically amortised in each fiscal year according to their residual possible use. In particular, amortisation rates are applied that reflect the estimated useful life of the assets.

The amortization rates used are summarised in the following table:

Category	Rate
Start-up and expansion costs	20%
Industrial patent and intellectual property rights	20%
Concessions, licenses, trademarks and similar rights	20%
Other intangible assets:	
—Improvements on third party assets	Based on the lease agreement or 20%
—Usufruct on real estate	8.33%

Property, plant and equipment

Property, plant and equipment, whose use is limited in time, are recognised in the financial statements at purchase cost, including directly attributable accessory charges, and have been depreciated on a straight-line basis, based on the useful life of the assets and taking into account their residual possibility of use, physical wear, technological evolution and obsolescence.

Maintenance costs of an ordinary nature have been charged in full to the income statement, while those of an incremental nature (expansion, modernisation or improvement), connected to an increase in the production capacity or safety of the asset or an extension of its useful life, are attributed to the assets to which they refer and are depreciated in relation to the residual possibility of use of the same.

Depreciation rates used are summarised in the following table:

Category	Rate
Plants and equipment:	
—Generic plants	15%
—Specific plants	25%
Other tangible assets:	
—Furniture and furnishings	15%
—Other tangible assets	25%

Write-downs for impairment of intangible assets

At each balance sheet date, the Company assesses whether there are indicators to suggest that an asset may have suffered an impairment. If such an indicator is present, the Company estimates the recoverable value of the asset and writes it down only if this is lower than the corresponding net book value. In the absence of indicators of potential impairment, the recoverable value is not calculated.

When it is not possible to estimate the recoverable value of an individual asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

The recoverable value of an asset is the greater of their fair value net of sales costs and its value in use determined as the present value of estimated future cash flows.

An impairment is recognised if the recoverable value is lower than the book value. Subsequently, when the impairment of an asset, other than goodwill, no longer applies or is reduced, the book value of the asset or of the cash-generating unit is increased to the new estimate of the recoverable value without exceeding the value that would have been determined if no impairment had been detected.

Financial assets

Equity investments

Equity investments are recorded among financial assets if they are destined for a lasting permanence in the company's portfolio, otherwise they are recognised under current assets. Controlling equity investments are

Notes to the financial statements as of and for the year ended December 31, 2019

entered at purchase cost including accessory charges. The original book value of the equity investment is modified in the periods following the acquisition to consider the portions pertaining to profits and losses and other changes in the shareholders' equity of the investee, thus applying the equity method. The book value of the equity investment is written down in the presence of permanent losses in value, determined by comparing the book value of the equity investment with its recoverable value, calculated on the basis of the future benefits that are expected to flow into the investor's economy. This occurs when the loss in value is caused by factors internal or external to the Company, or to a combination of them, and it is not expected that the reasons that caused it can be eliminated in a short period of time. All evaluations are carried out separately for each individual equity investment.

Receivables

Receivables originating from revenues for the sale of goods or the provision of services are recognised under current assets on the basis of the accrual principle when the conditions for the recognition of the related revenues are met.

Receivables originating for different reasons are recognised if there is a 'title' to the receivable and therefore when they actually represent an obligation by third parties towards the company; if of a financial nature, they are classified under financial assets, with indication of the portion due within the next fiscal year.

Receivables are valued in the financial statements at amortised cost, taking into account the time factor, and within the limits of their presumed realisable value and, therefore, are shown in the balance sheet net of the related bad debt provision deemed adequate to cover losses due to reasonably predicted bad debt.

If the transaction's interest rate is not significantly different from the market rate, the receivable is initially recorded at a value equal to the nominal value net of all premiums, discounts, rebates and inclusive of any costs directly attributable to the transaction that generated the receivable. These transaction costs, any commission income and expense and any difference between the initial value and the nominal value at maturity are spread over the duration of the loan using the effective interest criterion.

On the other hand, when the interest rate of the transaction inferable from the contractual conditions is significantly different from the market rate, the receivable (and the corresponding revenue in the case of commercial transactions) is initially recorded at a value equal to the present value of future cash flows plus any transaction costs. The rate used to discount future flows is the market rate.

In the case of receivables arising from commercial transactions, the difference between the initial recognition value of the receivable thus determined and the forward value is recognised in the income statement as financial income over the duration of the receivable using the effective interest rate criterion.

In the case of financial receivables, the difference between the cash and cash equivalents disbursed and the present value of future cash flows, determined using the market interest rate, is recognised under financial income or expense in the income statement at the time of initial recognition, unless the substance of the transaction or contract leads to the attribution of a different nature to this component. Subsequently, the interest income accruing on the transaction is calculated at the effective interest rate and charged to the income statement with an offsetting entry against the value of the receivable.

The value of the receivables is subsequently reduced by the amounts received, both by way of principal and interest, as well as for any write-downs to bring the receivables to their presumed realisable value or for losses.

The Company assumes that the effects deriving from the application of the amortised cost and of its discount are irrelevant when the maturity of the receivables is within 12 months, also taking into account all the contractual and substantive considerations in place at the time the credit is recognised, and the transaction costs and any difference between the initial value and the nominal value at maturity are of an insignificant amount. In this case, discounting is omitted, the interest is calculated at nominal value and the transaction costs are entered under deferrals and amortised on a straight-line basis over the duration of the receivable to adjust the nominal interest income.

Notes to the financial statements as of and for the year ended December 31, 2019

Cash and cash equivalents

Cash and cash equivalents, revenue stamps and cash balances resulting from the accounts held by the Company with credit institutions are allocated to this item, all expressed at their nominal value, specifically converted into national currency in the case of accounts in foreign currencies.

Shareholders' equity

This item includes all the transactions of a financial nature carried out between the Company and subjects who exercise their rights and duties as shareholders. The share capital increase is recognised in the accounts only after the transaction has been entered in the companies' register, as governed by art. 2444, paragraph 2, of the Italian Civil Code. In this case, the corresponding amount is recognised in a specific item of shareholders' equity (other than the item 'Share capital'), which includes the amounts of share capital subscribed by the shareholders, which will be subsequently reclassified when the conditions described above are met.

Provisions for risks and charges

They are set aside to cover losses or debts of certain or probable existence, whose amount or date of occurrence could not be determined at the end of the year. In the valuation of these provisions, the general criteria of prudence and accrual were respected and no provision was made for generic risks without economic justification.

Potential liabilities are recognised in the financial statements and recorded in the provisions when their manifestation is considered probable and when the amount of the related charge can be reasonably estimated.

Any risks for which the occurrence of a liability is only possible or for which no objective forecast of the resulting charge is possible are indicated in the Explanatory Notes without making allocations to provisions for risks and charges.

Risks whose probability of occurrence appears remote are not considered.

Employee termination indemnity

The provision for employee termination indemnity is set aside to cover the entire liability accrued towards employees, in compliance with current legislation and collective employment and supplementary company agreements. This liability is subject to revaluation pursuant to art. 2120 of the Italian Civil Code.

The employee termination indemnity recognised in the financial statements is given by the total of the individual indemnities accrued by employees, including revaluations, net of the advances paid, and taking into account the effects of the reform introduced by Law no. 296 (2007 Finance Law) of 27 December 2006, on the allocation of employee termination indemnity (to the INPS treasury fund or other selected entities).

As a result of this reform, the employee severance indemnities accrued up to December 31, 2006 remain in the company and contribute to forming the provision for employee termination indemnity allocated in the financial statements.

Starting from January 1st 2007, the employee severance indemnities accrued during the year are charged to the income statement and are reflected, for the part still to be paid to the INPS Treasury Fund or other funds, under current payables in item D14.

Payables

Payables originating from acquisitions of assets are recognised in the balance sheet when significant risks, charges and benefits associated with their ownership have been substantially transferred. Payables relating to services are recognised when the services have been rendered, that is, the service has been performed.

Financial payables arising for financing transactions and payables arising for reasons other than the acquisition of goods and services are recognised when the company has an obligation towards the counterparty, identified on the basis of legal and contractual regulations.

Notes to the financial statements as of and for the year ended December 31, 2019

The advances received from customers for the supply of services not yet carried out are included in the item advances.

Payables are valued in the financial statements at amortised cost, considering the time factor.

If the transaction's interest rate is not significantly different from the market rate, the payable is initially recognised at a value equal to the nominal value, net of all transaction costs and all premiums, discounts and rebates deriving directly from the transaction that generated the payable. These transaction costs, such as ancillary expenses for obtaining loans, any commission income and expenses and any difference between the initial value and nominal value at maturity, are spread over the duration of the payable using the effective interest criterion.

On the other hand, when the transaction's interest rate inferable from the contractual conditions is significantly different from the market rate, the payable (and the corresponding cost in the case of commercial transactions) is initially recorded at a value equal to the present value of future cash flows, taking into account any transaction costs. The rate used to discount future flows is the market rate.

In the case of payables arising from commercial transactions, the difference between the initial recognition value of the payable thus determined and the forward value is recognised in the income statement as a financial charge over the duration of the payable using the effective interest rate criterion. In the case of financial payables, the difference between the cash and cash equivalents disbursed and the present value of future cash flows, determined using the market interest rate, is recognised under financial income or expense in the income statement at the time of initial recognition, unless the substance of the transaction or contract suggests the attribution of a different nature to this component. Subsequently, the interest expense accruing on the transaction is calculated at the effective interest rate and charged to the income statement with an offsetting entry against the value of the payable.

The value of the payables is subsequently reduced by the amounts paid, both in terms of the principal and of interest.

The Company assumes that the effects deriving from the application of the amortised cost and the discount are irrelevant when the due date of payables is within 12 months, also taking into account all the contractual and substantial considerations in place when the payable is recognised, and the costs transaction and any difference between initial value and nominal value at maturity are of an insignificant amount. In this case, discounting is omitted and the interest is calculated at nominal value and the transaction costs are entered under deferrals and amortised on a straight-line basis over the duration of the payable to adjust the nominal interest expense.

Payables to group companies

Items D9, D10 and D11 respectively include payables to subsidiaries, associates and parent companies, as defined pursuant to art. 2359 of the Italian Civil Code. These payables are indicated separately in the balance sheet.

Item D11 also includes payables to parent companies that indirectly control the Company, through their intermediate subsidiaries.

Payables to companies subject to common control ('sister companies'), other than subsidiaries, associates or parent companies, are recognised in item D11-bis.

Revenue

Revenues from the provision of services are recognised on the date on which the services are completed or, for those dependent on contracts with periodic payments, on the date of accrual of the payments.

Sales revenues are recognised net of returns, discounts, allowances and bonuses, as well as taxes directly connected with the sale, the provision of services and adjustments to revenues for the year are directly deducted from the item revenues.

Notes to the financial statements as of and for the year ended December 31, 2019

The item “other revenues and income” includes positive non-financial income components deriving entirely from ancillary management.

It should be noted that the income from teaching is accounted for in the year taking into account the principle of correlation of the revenues deriving from the enrolment of students in the academic year and the costs associated with the provision in the year of competence of the courses to students enrolled in the same academic year, using the deferred income method. In recording the revenue, account is taken of the peculiarity of the online university which does not allow the use of the service, and consequently of the costs incurred, except for regularly enrolled students.

Costs

Purchase costs are recognised on an accruals basis. The costs for raw and ancillary materials, consumables and goods include accessory purchase costs (transport, insurance, loading and unloading, etc.) if included by the supplier in the purchase price of the same, otherwise they are recognised separately under costs for services according to their nature.

Not only costs of a certain amount, but also those not yet documented for which the transfer of ownership has already taken place or the service has already been received, are recognised under costs.

Financial income and expenses

They include all the positive and negative components of the economic result for the year connected with the company’s financial asset and are recognised on an accrual basis.

Income taxes—Current, Prepaid and Deferred

Current income taxes are allocated according to the accrual principle on the basis of the tax charges resulting from the application of the tax legislation in force and are entered under tax payables net of advances.

Deferred tax assets and liabilities are determined on the temporary differences between the value attributed to the assets and liabilities according to statutory criteria and the value attributed to the same assets and liabilities for tax purposes.

Deferred taxes are entered under the ‘Deferred tax reserve’ recorded under liabilities among the provisions for risks and charges, while prepaid taxes are recorded under receivables from others under current assets.

Assets deriving from prepaid taxes are not recognised, in compliance with the principle of prudence, if there is no reasonable certainty of the existence, in the fiscal years in which the relative temporary differences will be reversed, of a taxable income higher than the amount of the differences to be cancelled. Liabilities for deferred taxes are recognised only if there is a reasonable certainty that they will be reversed in the foreseeable future. Deferred tax assets and deferred tax liabilities are valued at the estimated tax rates applicable in the year in which the tax assets will be realised or the tax liability will be extinguished, based on the tax legislation established by provisions in force at the reference date of the financial statements.

Accruals and deferrals

The portions of costs and income common to two or more fiscal years are recorded under these items, according to the criterion of economic and temporal competence. Based on this criterion, accruals or deferrals are recognised when the following conditions are met:

- the contract begins in one fiscal year and ends in a subsequent one;
- the consideration for the services is contractually due in advance or in arrears with respect to services common to two or more consecutive years;
- the amount of accruals and deferrals varies with the passage of time.

Income and charges whose accrual has matured in full in the fiscal year to which the financial statements refer or in subsequent ones are not included under accruals and deferrals.

Notes to the financial statements as of and for the year ended December 31, 2019

Conversion criteria for foreign currency items

In compliance with art. 2426, paragraph 1, no. 8-bis of the Italian Civil Code, monetary assets and liabilities in currencies other than the functional currency in which the financial statements are presented ('accounting currency'), are recognised at the spot exchange rate on the closing date of the exercise after initial recognition. The consequent gains or losses on foreign exchange are recognised in the income statement under item C17-bis) 'profits and losses on foreign exchange' and any net profit, which contributes to the calculation of the operating profit, is set aside in a specific non-distributable reserve until realisation.

Non-monetary assets and liabilities in currencies other than the accounting currency are recognised at the exchange rate in effect at the time of their purchase. If the exchange rate in force at the closing date of the fiscal year is significantly different from that at the acquisition date, the exchange rate variation is one of the elements taken into consideration in the valuation process to determine the book value of individual non-monetary assets in the financial statements. In this case, therefore, any exchange differences (positive or negative) contribute to the determination of the recoverable value.

3. Intangible assets

Changes in intangible assets:

	January 1, 2019	Increases due to acquisition	Amortisation for the year	December 31, 2020
Research and development costs	24,240	—	(12,120)	12,120
Industrial patent and intellectual property rights	176,699	38,648	(63,529)	151,819
Grants, licences, trademarks and similar rights	45,872	16,351	(16,690)	45,532
Other intangible fixed assets	1,211,832	27,792	(315,346)	924,277
Total	1,458,642	82,791	(407,685)	1,133,749

Compared to the previous year, intangible fixed assets decreased by € 324,894 due to the balance between investments and amortisation for the period.

With regard to the aforementioned item, the following is specified:

Development costs for € 12,120 refer to the residual expenses incurred for the development of the company software. These costs are recorded in the financial statements with the consent of the statutory control body.

The item patent rights and intellectual property rights is equal to € 151,819 and decreases by € 24,880 following new acquisitions (for € 38,648) and the recognition of the amortisation charges for the year (for € 63,529).

The aforementioned item refers to:

- For € 78,618 to software licenses held by the company;
- For € 73,200 for the costs for the acquisition and development of the internet domain.

Concessions, licenses, trademarks and similar rights amounted to € 45,533 and decreased by € 339 following new acquisitions (for € 16,351) and the recognition of the amortisation charges for the year (for € 16,690).

The aforementioned item refers, for € 45,533, to the software licenses held by the company for a fixed term.

The item other intangible assets amounted to € 924,277 and decreased by € 287,555 following new acquisitions (for € 27,792) and the recognition of the amortisation charges for the year (for € 315,346).

The aforementioned item refers to:

- For € 592,904 for the renovation and improvement of the University premises;
- For € 294,053 to the right of usufruct on the property located in Naples at the Centro Isola Direzionale acquired in 2010
- For € 37,320 to other multi-year costs to be amortised.

Notes to the financial statements as of and for the year ended December 31, 2019

4. Property, plant and equipment

Changes of property, plant and equipment:

	January 1, 2019	Increases due to acquisition	Amortisation for the year	December 31, 2020
Plants and equipment	35,338	52,794	(30,481)	57,651
Industrial and commercial facilities	—	16,680	(16,680)	—
Other tangible assets	2,284,718	438,605	(771,925)	1,951,397
Total	2,320,056	508,078	(819,086)	2,009,048

Compared to the previous year, property, plant and equipment decreased by € 311,008 due to the balance between investments and depreciation for the period.

With regard to the aforementioned item, the following is specified:

The item plant and machinery amounted to € 57,651 and decreased by € 22,313 following new acquisitions (for € 52,794) and the recognition of the depreciation charges for the year (for € 30,481).

The item other tangible assets amounted to € 1,951,397 and decreased by € 333,321 following new acquisitions (for € 438,605) and the recognition of the depreciation charges for the year (for € 771,925).

The aforementioned item refers to:

- For € 245,925 for office furniture and machines;
- For € 552,408 for electronic office machines;
- For € 1,122,599 for furniture and furnishings of University operational offices;
- For € 30,344 for works of art held in the University's operational offices.

5. Financial assets

	2019	2018	Change	%
Financial assets	50,764,428	23,005,241	27,759,188	121%
Total	50,764,428	23,005,241	27,759,188	121%

6. Equity investments in subsidiaries

Equity investments in subsidiaries (pursuant to art. 2359 of the Italian Civil Code) are valued using the equity method (art. 2426 no. 4).

The breakdown of the item Equity investments in subsidiaries is shown below compared with the previous year:

	2019	2018	Change	%
Pegaso Management S.r.l.	—	76,640	(76,640)	-100%
Pegaso Consulting S.r.l.	—	162,478	(162,478)	-100%
Giapeto Editore S.r.l.	74,328	110,051	(35,722)	-32%
Bellerofonte S.r.l.	—	129,447	(129,447)	-100%
3D Civil Engineering S.r.l.	12,404	5,004	7,400	148%
Garage Start Up S.r.l.	—	214,636	(214,636)	-100%
Atena Salus S.r.l.	—	545,127	(545,127)	-100%
Università Telematica Pegaso S.r.l.	469,222	493,301	(24,079)	-5%
Principe di Napoli S.c.a.r.l.	45,000	—	45,000	100%
Total equity investments in subsidiaries	600,954	1,736,683	(1,135,729)	-65%

Compared to the previous year, the item “Equity investments in subsidiaries” decreased overall by € 1,135,729 (-65%).

Notes to the financial statements as of and for the year ended December 31, 2019

In 2019, in execution of the corporate reorganisation described in the paragraph “Significant events that occurred during the year”, Università Telematica Pegaso S.r.l. sold the following controlling equity investments to Multiversity S.p.A.:

- by notarial deed dated September 20, 2019 (Notary Stefano Palladini, file no. 7238, volume no. 4988), the Equity Investment in the company “Pegaso Consulting S.r.l.” for the consideration of € 2,200,000
- by notarial deed dated October 2, 2019 (Notary Stefano Palladini, file no. 7278, volume no. 5015) the Equity Investment in the company “Bellerofonte Immobiliare S.r.l.” for the consideration of € 10,900,000;
- by notarial deed dated October 30, 2019 (Notary Stefano Palladini, file no. 7366, volume no. 5077) the Equity Investment in the company “Atena Salus S.r.l.” for the consideration of € 18,043,000;
- by notarial deed dated October 30, 2019 (Notary Stefano Palladini, file no. 7367, volume no. 5078) the Equity Investment in the company “Garage Start Up S.r.l.” for the consideration of € 12,765,000.

As agreed in the agreements signed with the transferee Multiversity S.p.A., the consideration for the sale of the aforementioned equity investments, equal to a total of € 43,908,000, was determined to be equal to the book equity of the companies sold, resulting from the balance sheet at the date of the transfer of the company shares.

This consideration will be settled by the end of the 2020 fiscal year.

The receivable from Multiversity S.p.A. of € 43,908,000 is recorded under item 2) 4-bis of Financial Assets.

The following table shows the changes in the item “Equity Investments in subsidiaries” in 2019:

Equity investments in Subsidiaries	Share 2018	Share capital as at 31/12/2018	Shareholders' Equity as at 31/12/2018	Discount	Increase in Capital/ Res. or purchases.	Decrease in Capital/ Res. or sale	Result for the year	Shareholders' equity as at 31/12/2019	Share 2019	University shareholders' equity	Value 31/12/2019
PEGASO											
MANAGEMENT											
SRL—Naples	1,00	100,000	76,640	—	—	—	(139,284)	(62,644)	1,00	(62,644)	—
PEGASO											
CONSULTING											
SRL—Naples	1,00	50,000	162,478	—	2,204,840	(2,367,318)	—	—	—	—	—
GIAPETO EDITORE											
SRL—Naples	1,00	30,000	110,051	—	—	—	(35,722)	74,329	1,00	74,329	74,329
BELLEROFONTE											
SRL—Naples	1,00	50,000	129,447	(62,265)	10,589,709	(10,656,891)	—	—	—	—	—
3D CIVIL											
ENGINEERING											
SRL—Naples	0,85	10,000	5,886	—	10,000	—	(1,293)	14,593	0,85	12,404	12,404
GARAGE START UP											
SRL—Naples	1,00	50,000	214,636	—	10,527,307	(10,741,943)	—	—	—	—	—
ATENA SALUS—											
Naples	1,00	20,000	545,127	(98,305)	17,660,088	(18,106,910)	—	—	—	—	—
PEGASO ONLINE—											
Naples	1,00	500,000	493,301	—	—	—	(24,079)	469,222	1,00	469,222	469,222
PRINCE DI											
NAPOLI—Naples	—	—	—	—	50,000	—	732	50,732	0,9	45,659	45,000

As can be seen from the above table, during the 2019 fiscal year the following capital contributions were made, according to resolution of the University's Board of Directors on 11 September 2019, in the following subsidiaries:

- Bellerofonte Immobiliare S.r.l. On September 30, 2019 the shareholders' meeting of the subsidiary approved a capital payment of € 5,000,000 (made on October 2, 2019) and acknowledged the University's waiver of the following receivables due from the investee: receivables for non-interest bearing loans of € 5,081,290; receivables for guarantee deposits of € 750,000; receivables for research projects of € 58,419. As mentioned above, the equity investment was then sold to Multiversity S.p.A. on October 2, 2019.
- Atena Salus S.r.l. On October 21st 2019 the shareholders' meeting of the subsidiary approved a capital payment of € 10,500,000 (made on October 29, 2019) and acknowledged the University's waiver of the repayment of the receivable of € 7,160,088 due to the investee for non-interest bearing loans. As mentioned above, the equity investment was then sold to Multiversity S.p.A. on October 30, 2019.
- Garage Start up S.r.l. On October 21st 2019 the shareholders' meeting of the subsidiary approved a capital payment of € 7,000,000 (made on October 24, 2019) and acknowledged the University's waiver of the repayment of the receivable of € 5,527,307 due to the investee for non-interest bearing loans. As mentioned above, the equity investment was then sold to Multiversity S.p.A. on October 30, 2019.

Notes to the financial statements as of and for the year ended December 31, 2019

- Pegaso Consulting S.r.l. On September 11, 2019 the shareholders' meeting of the subsidiary acknowledged the University's waiver of the following receivables due from the investee: receivable for non-interest bearing loans of € 1,983,759; receivable for research projects of € 58,603. As mentioned above, the equity investment was then sold to Multiversity S.p.A. on September 20, 2019.

Finally, with regard to the subsidiary 3D Civil Engineering Lab S.r.l., upon approval of the financial statements as at December 31, 2018, which took place on April 30, 2019, a payment was approved for the loss coverage of the investee of € 10,000. The payment was subsequently made on July 15, 2019.

g) Pegaso Management S.r.l.

<u>Name</u>	<u>Pegaso Management S.r.l.</u>
City, if in Italy, or foreign country	Naples
Tax code (for Italian companies)	07045141210
Share capital in Euro	100,000
Profit (loss) last fiscal year in Euro	(139,284)
Shareholders' equity in Euro	(62,645)
Shareholding shares in Euro	100,000
Shareholding shares in %	100
Balance sheet value	—

Pegaso Management S.r.l. is the corporate vehicle that holds the equity investment in Unimercatorum S.r.l. (equal to 66.66% of the share capital) in partnership with Unioncamere. Unimercatorum S.r.l. is the promoter and supporter of the Universitas Mercatorum University. Pegaso Management S.r.l. was established with a deed by notary Vittorio Margarita on November 8, 2011 (file no. 46303—volume no. 14851) with share capital of € 100,000 fully subscribed and paid up by the University.

The book value of the equity investment in the financial statements as at December 31, 2019 is equal to € 0.

h) Giapeto Editore S.r.l.

<u>Name</u>	<u>Giapeto Editore S.r.l.</u>
City, if in Italy, or foreign country	Naples
Tax code (for Italian companies)	07559331215
Share capital in Euro	30,000
Profit (loss) last fiscal year in Euro	(35,722)
Shareholders' equity in Euro	74,329
Shareholding shares in Euro	30,000
Shareholding shares in %	100
Balance sheet value	74,329

Giapeto Editore S.r.l. is the Group company which carries out publishing activities, established with a deed by notary Vittorio Margarita on July 29, 2013 (file no. 46955—volume no. 15280) with share capital of € 30,000 fully subscribed and paid up by the University.

The book value in the financial statements as at December 31, 2019 is equal to € 74,239.

i) 3D Civil Engineering S.r.l.

<u>Name</u>	<u>3DCivil Engineering S.r.l.</u>
City, if in Italy, or foreign country	Naples
Tax code (for Italian companies)	08149841218
Share capital in Euro	10,000
Profit (loss) last fiscal year in Euro	(1,293)
Shareholders' equity in Euro	14,593
Shareholding shares in Euro	8,500
Shareholding shares in %	85
Balance sheet value	12,404

Notes to the financial statements as of and for the year ended December 31, 2019

3DCivil Engineering S.r.l. was established with a deed by notary Stefano Paladini on July 20, 2015 (file no. 1822—volume no. 1322) with share capital of € 10,000 subscribed by the University for € 8,500 (equal to 85% of the share capital).

The company is currently inactive and the value of the equity investment is recorded in the financial statements as at December 31, 2019 for € 12,404.

j) Università Telematica Pegaso S.r.l.

<u>Name</u>	<u>Università Telematica Pegaso S.r.l.</u>
City, if in Italy, or foreign country	Naples
Tax code (for Italian companies)	09041741217
Share capital in Euro	500,000
Profit (loss) last fiscal year in Euro	(24,079)
Shareholders' equity in Euro	469,222
Shareholding shares in Euro	500,000
Shareholding shares in %	100
Balance sheet value	469,222

Università Telematica Pegaso S.r.l. was established with a deed by notary Stefano Paladini on October 8, 2018 (file no. 6229—volume no. 4332) with share capital of € 500,000 fully subscribed and paid up by the University. The subsidiary holds 100% of the share capital in the company Pegaso Online doo Beograd, with registered office in Serbia, and both are inactive and have not produced revenues as at December 31, 2019.

The equity investment in question is recognised in the financial statements as at December 31, 2019 for € 469,222.

k) Principe di Napoli S.c.a.r.l.

<u>Name</u>	<u>Principe di Napoli S.c.a.r.l.</u>
City, if in Italy, or foreign country	Naples
Tax code (for Italian companies)	09156791213
Share capital in Euro	50,000
Profit (loss) last fiscal year in Euro	732
Shareholders' equity in Euro	50,732
Shareholding shares in Euro	45,000
Shareholding shares in %	90
Balance sheet value	45,000

The company Principe di Napoli S.c.a.r.l. was established with a deed by notary Stefano Paladini on February 8, 2019 (file no. 6656—volume no. 4596) with share capital of € 50,000 subscribed and paid by the University for 90% of the share capital equal to € 45,000 and the remaining 10% from the other university of the Universitas Mercatorum group.

The company in question is a special purpose company, in the form of a limited liability consortium company, finalised at pursuing all the commitments indicated in the concession contract signed with the Municipality of Agerola for the management and use of the property “Colonia Montana Principe di Napoli” as a Centre for Higher Education and University Specialisation in the sectors of gastronomy and tourism.

This equity investment is recognised in the financial statements as at December 31, 2019 for € 45,000.

Notes to the financial statements as of and for the year ended December 31, 2019

7. Equity investments in associated companies

Equity investments in associated companies (pursuant to art. 2359 of the Italian Civil Code) are valued using the equity method (art. 2426 no. 4):

The breakdown of the item Equity investments in subsidiaries is shown below compared with the previous year:

	2019	2018	Change	%
Benecon S.c.a.r.l	176,162	176,162	—	0%
Total equity investments in associated companies	176,162	176,162	—	0%

The associated company Benecon S.c.a.r.l. is a university research consortium participated by 5 universities; it is endowed with skills and technologies of high scientific and innovative value which carries out scientific research in the fields of engineering and aerial surveys of territories.

The equity investment in the consortium was acquired with a deed by notary Paolo Guida on October 10, 2016 (file no. 30224—volume no. 14151) for a consideration of € 100,000 and the University holds a share with a nominal value of € 30,414 (equal to 20.28% of the share capital of € 150,000).

The equity investment is recognised in the financial statements as at December 31, 2019 for a value of € 176,162.

8. Other equity investments

The breakdown of the item of other equity investments is shown below, compared with the previous year:

	2019	2018	Change	%
Gal Irpinia Sannio	10,282	10,282	—	0%
Gal Peloritani Terre dei miti e della Bellezza	446	253	192	76%
Gal Terra Protetta	12,395	12,395	—	0%
Gal Vallo di Diano	2,714	2,714	—	0%
Total equity investments in other companies	25,837	25,644	192	76%

The equity investment in the limited liability consortium company “Gal Irpinia—Sannio” was acquired with deed by notary Fabrizio Virginio Pesiri on August 5, 2016 (file no. 37371—volume no. 10363). Università Telematica Pegaso has subscribed a shareholding with a nominal value of € 4,000 (equal to 8.81% of the share capital of € 45,400) for a consideration of € 4,000. The above mentioned equity investment is recognised in the financial statements as at December 31, 2019 for a value of € 10,282.

The equity investment in the limited liability consortium company “Gal Peloritani Terre dei Miti e della Bellezza” was acquired with deed by notary Caterina Mendaci on September 26, 2016 (file no. 149217—volume no. 13870) with share capital of € 21,652 subscribed by Università Telematica Pegaso for € 125 (0.58% of the share capital) and recognised in the financial statements for a value of € 446.

The equity investment in the limited liability consortium company “Gal Terra Protetta” was acquired with deed by notary Francesco Coppa on August 11th 2016 (file no. 22893—volume no. 14303) with share capital of € 120,750 subscribed by Università Telematica Pegaso for € 12,500 (equal to 10.35% of the share capital) and recognised for € 12,395.

The equity investment in the limited liability consortium company “Gal Vallo di Diano” was acquired with deed by notary Maria D’Alessio on August 24, 2016 (file no. 2379—volume no. 1713). Università Telematica Pegaso subscribed a shareholding with a nominal value of € 4,000 (equal to 2.60% of the share capital of € 154,000) for a consideration of € 4,000; the above mentioned equity investment is recognised in the financial statements for a value of € 2,714.

9. Non-current receivables

	Value at the beginning of the year	Changes during the year	Year-end value	Portion due within the year	Portion due beyond the year
Non-current receivables from subsidiaries	20,246,544	(14,594,147)	5,652,396	5,652,396	—
From others	390,580	43,918,500	44,309,080	44,309,080	—
Total non-current receivables	20,637,124	29,324,353	49,961,476	49,961,476	—

Notes to the financial statements as of and for the year ended December 31, 2019

The item “Receivables from subsidiaries” equal to € 5,652,396 is represented by the receivables due from the subsidiaries for loans disbursed to support the business.

The breakdown of the item “Receivables from subsidiaries” is shown below, compared with the previous year:

	2019	2018	Change	%
Receivables from Bellerofonte	—	4,581,290	(4,581,290)	-100%
Receivables from Pegaso Management	4,962,096	4,893,098	68,998	1%
Receivable from Pegaso Consulting	—	1,633,759	(1,633,759)	-100%
Receivables from 3D Civil Engineering Lab S.r.l.	1,000	1,000	—	0%
Receivables from 3D Garage Start Up S.r.l.	—	1,977,307	(1,977,307)	-100%
Receivables from Giapeto	—	—	—	0%
Receivables from Atena Salus S.r.l.	—	7,160,088	(7,160,088)	-100%
Receivables from Principe di Napoli	689,300	—	689,300	100%
Total	5,652,396	20,246,544	(14,594,147)	-72%

The item “Receivables from subsidiaries” decreased compared to the previous year by € 14,594,147 (-72%).

The changes that occurred during the year are provided in detail:

- Bellerofonte Immobiliare S.r.l.—On February 1st 2019 the University granted a non-interest bearing loan of € 500,000 in accordance with the resolution of the University’s Board of Directors on January 18, 2019. As explained in the comment to the section “Information on equity investments in subsidiaries”, the entire receivable was fully waived by the University in 2019.
- Pegaso Consulting S.r.l.—On March 1st 2019 the University granted a non-interest bearing loan of € 350,000 in accordance with the resolution of the University’s Board of Directors on December 17, 2018. As explained in the comment to the section “Information on equity investments in subsidiaries”, the entire receivable was fully waived by the University in 2019.
- Garage Start up S.r.l.—On March 18, 2019 and June 17, 2019 the University disbursed two non-interest bearing loans, the first amounting to € 50,000 and the second, of € 3,500,000, following resolution of the University’s Board of Directors on June 4, 2019. As explained in the comment to the section “Information on equity investments in subsidiaries”, the entire receivable was fully waived by the University in 2019.
- Atena Salus S.r.l.—As explained in the comment to the section “Information on equity investments in subsidiaries”, the entire receivable recorded as at December 31, 2018 was zeroed as a result of the full waiver by the University formalised in 2019.
- Pegaso Management S.r.l.—The credit increased due to the discounting of the loan disbursed in 2016.
- Principe di Napoli S.c.a.r.l.—During the year, the University disbursed non-interest bearing loans to the subsidiary consortium company for a total of € 1,250,000 as per resolution of the Board of Directors of May 14, 2019 (€ 500,000), September 11th 2019 (€ 250,000) and December 16, 2019 (€ 500,000), partially offset by the consortium contributions charged in 2019 by the subsidiary. The receivable as at December 31, 2019 is due by December 31, 2022.

The breakdown of the item “Other non-current receivables” is shown below, compared with the previous year:

	2019	2018	Change	%
Receivable from Multiversity S.p.A.	43,908,000	—	43,908,000	100%
Security deposits on real estate leases	401,080	390,580	10,500	3%
Total	44,309,080	390,580	43,918,500	11244%

The item “Other non-current receivables” for € 44,309,080 includes:

- € 43,908,000 for the receivable from Multiversity S.p.A. for the consideration for the sale of equity investments in subsidiaries as fully described in the dedicated paragraph.
- Security deposits paid for the signing of the lease contracts relating to the University premises amount to € 401,080.

Notes to the financial statements as of and for the year ended December 31, 2019

The breakdown of receivables as at December 31, 2019 by geographical area is shown in the following table (art. 2427, first paragraph, no. 6, of the Italian Civil Code).

	<u>Italy</u>
Non-current receivables from subsidiaries	5,652,396
From others	44,309,080
Total non-current receivables	<u>49,961,476</u>

10. Other securities

The following table shows the change in the item “Other securities” compared to the previous year:

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>%</u>
Asset management	—	429,628	(429,628)	-100%
Total	—	<u>429,628</u>	<u>(429,628)</u>	<u>-100%</u>

The aforementioned item referred to the Asset Management held by the company in the previous year subject to divestment in 2019.

11. Receivables included in current assets

Before proceeding with the analysis of individual items, the analytical composition and comparison of current assets in the two fiscal years considered is provided in the following table:

	<u>Value at the beginning of the year</u>	<u>Changes during the year</u>	<u>Year-end value</u>	<u>Portion due within the year</u>	<u>Portion due beyond the year</u>
Receivables from customers	50,288,997	11,160,011	61,449,008	61,449,008	—
Receivables from subsidiaries	687,022	370,037	1,057,060	1,057,060	—
Receivables from parent companies	2,750	—	2,750	2,750	—
Receivables from associated companies	—	—	—	—	—
Receivables from companies subject to the control of parent companies	37,346	7,053	44,399	44,399	—
Tax receivables	57,528	(1,161)	56,366	56,366	—
Deferred tax assets	—	72,809	72,809	72,809	—
Receivables from others	2,795,626	(1,003,525)	1,792,101	1,792,101	—
Total receivables	<u>53,869,268</u>	<u>10,605,224</u>	<u>64,474,492</u>	<u>64,474,492</u>	<u>—</u>

The breakdown of receivables as at December 31, 2019 by geographical area is shown in the following table (art. 2427, first paragraph, no. 6, of the Italian Civil Code).

	<u>Italy</u>
Receivables from customers	61,449,008
Receivables from subsidiaries	1,057,060
Receivables from parent companies	2,750
Receivables from associated companies	—
Receivables from companies subject to the control of parent companies	44,399
Tax receivables	56,366
Deferred tax assets	72,809
Receivables from others	1,792,101
Total receivables	<u>64,474,492</u>

12. Receivables from customers

The item “Receivables from customers” equal to € 61,449,008 is mainly represented by the receivables due from students enrolled in degree, postgraduate and higher education courses, net of the related bad debts provision of € 16,645,407.

Notes to the financial statements as of and for the year ended December 31, 2019

Receivables are recorded at their presumed realisable value which corresponds to the difference between the nominal value of the receivables and the adjustments recognised in the provision for credit risks, recorded in the financial statements as a direct reduction of the assets to which they refer. The amount of these adjustment funds is commensurate with the extent of the risk of non-collection prudentially estimated on the amounts of receivables accrued for academic years prior to 19/20 for which there is a recoverability risk.

The breakdown of the item trade receivables is shown below, compared with the previous year:

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>%</u>
Trade receivables due from customers	78,094,414	64,423,880	13,670,534	21%
Bad debts provision	(16,645,407)	(14,134,884)	(2,510,523)	18%
Total	<u>61,449,008</u>	<u>50,288,997</u>	<u>11,160,011</u>	<u>22%</u>

The increase in gross receivables is due exclusively to the increase in the amounts recorded during the year as detailed in the report on the financial statements.

13. Receivables from subsidiaries

The item “Receivables from subsidiaries” equal to € 1,057,060 is represented by the receivables due from the subsidiaries for services provided at market prices:

The breakdown of the item “Receivables from subsidiaries” is shown below, compared with the previous year:

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>%</u>
Pegaso Management S.r.l.	115,022	99,854	15,168	15%
Giapeto S.r.l.	942,038	587,169	354,869	60%
Total	<u>1,057,060</u>	<u>687,022</u>	<u>15,168</u>	<u>2%</u>

14. Receivables from parent companies

The item “Receivables from parent companies” equal to € 2,750 is represented by the receivables from the parent company Pegaso S.p.A. for advances disbursed.

The breakdown of the item “Receivables from parent companies” is shown below, compared with the previous year:

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>%</u>
Pegaso S.p.A.	2,750	2,750	—	0%
Total	<u>2,750</u>	<u>2,750</u>	<u>—</u>	<u>0%</u>

15. Receivables from companies subject to the control of the parent companies

The item “Receivables from companies subject to the control of the parent companies” equal to € 44,399 is represented by the receivables from the company Certipass S.r.l. for training projects provided to the aforementioned company.

The breakdown of the item “Receivables from companies subject to the control of parent companies” is shown below, compared with the previous year:

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>%</u>
Certipass S.r.l.	44,399	37,346	7,053	19%
Total	<u>44,399</u>	<u>37,346</u>	<u>7,053</u>	<u>19%</u>

16. Tax receivables

The item “Tax receivables” is equal to € 56,366.

Notes to the financial statements as of and for the year ended December 31, 2019

The breakdown of the item tax receivables is shown below, compared with the previous year:

	2019	2018	Change	%
IRAP advances	—	2,268	(2,268)	-100%
TAX RECEIVABLES PURSUANT TO ITALIAN LEGISLATIVE				
DECREE 66/2014	30,729	29,648	1,081	4%
RECEIVABLES FOR SUBSTITUTE TAX employee termination				
indemnity (TFR)	21,922	22,741	(819)	-4%
Tax receivable for excess withholding tax	3,103	2,258	845	37%
Other Tax Receivables	612	612	—	0%
Total	56,366	57,528	(1,162)	-2%

17. Deferred tax assets

The item deferred tax assets is equal to € 72,809.

The receivables in question refers to IRES calculated on temporary increases relating to taxes and duties of the post-conversion period.

18. Receivables from others

The item “Receivables from others” is equal to € 1,792,101.

The breakdown of the item receivables from others is shown below, compared with the previous year:

	2019	2018	Change	%
Advances for lease payments	1,590,067	1,912,188	(322,121)	-17%
Confirmatory deposits	—	750,000	(750,000)	-100%
Advances for suppliers	12,000	35,000	(23,000)	-66%
Receivables from social security institutions	29,642	29,642	—	0%
Receivables from MIUR Teacher Bonus	65,058	60,362	4,696	8%
Other receivables	95,334	8,434	86,900	1030%
Total	1,792,101	2,795,626	(1,003,525)	-36%

The aforementioned item includes:

- For € 1,590,067, advances for lease payments relating to the headquarters in Piazza Trieste and Trento. This amount includes the positive effect of € 21,629 recognised in the income statement under financial income deriving from the discounting of the nominal value, on the basis of the payment plan which will be completed by December 31, 2024;
- € 12,000, advances paid to suppliers awaiting invoices;
- € 29,642, receivables from social security institutions;
- € 65,058, receivables from MIUR for the teacher bonus in application of Law 107 of July 13, 2016;
- € 95,334, sundry receivables.

19. Financial assets not fixed

	2019	2018	Change	%
Financial assets not fixed	—	9,721,872	(9,721,872)	-100%
Total	—	9,721,872	(9,721,872)	-100%

The aforementioned item referred to the Asset Management held by the company in the previous year under current assets and subject to divestment in 2019.

Notes to the financial statements as of and for the year ended December 31, 2019

20. Cash and cash equivalents

	2019	2018	Change	%
Cash and cash equivalents	31,007,558	55,871,855	(24,864,297)	-45%

	Value at the beginning of the year	Changes during the year	Year-end value
Bank and post office deposits	55,859,163	(24,857,010)	31,002,154
Cheques	600	200	800
Cash and other valuables in hand	12,092	(7,487)	4,605
Total cash and cash equivalents	55,871,855	(24,864,297)	31,007,558

Cash and cash equivalents are valued at nominal value and include the positive balances of bank current accounts at the end of the year and cash and checks in hand.

21. Accrued income and prepaid expenses

	2019	2018	Change	%
Accrued income and prepaid expenses	260,442	267,679	(7,232)	-2.43%

At the end of each fiscal year, the conditions that determined the initial recognition of the accrual or deferred income are still met are checked; if necessary, the necessary value adjustments are made. This valuation considers not only the passage of time but also the possible recoverability of the amount recognised in the financial statements.

The composition of the item compared with the previous year is detailed as follows (art. 2427, first paragraph, no. 7, of the Italian Civil Code).

	2019	2018	Change	%
Deferred cost of use of third party assets	253,019	238,291	14,800	6.21%
Sundry deferrals	1,749	16,706	(16,706)	-100%
Deferred sundry rentals	—	4,353	(2,403)	-55.21%
Deferred insurance premiums	5,674	8,328	(2,922)	-35.08%
Total	260,442	267,679	(7,232)	-2.70%

There are no accrued income and prepaid expenses with a duration of more than 5 years.

22. Shareholders' equity items

	2019	2018	Change	%
Shareholders' equity	22,462,654	16,258,972	6,203,682	38.16%

A summary table of the changes that occurred in the shareholders' equity items during the year is provided, as required by art. 2427, paragraph 1, point 4, of the Italian Civil Code.

	Share Capital	Legal reserves	Other reserves	Profits (losses) carried forward	Profit (loss) for the year	Total shareholders' equity
Value at the beginning of the year . . .	—	—	9,402,283	—	6,856,689	16,258,972
Allocation of the result from previous years	—	—	—	—	(6,856,689)	(6,856,689)
Post-conversion increase	1,000,000	200,000	5,656,689	—	6,203,682	13,060,371
Profit (loss) for the year	—	—	—	—	—	—
Year-end value	1,000,000	200,000	15,058,972	—	6,203,682	22,462,654

Total shareholders' equity increased compared to the previous year, passing from € 16,258,972 to € 22,462,654 due to the result for the year 2019.

Notes to the financial statements as of and for the year ended December 31, 2019

The share capital and the legal reserve increased, respectively, by € 1,000,000 and € 200,000 following the legal effect of the conversion of the University into a joint stock company on June 25, 2019, which occurred with the registration in the Naples Companies' Register of the resolution of the Board of Directors of November 18, 2019 which led to a reclassification of the other reserves.

As a result of the conversion, the share capital was entirely assigned free of charge to Università Telematica Pegaso S.p.A., the University's promoter and supporter, in compliance with the aforementioned resolution.

The item Other reserves includes the Reserve for operating surpluses before the conversion; it was formed as a result of the operating surpluses of the non-commercial entity up to December 31, 2018. Compared to the previous year, the item decreased by € 1,200,000, due to the recognition of the share capital and of the legal reserve at the date of the conversion and it increased due to the carry-forward of the 2018 result.

The profit of the fiscal year as at December 31, 2019 of € 6,203,682 is made up as follows: i) € 3,757,841 relating to the portion from January 1, 2019 to June 24, 2019 (pre-conversion period); ii) € 2,445,841 relating to the portion from June 25, 2019 to December 31, 2019 (post-conversion period).

The shareholders' equity items are reported in the following table, pursuant to point 7-bis of art. 2427 of the Italian Civil Code, specifying, for each, the nature and possibilities of utilisation/distributability and its use in the 3 previous years:

	Amount	Origin/nature	Possibility of use	Available portion	Uses in last 3 years
Share Capital	1,000,000	SHARE CAPITAL		0	
Legal reserve	200,000	RETAINED EARNINGS RESERVE	B	0	
Other reserves		RETAINED EARNINGS RESERVE			
<i>Extraordinary reserve</i>		RETAINED EARNINGS RESERVE			
<i>Various other reserves</i>	<i>15,058,972</i>	RETAINED EARNINGS RESERVE	A, B, C	15,058,972	
Total other reserves	15,058,972			15,058,972	
Profits carried forward	0	RETAINED EARNINGS RESERVE			
Total	16,258,972			15,058,972	
Non-distributable portion	1,200,000				
Residual distributable share	15,058,972				

KEY/NOTES:

A = for capital increase

B = to cover losses

C = for distribution to shareholders

D = for other statutory constraints

E = other

23. Provisions for risks and charges

	2019	2018	Change	%
Provision for risks and charges	1,736,783	2,002,111	(265,328)	-13.25%

They are set up against charges or payables of a determined nature and of probable or already certain existence at the balance sheet date, but of which, at the same date, either the amount or the date of occurrence are undetermined.

The provisions reflect the best possible estimate based on the information available.

Notes to the financial statements as of and for the year ended December 31, 2019

The changes in the amount of the item “Provisions for risks and charges” are listed below:

	Value at the beginning of the year	Changes During the year	Accruals During The year	Use in the year	Total changes	Year-end value
Provision for legal risks	272,999	—	—	182,650	(182,650)	90,349
Provision for sundry risks	1,729,112	—	—	145,323	(145,323)	1,583,789
Loss coverage provision	—	—	62,644	—	62,644	62,644
Total provisions for risks and charges	2,002,111	—	62,644	327,973	(265,328)	1,736,783

The provisions for risks and charges consist of:

- provision for potential contributions to be paid to institutional suppliers against statements not yet received, for € 1,583,789. During 2019, the provision in place as at December 31, 2018 was partially used for € 145,323;
- provisions for sundry risks for a total of € 90,349 which refer to the risk of defeats on disputes in progress as per the opinions provided by the lawyers appointed by the Entity. During the year, a total amount of € 182,650 was used, in relation to the settlement of a dispute concerning indirect taxes to a local administration;
- provision to cover loss of subsidiaries for € 62,644 to cover the 2019 equity deficit of Pegaso Management S.r.l.

For more information, please note that on November 20, 2019 a tax audit was enacted by the Revenue Agency for the years prior to the conversion into a joint stock company for the tax years from 2015 to 2019.

The verifying office has acquired documentation of an accounting, corporate, administrative and fiscal nature, including from the promoter, Università Telematica Pegaso S.p.A..

The audit and document acquisition activities by the Revenue Agency are still in progress and, with the help of trusted advisors, the Group is promptly responding to the requests and questions raised.

On the basis of the current state of the checks and in the absence of findings received to date, no areas of possible criticality are detected and, consequently, there is no evidence of the existence of any prerequisites to make allocation, at current state of the documents, in full compliance with the regulations in force and the provisions of accounting standard OIC 31.

24. Employee termination indemnity

	2019	2018	Change	%
24.Employee termination indemnity	612,424	486,773	125,651	25.81%

The payable for employee termination indemnity was calculated in accordance with the provisions in force governing the employment relationship for employees and corresponds to the actual company's commitment towards individual employees at the closing date of the financial statements.

	Value at the Beginning of the year	Changes During The year	Allocation during the year	Total changes	Year-end value
employee termination indemnity	486,773	(44,412)	170,063	125,651	612,424

The amount set aside represents the actual payable for the company's employee termination indemnity at the end of the year to employees in post at that date, net of the advances paid.

The amount of employee termination indemnity relating to terminated employment contracts not yet paid at the end of the fiscal year is recorded in item D)14)—Other payables—of the balance sheet.

25. Payables

	2019	2018	Change	%
Payables	63,036,900	78,671,556	(15,634,656)	-19.87%

Notes to the financial statements as of and for the year ended December 31, 2019

The payables as at December 31, 2019 amount to a total of € 63,036,900.

The changes in the amount of the item “Payables” are presented below:

	Value at the Beginning of the year	Change in the year	Value at the End of the year	Maturity of portion beyond
Payables to banks	—	64	64	—
Advances	2,468,449	(371,575)	2,096,874	—
Payables to suppliers	12,770,486	(276,368)	12,494,119	—
Payables to subsidiaries	495,100	373,303	868,403	—
Payables to parent companies	59,995,676	(18,875,747)	41,119,929	—
Tax payables	577,576	3,016,210	3,593,786	—
Payables to welfare and social security institutions	426,236	18,485	444,721	—
Other payables	1,938,033	480,972	2,419,005	—
Total payables	78,671,556	(15,634,656)	63,036,901	—

There are no payables with a maturity of more than five years.

As can be seen from the following table, overall payables decreased by 20% compared to the previous year, passing from € 78,671,556 to € 63,036,900.

	2019	2018	Change	%
Payables to banks	64	—	64	100%
Debts to other lenders	—	—	—	0%
Advances	2,096,874	2,468,449	371,575	-15.05%
Payables to suppliers	12,494,119	12,770,486	(276,368)	-2.16%
Payables to subsidiaries	868,403	495,100	373,303	75.40%
Payables to parent companies	41,119,929	59,995,676	(18,875,747)	-31.46%
Tax payables	3,593,786	577,576	3,016,210	522.22%
Payables to welfare and social security institutions	444,721	426,236	18,485	4.34%
Other payables	2,419,005	1,938,033	480,972	24.82%
Total	63,036,900	78,671,556	(15,634,656)	-19.87%

Individual items are analysed below, highlighting the main events and the changes that affected them, including the related maturity.

The item “Payables to banks” for € 64 includes the negative balance on a company current account.

The item “Advances” indicated in item D.6 for € 2,096,874 includes the sums paid by students for enrolments in the process of completion.

The decrease in the item “Payables to suppliers”, despite the increase in operating costs, is due to an improvement in the average index relating to the suppliers’ payment days.

The item “Payables to subsidiaries” for € 868,403 includes:

- for € 839,620 the residual payable for publishing services rendered by the subsidiary Giapeto S.r.l.
- for € 28,783 the residual payable to the subsidiary Principe di Napoli S.c.a.r.l.

The above table shows the change in the item “Payables to parent companies” compared to 2018:

	2019	2018	Change	%
Giapeto S.r.l.	839,620	495,100	344,520	70%
Principe di Napoli S.c.a.r.l.	28,783	—	28,783	100%
Total	868,403	495,100	373,303	75%

Notes to the financial statements as of and for the year ended December 31, 2019

The item “Payables to parent companies” for € 41,119,929 includes:

- for € 37,993,906, the residual payable relating to the charge accrued with reference to the ongoing contractual relationship between the company and the promoter, Pegaso S.p.A., pursuant to and for the purposes of art. 2 of the University’s Articles of Association, as better described in the relevant comment section of the income statement items of this document;
- for € 3,126,023, the balance of the royalties accrued during the 2019 fiscal year to the Parent Company Multiversity S.r.l. as per the contract signed on February 1st 2016. This contract provides for the concession for use by Università Telematica Pegaso of the Pegaso brand, the entire software structure for distance learning activities, technology, specific know-how and functional platforms for online university training and teaching, management and administration activities of the University.

The above table shows the change in the item “Payables to parent companies” compared to 2018:

	2019	2018	Change	%
Pegaso S.p.A.	37,993,906	56,559,776	(18,565,870)	-33%
Multiversity S.r.l.	3,126,023	3,435,900	(309,877)	-9%
Total	41,119,929	59,995,676	(18,875,747)	-31%

The item “Tax payables” for € 3,593,786 includes the balance as at December 31, 2019 composed as follows:

- for € 52,235, the VAT payable to be paid at December 31, 2019;
- for € 1,794,984, the IRES payable net of the advances paid during the year;
- for € 1,330,067, the IRAP payable net of the advances paid during the year
- for € 228,310, the stamp duty payable to be settled online, net of the advances paid during the year;
- for € 23,665, the payable for withholding taxes for self-employed work;
- for € 160,525, the payable for withholding taxes related to company employees’ salaries.

The following table shows the change in the aforementioned item:

	2019	2018	Change	%
VAT	52,235	—	52,235	100%
IREs	1,798,984	2,264	1,796,720	79360%
IRAP	1,330,067	62,210	1,267,857	2038%
Online stamp duty	228,310	316,286	(87,976)	-28%
Withholdings for self-employment	23,665	29,440	(5,775)	-20%
Withholdings for employees	160,525	167,376	(6,851)	-4%
Total	3,593,786	577,576	3,016,210	522%

The change in the year is mainly attributable to the recognition of income taxes (IREs and IRAP), calculated on the post-conversion taxable income, as indicated in the dedicated paragraph, reported in the introduction.

The item “Payables to welfare and social security institutions”, amounting to € 444,721, includes payables relating to mandatory contributions accrued and not yet paid to welfare and social security institutions.

The following table shows the change in the aforementioned item:

	2019	2018	Change	%
INPS contributions	357,026	319,252	37,774	11.83%
INAIL contributions	15,646	14,335	1,310	9.14%
Other social security institutions	72,049	92,648	(20,599)	-22.23%
Total	444,721	426,236	18,485	4.34%

The item “Other payables” for € 2,419,005 includes:

- € 461,956 for the balance of payables to employees for wages to be paid;

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- € 303,027 for payables to employees for holiday pay;
- € 1,356,442 for the balance of payables to withdrawing students for sums paid which must be reimbursed;
- € 297,597 for sundry payables (mainly online stamp duty).

The following table shows the change in the aforementioned item:

	2019	2018	Change	%
Employees for wages	461,956	405,389	56,567	14%
Employees for unused holidays	303,027	333,627	30,600	-9%
Other payables to students	1,356,442	1,172,812	183,630	16%
Other payables	297,579	26,204	271,375	1036%
Total	2,419,005	1,938,033	480,972	25%

The breakdown of payables as at December 31, 2019 by geographical area is shown in the following table (art. 2427, first paragraph, no. 6, of the Italian Civil Code).

	Italy	Irlanda (UE)	Total
Payables to banks	64	—	64
Debts to other lenders	—	—	—
Advances	2,096,874	—	2,096,874
Payables to suppliers	12,471,824	22,294	12,494,119
Payables to subsidiaries	868,403	—	868,403
Payables to parent companies	41,119,929	—	41,119,929
Tax payables	3,593,786	—	3,593,786
Payables to welfare and social security institutions	444,721	—	444,721
Other payables	2,419,005	—	2,419,005
Total	63,014,606	22,294	63,036,900

26. Accrued expenses and deferred income

They were determined according to the principle of economic and temporal competence, taking care to allocate the portions of costs and revenues pertinent to the closing fiscal year.

The composition of the item compared with that of the previous year is detailed as follows (art. 2427, first paragraph, no. 7, of the Italian Civil Code):

	2019	2018	Change	%
Accrued expenses	674,874	619,952	54,922	9%
Deferred income	61,126,088	48,475,249	12,650,839	26%
Total	61,800,962	49,095,201	12,705,761	26%

Accrued expenses for € 674,874 mainly include teaching staff costs accrued at the end of the fiscal year; for this item the amount of accruals was determined on the basis of the contractual term which, in most cases, coincides with the academic year.

The following table shows the change in the aforementioned item:

	2019	2018	Change	%
Accrued tutors expenses	11,984	9,606	2,378	25%
Accrued teachers expenses	644,935	592,374	52,561	9%
Accrued expenses for various compensation payments	17,955	17,972	(17)	0%
Total	674,874	619,952	54,922	9%

The item 'Deferred income' for € 61,800,962 consists of:

- deferrals of € 60,723,191 relating to fees for students who have submitted an application for enrolment in degree and/or postgraduate courses for the academic year 2019/2020 by December 31, 2019; the amount of these deferrals pertaining to the following year was determined on the basis of the duration of the academic year (August 1, 2019 to July 31, 2020);

Notes to the financial statements as of and for the year ended December 31, 2019

- other deferred income for € 402,897 relating to research grants received as part of the institutional activity pertaining to subsequent years.

The following table shows the change in the aforementioned item:

	2019	2018	Change	%
Deferred income on enrolment fees	60,723,191	48,475,249	12,247,942	25%
Other deferred income	402,897	—	402,897	100%
Total	61,126,088	48,475,249	12,650,839	26%

27. Commitments and guarantees

The table below shows guarantees given directly and indirectly as well as guarantees received (if applicable) as at December 31, 2019, differentiating between sureties and other guarantees, for an amount equal to the actual commitment and collateral for an amount equal to the value of the right or asset given as a guarantee.

Commitments and guarantees given	1,481,641
of which sureties given to third parties	1,481,641
of which guarantees given to subsidiaries	—
of which guarantees given to parent companies	—

Sureties given to third parties, both those given in the context of research projects and as a guarantee for lease payments of the operating offices.

28. Value of production

The following table highlights the changes in the items of the Value of production compared to the previous year, summarising the economic performance:

	2019	2018	Change	%
Revenues from sales and services	124,180,361	102,184,502	21,995,859	22%
Operating grants	1,479,749	1,680,529	(200,780)	-12%
Other revenues and income	104,287	18,033,873	(17,929,586)	-99%
Total other revenues	1,584,036	19,714,402	(18,130,366)	-92%
Total	125,764,397	121,898,904	3,865,493	3%

The following table shows the amount of income of exceptional extent or incidence recognised in the current year:

	2019	2018	Change	%
Contingent assets	7,022	38,125	(31,103)	-82%
Non-existent assets	24,585	—	24,585	100%
Total	31,607	38,125	(6,518)	-17%

29. Revenues from sales and services

Revenues from the provision of services of the typical management of the company amount to a total of € 124,180,361, with an increase compared to the previous year equal to € 21,995,859 (+ 22%).

The following table shows the changes in the item “Revenues” compared to the previous year:

	2019	2018	Change	%
Fees for enrolment in degree and postgraduate courses	103,117,699	85,667,102	17,450,597	20%
Other income from teaching activities	21,062,663	16,517,400	4,545,262	28%
Total	124,180,361	102,184,502	21,995,859	22%

Referring to the report on operations for a detailed comment on performance, it is noted that all sales revenues were achieved in the national territory.

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30. Grants

The item Grants amounts to € 1,479,749 and it decreased by € 219,574 compared to the previous year (-13%).

	2019	2018	Change	%
Professors' extraordinary research projects	581.960	873.648	(291.688)	-33%
5x1000 Revenues	259.925	272.280	(12.355)	-5%
Projects and conventions	390.203	384.937	5.266	1%
Grants <i>Erasmus</i> project	158.437	34.597	123.840	+100%
Grants <i>Cisotra</i> project	1.519	30.780	(29.261)	-95%
Grants <i>Jean Monnet</i> project	—	9.000	(9.000)	-100%
Grants <i>S-Fest</i> project	2.011	8.387	(6.376)	-76%
Grants <i>Issca</i> project	12.000	—	12.000	100%
Grants <i>Reading Literacy</i> project	73.194	60.200	12.994	22%
Other revenues	500	6.700	(6.200)	-93%
Total	<u>1.479.749</u>	<u>1.680.529</u>	<u>(200.780)</u>	<u>-12%</u>

The aforementioned item consists of:

- € 581,960 from income related to research projects managed by the Extraordinary Professors appointed by the University. The figure of “Extraordinary Professor” is regulated pursuant to art. 1, paragraph 12, of Law 230 of 2005, according to which universities can carry out specific research programs on the basis of agreements with companies or foundations, or with other public or private subjects, for periods not exceeding six years, with financial charges borne by the same subjects, through the conferral of assignments of a maximum duration of three years, renewable on the basis of a new agreement, to those who are eligible for the category of full professors, or to subjects with high scientific and professional qualifications. The University, in fulfilment of the aforementioned agreement, approved in advance by the Academic Bodies and signed with the funding body, stipulates a contract for the appointment of extraordinary professor for the professor entrusted with the related research project.
- € 259,925 from revenues from the 0.5% contributions allocated to the University through tax returns;
- € 390,203 from income linked to various projects and agreements. In the context of this case, the main projects in which our University participates are: a) for € 125,170 the “Skills for school, skills for life” project signed with the Campania Region, whose objective is linked to the establishment of a list of internal Italian language and mathematics teachers to be entrusted, following a training course carried out by the Implementing Body, with training actions that will be activated as part of the project b) for € 78,000, the “TISMA” project signed with the Campania Region, whose objective is linked to the creation of an integrated platform for monitoring historic centres of high artistic and cultural value.
- € 158,437 from income related to “Erasmus” projects; the University participates in the aforementioned project, whose objective is to encourage the mobility abroad of university students;
- € 73,194 from income related to the “Reading Literacy” project. The University participates in the aforementioned project, whose objective is the implementation of biennial interventions aimed at supporting the educational level of most disadvantaged young people and at promoting their academic success and their insertion into the context of work through the activation of specific paths complementary to educational activities;
- € 12,000 from income related to the Issca project. The University participates in the aforementioned project, whose objective is the systematic recognition of the historical evidence of the sciences and techniques preserved in the country;
- € 2,011 from income related to the S-Fest project. The University participates in the aforementioned project whose objective is to foster the promotion of cooperation among Europe, Africa and Latin America in the field of youth and explore the potential of youth work in order to increase social entrepreneurship and the employability of young people in the tourism field;
- € 1,519 from income related to the Cisotra project. The University participates in the aforementioned project whose objective is to develop and implement an innovative methodology to fill the current gap in support for unaccompanied minors towards adulthood;
- € 500 from other sundry revenues.

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Finally, it should be noted that the income from the 0.5% contributions was fully reinvested in research activities carried out within the University's institutional activities, also in compliance with the resolution of the Board of Directors of December 16, 2019.

31. Other revenues

The item Other revenues amounts to € 104,287 and is down by € 17,929,586 (-99%) compared to the previous year, mainly due to the release of provisions for risks in 2018.

	2019	2018	Change	%
Contingent assets	40,063	18,019,752	(17,979,689)	-100%
Non-existent assets	24,585	—	24,585	100%
Other revenues and income	15,539	14,121	1,417	10%
Extraordinary Capital Gains	23,056	—	23,056	100%
Capital gains from the sale of assets	1,043	—	1,043	100%
Total	104,287	18,033,873	(17,929,586)	-99%

32. Costs of production

	2019	2018	Change	%
Costs of production	66,104,157	57,201,954	8,902,203	16%
Total	66,104,157	57,201,954	8,902,203	16%

	2019	2018	Change	%
Raw and ancillary materials, consumables and goods	370,510	660,903	(290,393)	-44%
Services	40,560,407	34,639,605	5,920,802	17%
Use of third party assets	10,839,077	9,363,373	1,475,704	16%
Wages and salaries	5,058,235	4,426,779	631,456	14%
Social charges	1,354,211	1,358,118	(3,907)	0%
Employee termination indemnity	170,063	168,596	1,467	1%
Other personnel costs	32,862	39,068	(6,206)	-16%
Amortisation of intangible fixed assets	407,685	420,997	(13,312)	-3%
Depreciation of property, plant and equipment	819,086	748,199	70,887	9%
Other write-downs of fixed assets	—	—	—	100%
Write-downs of current assets	3,968,000	2,944,384	1,023,616	35%
Change in inventories of raw materials	—	—	—	100%
Provision for risks	62,644	208,025	(145,381)	-70%
Other provisions	—	496,664	(496,664)	-100%
Other operating expenses	2,461,378	1,727,244	734,134	43%
Total	66,104,158	57,201,955	8,902,203	16%

The following table shows the amount of costs of exceptional extent or incidence recognised in the current year:

	2019	2018	Change	%
Previous years waste tax	235,292	95,918	139,374	145%
Contingent liabilities	37,000	73,499	(36,499)	-50%
Total	272,292	169,417	102,875	61%

33. Raw and ancillary materials, consumables and goods

The costs of raw and ancillary materials, consumables and goods, net of returns, allowances and discounts, amounted to € 370,510 and decreased by € 290,393 (-44%) compared to the previous year.

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The following table shows the changes in the item “Raw and ancillary materials, consumables and goods” compared to the previous year:

	2019	2018	Change	%
Teaching materials	155,863	308,401	(152,538)	-49%
Stationery	108,982	67,233	41,749	62%
Consumables	65,099	260,224	(195,124)	-75%
Fuels	15,552	5,774	9,778	169%
Other purchases	25,014	19,271	5,743	30%
Total	370,510	660,903	(290,393)	-44%

34. Costs for services

Costs for services amounted to € 40,560,407 and they increased by € 5,920,802 (+17%) compared to the previous year.

The following table shows the changes in the item “Costs for services” compared to the previous year:

	2019	2018	Change	%
Other costs for services	1,088,653	1,500,738	(412,085)	-27%
Insurance, maintenance and cleaning of offices	455,595	530,572	(74,977)	-14%
Bank and postal commissions	762,360	575,524	186,836	32%
Professional and technical consultancy	978,074	1,170,969	(192,895)	-16%
Costs and contributions for training projects and educational services	23,473,493	18,575,852	4,897,641	26%
Costs for student support and the right to study	224,400	160,000	64,400	40%
Bodies and managers fees	866,389	800,062	66,327	8%
Marketing, commercial and editorial services	11,895,628	10,516,050	1,379,578	13%
Utilities	815,816	809,838	5,978	1%
Total	40,560,408	34,639,605	5,920,803	17%

Compared to the previous year, the main changes in the item “costs for services” are as follows;

- € 4,897,641 (+ 26%) for higher costs and contributions to training partners and related to the increase in the University’s activities;
- € 1,379,578 (+ 13%) for the higher costs for editorial, commercial and marketing services incurred during the year.

35. Costs for use of third party assets

These costs mainly consist of rent fees and condominium expenses relating to the University’s operating offices and of royalties payable to the Parent Company Multiversity S.r.l. as per the contract signed on February 1, 2016. This contract provides for the concession for use by Università Telematica Pegaso of the Pegaso brand, the entire software structure for distance learning activities, technology, specific know-how and functional platforms for online university training and teaching, management and administration activities of the University;

The costs for the use of third party assets amounted to € 10,839,077 and they increased by € 1,475,704 (+16%) compared to the previous year. As better described in the report on operations on the financial statements, the item “Rents payable for operating headquarters” increased due to the opening of new operating offices in Italy.

The following table shows the changes in the item “Costs for the use of third parties assets” compared to the previous year:

	2019	2018	Change	%
Rents payable for operating headquarters	2,686,617	2,481,044	205,573	8%
Operating offices condominium expenses	318,349	334,591	(16,242)	-5%
Various rentals	26,996	62,282	(35,286)	-57%
Royalties costs	7,807,115	6,485,456	1,321,659	20%
Total	10,839,077	9,363,373	1,475,704	16%

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36. Personnel costs

This item includes the entire expenditure for employees, including merit improvements, category changes, contingency increases, cost of unused holidays and provisions set forth by law and collective agreements.

The item increased by € 622,810 (+ 10%) mainly relating to the use of temporary work, which increased significantly in 2019 with the gradual increase in the university's operations.

The following table shows the changes in the item "Personnel costs" compared to the previous year:

	2019	2018	Change	%
Wages and salaries	4,394,261	4,338,992	55,269	1%
Temporary employment	663,973	87,787	576,186	656%
Social security contributions	1,354,211	1,358,118	(3,907)	0%
Employee termination indemnity	170,063	168,596	1,467	1%
Other personnel costs	32,862	39,068	(6,206)	-16%
Total	6,615,370	5,992,561	622,809	10%

37. Amortisation of intangible assets

The following table shows the changes in the item "Amortisation of intangible assets" compared to the previous year:

	2019	2018	Change	%
Amortisation of Development Costs	12,120	32,120	(20,000)	-62%
Amortisation of Internet Domains	36,600	36,600	—	0%
Amortisation of Software Licenses	43,619	39,218	4,401	11%
Amortisation of extraordinary works on third party assets	145,992	143,704	2,288	2%
Amortisation of Other multi-year costs	22,680	22,680	—	0%
Amortisation of Usufruct on real estate	146,674	146,674	—	0%
Total	407,685	420,996	(13,311)	-3%

38. Depreciation of property, plant and equipment

The following table shows the changes in the item "Depreciation of property, plant and equipment" compared to the previous year:

	2019	2018	Change	%
Plant depreciation	30,481	22,492	7,989	36%
Equipment depreciation	16,680	—	16,680	100%
Electronic office machines depreciation	420,722	367,191	53,531	15%
Furniture depreciation	351,204	358,516	(7,312)	-2%
Total	819,087	748,199	70,888	9%

39. Write-downs of receivables

As already highlighted in the commentary on the item "Receivables from customers", an accruals to the bad debts provision was set aside for a total amount of € 3,968,000.

The accruals to the bad debts provision was made by estimating the amounts of receivables accrued for academic years prior to 19/20 for which there is a risk of recoverability.

The following table shows the changes in the item "Write-downs of receivables" compared to the previous year:

	2019	2018	Change	%
Provision for risks on trade receivables	3,968,000	2,944,384	1,023,616	35%
Total	3,968,000	2,944,384	1,023,616	35%

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40. Accruals to provisions for risks

This item includes the accruals to the provision to cover losses on equity investments and that relating to pending legal disputes.

The following table shows the changes in the item “Provision for risks” compared to the previous year:

	2019	2018	Change	%
Accruals to provisions for risks	—	208,025	(208,025)	-100%
Accruals to provision to cover subsidiaries’ losses	62,644	—	62,644	100%
Total	62,644	208,025	(145,381)	-70%

41. Other operating expenses

The item, equal € 2,114,139, is mainly composed of the costs for the online stamp duty, for donations to organisations and associations, for contributions measured for the subsidiary Principe di Napoli S.c.a.r.l., from taxes and other duties and contingent liabilities.

The item increased by € 734,133 (+43%) compared to 2018.

The following table shows the changes in the item “Other operating expenses” compared to the previous year:

	2019	2018	Change	%
Online stamp duty	1,338,004	1,109,812	228,192	21%
Consortium contribution Principe di Napoli	560,700	—	560,700	100%
Contributions and donations	28,675	63,661	(34,986)	-55%
Sundry taxes and duties	35,146	41,679	(6,533)	-16%
Taxes on waste	122,122	1,404	120,718	8598%
Contingent liabilities	325,215	498,300	(173,085)	-35%
Other miscellaneous operating expenses	51,515	12,388	39,127	316%
Total	2,461,377	1,727,244	734,133	43%

42. Financial income

The following table shows the changes in the item “Financial income” compared to the previous year:

	2019	2018	Change	%
Income from asset management	1,098,418	112,877	985,541	873%
Interest income and other income	669	338	331	98%
Financial income from discounting of receivables	90,627	210,303	(19,676)	-57%
Total	1,189,714	323,518	866,196	268%

The increase for the year is mainly attributable to income deriving from the divestment of asset management described in detail in the paragraph on financial assets included under current assets.

43. Financial charges

The following table shows the changes in the item ‘Financial expenses’ compared to the previous year:

	2019	2018	Change	%
Asset Management loss	—	621,127	(621,127)	-100%
Financial companies’ interest for payment deferrals granted to students	13,007	15,410	(2,403)	-16%
Interest expense tax	1,332	146	1,186	812%
Sundry interest expense	50	—	50	100%
Charge for the Promoter	50,793,814	56,559,776	(5,765,962)	-10%
Total	50,808,203	57,196,459	(6,388,256)	-11%

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Interest and other financial charges, equal to € 50,808,203, are attributable to:

- interest paid to financial companies for payment deferrals granted to students for € 13,007;
- interest expense for late payment of taxes for € 1,332;
- sundry interest expense of € 50;
- charge accrued with reference to the contractual relationship between Università Telematica Pegaso S.r.l. and the Promoter pursuant to and for the purposes of art. 2 of the University's Articles of Association for € 50,793,814. This contractual relationship, known as "promotion and support", provided for a charge for the 2019 fiscal year equal to the aforementioned amount, commensurate with the final result for the year, in compliance with the commitment undertaken by the promoter to participate in the losses incurred by the University.

44. Revaluation of the value of financial assets

The following table shows the changes in the item "Revaluation of the value of financial assets" compared to the previous year:

	2019	2018	Change	%
Revaluations of equity investments in subsidiaries	—	3,029	(3,029)	-100%
Revaluations of equity investments in associated companies	—	128	(128)	-100%
Total	—	3,157	(3,157)	-100%

In 2019, the item "Revaluation of the value of financial assets" was equal to zero.

45. Impairment of financial assets

The following table shows the changes in the item "Impairment of financial assets" compared to the previous year:

	2019	2018	Change	%
Capital losses from disposal of equity investments	286,213	—	286,213	100%
Write-downs of Equity investments in subsidiaries	139,041	609,039	(469,998)	-77%
Write-downs of Equity investments in associated companies	—	5,112	(5,112)	-100%
Total	425,254	614,151	(188,897)	-31%

The item "Impairment of financial assets" equal to € 425,252 refers to:

- capital losses from disposal of equity investments for € 286,213 divided into: a) € 162,215 relating to the sale of the equity investment in the company Atena Salus S.r.l., b) € 4,840 relating to the sale of the equity investment in Pegaso Consulting S.r.l., c) € 119,157 relating to the sale of the equity investment in the company Bellerofonte S.r.l.
- write-downs of equity investments in subsidiaries for € 139,041 refer to the alignment of the value of the aforementioned equity investments based on the equity method, and are broken down as follows: a) for € 76,640 in the company Pegaso Management S.r.l.; b) for € 24,079 in the company Pegaso Consulting S.r.l.; c) for € 2,599 in the company 3D Civil Engineering S.r.l.

46. Income taxes for the year—current, deferred and prepaid

The income tax charge pertaining to the year is determined on the basis of current legislation.

Deferred and tax assets and liabilities are determined on the basis of the temporary differences between the values of assets and liabilities and the corresponding values for tax purposes.

In particular, deferred tax assets and liabilities are recorded only if there is a reasonable certainty of their future recovery. Deferred taxes, on the other hand, are not recognised if there is a low probability that the related payable will arise.

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The following table shows the changes in the item “Income taxes, current, deferred and prepaid” compared to the previous year:

	2019	2018	Change	%
IRES	1,801,248	2,264	1,798,984	79460%
IRAP	1,684,376	354,060	1,330,316	376%
Deferred tax assets	(72,809)	—	(72,809)	100%
Total	3,412,815	356,324	3,056,491	858%

IRES and IRAP for the year are broken down as follows:

Reconciliation between the tax burden from the financial statements and the theoretical tax burden (IRES)	01-01-2019 24-06-2019	25-06-2019 31-12-2019	01-01-2019 31-12-2019
<i>Result before taxes</i>	3,944,009	5,672,488	9,616,497
<i>Theoretical tax charge (tax rate 24%)</i>	946,562	1,361,397	2,307,959
<i>Taxable income of non-commercial entity</i>	4,521	0	4,521
<i>Increases in business income</i>	0	3,348,632	3,348,632
<i>Decreases in business income</i>	0	-1,520,441	-1,520,441
<i>Profit of non-commercial activity not subject to IRES tax</i>	-3,944,009	0	-3,944,009
<i>Taxable income for IRES</i>	4,521	7,500,680	7,505,201
<i>Current IRES on income for the year</i>	1,085	1,800,163	1,801,248
<i>Effective IRES rate</i>	0.03%	31.73%	18.73%
Reconciliation between the tax burden from the financial statements and the theoretical tax burden (IRAP)	01-01-2019 24-06-2019	25-06-2019 31-12-2019	01-01-2019 31-12-2019
<i>Difference between production values and production costs</i>	34,881,767	24,995,057	59,876,824
<i>Theoretical tax charge (tax rate 4.97%)</i>	1,733,624	1,242,254	2,975,878
<i>Production values and production costs for non-commercial entity</i> ...	-34,881,767	0	-34,881,767
<i>Non-commercial entity taxable income</i>	3,724,004	0	3,724,004
<i>Increases</i>	0	5,005,003	5,005,003
<i>Decreases</i>	0	166,797	166,797
<i>IRAP taxable income</i>	3,724,004	30,166,856	33,890,860
<i>Current IRAP for the year</i>	185,083	1,499,293	1,684,376
<i>Effective IRAP rate</i>	0.53%	6.00%	2.81%

IRES

- € 1,085 relating to the period January 1, 2019—June 24, 2019 (pre-conversion);
- € 1,800,163 relating to the period June 25, 2019—December 31, 2019 (post-conversion).

IRAP

- € 185,083 relating to the period January 1, 2019—June 24, 2019 (pre-conversion);
- € 1,499,293 relating to the period June 25, 2019—December 31, 2019 (post-conversion).

The increase in income taxes is due to the different tax regime applicable to the University following the conversion into a joint stock company whose object is, for IRES purposes, the entire institutional activity of the period June 25, 2019—December 31, 2019 being subject to business income tax and, for IRAP purposes, the transition from “remuneration” method of calculation pursuant to art. 10 of Italian Legislative Decree no. 446/1997 to the method applicable to joint stock companies pursuant to art. 5 of Italian Legislative Decree no. 446/1997.

Other information**47. Employment data**

In compliance with the provisions of art. 2427 no. 15 of the Italian Civil Code, we inform you that the movement in employees and the consequent average number is:

	<u>Dirigenti e Quadri</u>	<u>Impiegati</u>	<u>docenti ordinari e associati</u>	<u>docenti straordinari</u>	<u>ricercatori</u>	<u>apprendisti</u>	<u>operai e intermedi</u>	<u>Totale</u>
Inizio esercizio	1	167	5	71	14	0	0	258
Assunzioni/passaggi di qualifica	0	27	3	22	4	0	1	57
Uscite/passaggi di qualifica	0	18	0	2	14	0	0	34
Fine esercizio	<u>1</u>	<u>193</u>	<u>8</u>	<u>96</u>	<u>13</u>	<u>0</u>	<u>1</u>	<u>312</u>
<i>Numero medio</i>	<u>1</u>	<u>180</u>	<u>7</u>	<u>84</u>	<u>16</u>	<u>0</u>	<u>1</u>	<u>289</u>

Human resources are one of the critical success factors of our company. In this direction, also in 2019, the policy of valuing people who grown within the organisation for the design and implementation of our services continued.

Training plans were implemented, aimed at developing creative and managerial skills, improving computer skills, language courses, use of new technologies, workplace risk prevention and support for individual initiatives.

Our company pays constant attention to entrance selection activities to guarantee the inclusion within the company of qualified personnel with skills, attitudes and motivations that are functional to the company production context, also with a view to facilitating the internal professional growth process.

48. Remuneration and advances of directors and statutory auditors

	<u>Directors</u>	<u>Auditors</u>
Remuneration for the year	528,332	49,753

The remuneration of the Board of Directors, equal to € 528,332, and the remuneration of the Board of Statutory Auditors, equal to € 49,753, comply with the Board resolutions adopted in the period preceding the conversion of the University. These amounts also include the remuneration approved by the shareholders' meeting on 4 November 2019 and 16 December 2019 following the aforementioned conversion.

The costs in question include non-deductible VAT for the University.

49. Remuneration for statutory auditor and auditing company

Pursuant to point no. 16-bis, art. 2427 of the Italian Civil Code, the relevant fees payable to the statutory auditor or the auditing company for the following services are reported below:

- € 38,000 plus VAT for the statutory audit of annual financial accounts.

50. Total amount of commitments, guarantees and contingent liabilities

There are no commitments, guarantees and contingent liabilities not resulting from the balance sheet.

51. Information on transactions with related parties

With regard to relations with subsidiaries, associates and jointly controlled companies, parent companies and companies subject to the control of Università Telematica Pegaso S.r.l., it should be noted that they are all part of the normal and ordinary management activity and are concluded with reference to normal market conditions.

Notes to the financial statements as of and for the year ended December 31, 2019

A summary table is shown below, constructed from the balance sheet and income statement data, depicting the main relationships with the Multiversity Group companies, in financial and economic terms, also specifying the nature of the transactions.

Name	INTERCOMPANY RELATIONS							
	RECEIVABLES		PAYABLES		COSTS		REVENUES	
	Commercial	Financial	Commercial	Financial	Commercial	Financial	Commercial	Financial
Multiversity S.p.A.		43,908			5,583			
Multiversity S.r.l.			2,224		2,224			
Pegaso S.p.A.		3		37,994		50,794		
Giapeto Editore S.r.l.	942		20		513		353	
Certipass S.r.l.	44						8	
Pegaso Management S.r.l. ..	115	4,962					15	
Principe di Napoli S.c.a.r.l.		689			589			
TOTAL	1,101	49,562	2,244	37,994	8,909	50,794	376	—

Financial receivables due from the indirect shareholder Multiversity S.p.A. amount to € 43,908 thousand, and are related to the sale of equity investments in the following companies:

- Pegaso Consulting S.r.l. for a value of € 2,200 thousand;
- Bellerofonte S.r.l. for a value of € 10,900 thousand;
- Garage Startup S.r.l. for a value of € 12,765 thousand;
- Atena Salus S.r.l. for a value of € 18,043 thousand.

Furthermore, costs of a commercial nature were incurred towards Multiversity S.p.A. for an amount of € 5,583 thousand, relating to the payment of royalties for the use of all the intangibles used by the University for university and postgraduate training, online and in person.

It should be noted that the contract relating to royalties was transferred from the grantor Multiversity S.p.A. to Multiversity S.r.l. on October 27, 2019, as part of a business unit transfer operation and therefore up to that date the cost of royalties was charged by the grantor Multiversity S.p.A., after the aforementioned date, the costs of a commercial nature relating to royalties were charged by the parent company Multiversity S.r.l., as the new owner of the intangibles covered by the contract.

With reference to the parent company Multiversity S.r.l., payables and costs of a commercial nature, equal to € 2,224 thousand, mainly concern the payment of royalties, as the company Multiversity S.r.l., as specified above, from October 27, 2019 became the new owner of the platform and of all other intangible assets fundamental for the University to carry out its business.

Financial payables and charges to the Promoter Pegaso S.p.A. refer to the promotion and support function that the Promoter carries out for the University.

With reference to the subsidiary Giapeto Editore S.r.l., relations of a commercial nature relate to publishing activities carried out by the latter and to research projects carried out by the University on behalf of the subsidiary.

Receivables and revenues of a commercial nature from the associated company Certipass S.r.l. (50% controlled by Multiversity S.r.l.) amounting to € 44 thousand, mainly concern the sale by the University of training packages.

With reference to the subsidiary Pegaso Management S.r.l., there are financial receivables equal to € 4,962 thousand, relating to non-interest bearing loans disbursed by the University in favour of the subsidiary in previous years.

Notes to the financial statements as of and for the year ended December 31, 2019

With reference to the subsidiary Principe di Napoli S.c.a.r.l., there are financial receivables for a value of € 689 thousand, for non-interest bearing loans disbursed during the year. Finally, costs of a commercial nature, equal to € 589 thousand, include the consortium contributions pertaining to the University pursuant to the statutory provisions of the consortium company.

Finally, it should be noted that the costs shown in Table 15 include the Value Added Tax not deducted by the University in accordance with the provisions of art. 19 and following of the DPR 633/72.

Below is a summary table showing the main transactions with related parties:

Name	TRANSACTIONS WITH RELATED PARTIES							
	RECEIVABLES		PAYABLES		COSTS		REVENUES	
	Commercial	Financial	Commercial	Financial	Commercial	Financial	Commercial	Financial
Bellerofonte S.r.l.			201		798			
Mr. Danilo Iervolino	1,590	—	31	—	375			
TOTAL	1,590	—	232	—	1,173			

With reference to the related party Bellerofonte S.r.l., relations of a commercial nature refer to rental costs relating to the property at the Tower F/2 located in the Centro Direzionale di Napoli (NA) where the Company's management, teaching, technical-IT, administrative and financial offices are located.

With regard to the natural person Mr. Danilo Iervolino, receivables of a commercial nature refer to rental costs paid in advance for the property located in Piazza Trieste e Trento, 48 Naples (NA) where Università Telematica Pegaso S.r.l. has its registered office, while the payables and costs of a commercial nature refer to lease payments for the year 2019.

52. Information on agreements not resulting from the balance sheet

There are no agreements not resulting from the balance sheet.

53. Information on management and coordination activities pursuant to art. 2497-bis of the Italian Civil Code

The Company is not subject to management and coordination activities pursuant to art. 2497-bis of the Italian Civil Code.

54. Information on significant events occurring after the close of the fiscal year

With the Decree of the President of the Council of Ministers of March 1st 2020 "Further implementing provisions of decree-law no. 6 of February 23, 2020", containing urgent measures regarding the containment and management of the epidemiological emergency from COVID-19, published in OJ Special Series no. 52 of March 1st 2020, the temporary closure of Universities and Institutions of Higher Artistic, Musical and Dancing Education (AFAM) was arranged, among other things, without prejudice to the possibility of carrying out distance learning activities. With subsequent acts and implementing provisions, starting from March 2020, universities and AFAM institutions were entitled, in the exercise of their autonomy, to prioritise alternative remote methods, progress examinations, including graduation sessions, which can be carried out using remote access methods. These provisions, if reasonably confirmed also following the resolution of the COVID outbreak, constitute a change of epic proportions in the processes on which traditional teaching is based, contributing in a dramatic manner to the promotion of a modern and indeed more democratic and global university education, functional to the creation of a 'Global University' with the same technology, philosophy, values and methods able to make students feel at home in every university in the various countries of the world and allow the creation of multiple learning, interdisciplinary and multicultural channels.

The University immediately activated all the necessary measures to allow all employees to work remotely in order to guarantee their full safety and at the same time the operation of all activities.

Notes to the financial statements as of and for the year ended December 31, 2019

Further assessments are carried out through continuous monitoring of the regulatory context and of all the provisions of the relevant bodies in order to guarantee the full safety of workers.

It should be noted that in May 2020, as part of the facilitation measures issued by the Italian government following the outbreak of the COVID-19 pandemic, with Legislative Decree no. 34 of May 19, 2020 on 'Urgent measures in the field of health, support for work and the economy, as well as social policies related to the epidemiological emergency from COVID-19', exemption from payment of the IRAP balance relating to 2019, was given to companies with total revenue not exceeding € 250,000,000. The Company, therefore, falling into the above category, when drafting the UNICO2020 form, relating to the tax year 2019, will recognise a contingent asset equal to the amount of the payable recorded in the financial statements as at December 31, 2019, relating to the IRAP tax not due.

Finally, it should be noted that in January 2020 Multiversity S.r.l. stipulated a revolving loan agreement with a primary credit institution for a maximum use, in the event of a drawdown, of € 15 million, with Università Telematica Pegaso S.r.l. as guarantor in the event of any default by the Parent Company. The loan was not used by the Parent Company at the date of preparation of this document.

55. Information pursuant to art. 1, paragraph 125, of law no. 124 of 4 August 2017

It should be noted that the company received a contribution of € 180,463 in relation to the incremental advertising investments made in the daily and periodical press, including online, and on local television and radio broadcasters (art. 57-bis of decree law no. 50 of April 24, 2017, converted by law no. 96 of 21 June 2017, and subsequent amendments).

56. Name and registered office of the companies that draw up the financial statements of the largest smallest set

Our company is part of a group of companies that draws up the consolidated financial statements and therefore information is provided on the name, registered office and place where the consolidated financial statements are filed.

Multiversity S.r.l.—Piazza Mattei 10—Post Code 00186 Rome—Tax Code and VAT Registration Number 15438171009

57. Information relating to derivative financial instruments pursuant to art. 2427-bis of the Italian Civil Code

The Company has not subscribed derivative financial instruments pursuant to art. 2427 bis of the Italian Civil Code.

The valuation criteria set forth herein comply with the statutory regulations and the results of the consolidated financial statements correspond to the accounting records kept in compliance with the regulations in force. These explanatory notes, as well as the entire financial statements of which they constitute an integral part, give a true and fair view of the equity and financial situation of the Group and the economic result for the year.

The presentation of the values required by art. 2427 of the Italian Civil Code was drawn up in compliance with the principle of clarity.



FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

PREPARED IN ACCORDANCE WITH ITALIAN GAAP

**Università telematica “Pegaso” S.r.l.
Registered Office
Naples, Piazza Trieste e Trento, 48**

This Consolidated Financial Statements have been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

Independent Auditors' Report

Independent auditor's report (Translation from the original Italian text)

To the Directors of
Università Telematica Pegaso

Report on the Audit of the University Financial Statements

Opinion

We have audited the university financial statements of Università Telematica Pegaso (the "University"), which comprise the balance sheet as at December 31, 2018, the income statement and statement of cash flows for the year then ended, and explanatory notes.

In our opinion, the university financial statements of Università Telematica Pegaso as at December 31, 2018 has been prepared, in all significant aspects, in accordance with the principles and criteria described in paragraph "Section 1—Valuation criteria applied to the financial statements".

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 University Financial Statements* section of our report. We are independent of the University in accordance with the regulations and standards on ethics and independence applicable to audits of university financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

This report is not issued pursuant to the law, given that the correspondence of the university financial statements to the accounting results as well as the assessments and opinion on administrative-accounting regularity, pursuant to art. 5 of Legislative Decree No. 18 of January 27, 2012, were carried out, in the financial year ended December 31, 2018, by another auditor.

Responsibilities of Directors and Those Charged with Governance for the University Financial Statements

The Directors are responsible for the preparation of the university financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the University's ability to continue as a going concern and, when preparing the university financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the university financial statements on a going concern basis unless they either intend to liquidate the University or to cease operations, or have no realistic alternative but to do so.

The board of auditors ("Collegio dei Revisori dei Conti") is responsible, within the terms provided by the law, for overseeing the University's financial reporting process and the correspondence of the single university financial statements with the accounting results.

Auditor's Responsibilities for the Audit of the University Financial Statements

Our objectives are to obtain reasonable assurance about whether the university financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these university financial statements.

Independent Auditors' Report

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the university financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern;

we have evaluated the overall presentation, structure and content of the university financial statements, including the disclosures, and whether the university financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Naples, September 4, 2019

EY S.p.A.

Signed by: Mauro Ottaviani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

Università telematica “Pegaso” S.r.l.
BALANCE SHEET
As of December 31, 2018

in units of €	As of December 31,		
	2018	2017	Notes
Assets			
A) NON-CURRENT ASSETS			
I Intangible assets			
1) Start-up, expansion and development costs	24,240	56,360	(3)
2) Industrial patent and intellectual property rights	176,699	185,988	(3)
3) Concessions, licenses, trademarks and similar rights	45,872	37,831	(3)
4) Fixed assets in progress and advances	—	35,926	(3)
5) Other intangible assets	1,211,832	1,437,833	(3)
Total Intangible assets	1,458,643	1,753,938	
II Property, plant and equipment			
2) Plants and equipment	35,338	51,426	(4)
5) Furniture and furnishings	1,357,542	1,377,955	(4)
7) Other property, plant and equipment	927,175	790,115	(4)
Total property, plant and equipment	2,320,056	2,219,496	
III Financial assets			
1 Equity investments in			
Total financial assets	2,758,697	5,752,839	(5)
TOTAL NON-CURRENT ASSETS	6,537,395	9,726,274	
C) CURRENT ASSETS			
II Receivables			
6) due from students for fees and contributions	51,010,965	38,804,993	(6)
<i>a) due within the fiscal year</i>	<i>51,010,965</i>	<i>38,804,993</i>	
7) due from subsidiary companies and entities	20,996,544	12,723,061	(6)
<i>a) due within the fiscal year</i>	<i>790,000</i>	<i>750,000</i>	
<i>a) due beyond the fiscal year</i>	<i>20,206,544</i>	<i>11,973,061</i>	
8) due from others (public)	147,531	203,953	(6)
<i>a) due within the fiscal year</i>	<i>147,531</i>	<i>203,953</i>	
9) due from others (private)	1,958,372	2,722,392	(6)
<i>a) due within the fiscal year</i>	<i>1,958,372</i>	<i>2,722,392</i>	
Total receivables	74,113,412	54,454,399	

Università telematica “Pegaso” S.r.l.
BALANCE SHEET
As of December 31, 2018

in units of €	As of December 31,		
	2018	2017	Notes
III Financial assets			
Total financial assets	9,721,872	10,247,692	(7)
IV Cash and cash equivalents			
1) Bank and post office deposits	55,859,163	38,818,219	(8)
2) Cash at bank and in hand	12,692	13,987	(8)
Total cash and cash equivalents	55,871,855	38,832,207	
TOTAL CURRENT ASSETS	139,707,139	103,534,298	
D) ACCRUED INCOME AND PREPAID EXPENSES	267,679	73,296	(13)
TOTAL ASSETS	146,512,213	113,333,867	

Università telematica “Pegaso” S.r.l.
BALANCE SHEET
As of December 31, 2018

in units of €	As of December 31,		
	2018	2017	Notes
A) Shareholders' equity			
1) Profit of the fiscal year	6,856,689	3,297,861	
2) Profits (losses) carried forward	—	—	
3) Statutory reserves	—	—	
4) Other reserves	9,402,283	6,104,422	
Total Shareholders' equity	16,258,972	9,402,283	(12)
B) Provisions for risks and charges	2,002,111	20,819,548	(9)
C) Employees termination indemnity	486,773	355,994	(10)
D) Payables			
6) to universities	2,800	3,100	(11)
7) to students	3,635,631	3,930,274	(11)
9) to suppliers	73,261,263	34,084,461	(11)
10) to employees	741,859	618,597	(11)
12) other payables	1,027,603	749,845	(11)
Total Payables	78,669,156	39,386,277	
E) ACCRUED INCOME AND PREPAID EXPENSES	49,095,201	43,369,766	(13)
TOTAL LIABILITIES	146,512,213	113,333,867	

Unoversità telematica “Pegaso” S.r.l.
INCOME STATEMENT
For the years ended December 31, 2018

in units of €	Year ended as of December 31,		
	2018	2017	Notes
A) Operating income			
I) Own income			
1) Income for teaching	102,129,090	66,489,235	(14)
2) Proceeds from commissioned research and technology transfer	—	—	
3) Proceeds from research with competitive funding	—	—	
Total own income	102,129,090	66,489,235	
II) Grants			
1) Grants from MIUR and other central administrations	272,280	360,135	
7) Grants from others (private)	1,401,548	1,204,403	
Total own income	1,673,829	1,564,538	(14)
V) Other income and miscellaneous revenues	18,148,672	167,721	(14)
Total operating income	121,951,590	68,221,494	
B) Operating costs			
VIII) Costs of personnel	8,551,595	7,330,414	
1) Costs of personnel dedicated to research and teaching	4,177,677	3,996,920	
a) tutors/researchers	1,608,741	1,858,416	
c) contract teachers	1,751,152	1,386,351	
e) other staff dedicated to teaching and research	817,784	752,153	
2) Costs of management and technical-administrative staff	4,373,918	3,333,495	
IX) Current management costs	42,104,846	26,386,418	
1) Costs for student support	83,400	179,400	
2) Costs for the right to study	76,600	114,000	
3) Costs for research and publishing activity	1,620,461	798,758	
7) Purchase of books, periodicals and bibliographic material	196,278	32,004	
8) Purchase of technical and management services and collaborations	17,381,095	10,702,306	(15)
9) Purchase other materials	246,732	237,447	
11) Costs for use of third party assets	9,359,347	6,316,745	(16)
12) Other costs	13,140,933	8,005,758	(17)
X) Amortisation, depreciation and write-downs	4,113,580	4,450,814	
1) Amortisation of intangible assets	420,997	411,193	
2) Depreciation of property, plant and equipment	748,199	696,892	
4) Write-downs of receivables included in current assets and cash and cash equivalents	2,944,384	3,342,729	(18)
XI) Accruals to provisions for risks and charges	704,689	1,758,237	
XII) Other operating expenses	1,557,827	913,400	(19)
Total operating costs	57,032,537	40,839,283	
DIFFERENCE BETWEEN OPERATING INCOME AND OPERATING COSTS A-B	64,919,054	27,382,211	
C) Financial income and expenses			
1) Financial income	323,517	152,730	
2) Interest and other financial charges	57,196,459	23,765,100	
Total financial income and expenses	(56,872,942)	(23,612,356)	(20)
D) Value adjustments of financial assets and liabilities			
1) Revaluations	3,157	210,768	
2) Write-downs	614,151	396,575	
Total value adjustments of financial assets and liabilities	(610,995)	(185,807)	
E) Extraordinary income and charges			
1) Income	38,683	334,377	
2) Charges	260,787	326,451	
Total extraordinary income and charges	(222,104)	7,926	(21)
F) Income taxes for the year—current, deferred and prepaid	356,324	294,114	
Profit/(loss) for the year	6,856,689	3,297,861	

Università telematica “Pegaso” S.r.l.
STATEMENT OF CASH FLOWS
For the years ended December 31, 2018

in units of €	Year ended as of December 31,	
	2018	2017
Cash flow absorbed / generated from operating activities	49,663,882	33,094,535
Net profit	6,856,689	3,297,861
Adjustments relating to items that had no effect on liquidity	42,807,193	29,796,674
Amortisation, depreciation and write-downs	4,724,575	4,636,620
Provisions for other financial fixed assets	209,500	16,707
Net change in provisions for risks and charges	(18,817,437)	1,289,779
Net change in employee termination indemnity	130,779	114,027
Financial charge from Promoting Body	56,559,776	23,739,541
Cash flow absorbed / generated from changes in working capital	(1,810,398)	(9,510,876)
Increase/Reduction of receivables from third parties	(14,329,914)	(15,951,719)
Increase/Decrease in financial assets	525,820	(10,247,692)
Increase/Decrease in accrued income and prepaid expenses	(194,383)	191,490
Increase/Decrease in payables	6,462,644	3,855,845
Increase/Decrease in accrued liabilities and deferred income	5,725,435	12,641,198
A1 Operating cash flow before changes in payables/receivables to/from subsidiaries and associates	47,853,483	23,583,659
Cash flow absorbed/generated by changes in movements in receivables/ payables from/to subsidiaries/associates	(8,273,482)	(5,088,547)
Increase/Decrease in receivables from subsidiaries/associates	(8,273,482)	(5,082,172)
Increase/Decrease in payables to subsidiaries/associates	—	(6,375)
A) Operating cash flow	39,580,001	18,495,112
Investments in fixed assets	(2,407,308)	(3,033,901)
Tangible assets	(848,759)	(1,741,604)
Intangible assets	(125,700)	(344,725)
Financial assets	(1,432,848)	(947,572)
Disinvestments of fixed assets	3,606,496	50,000
Tangible assets	—	50,000
Financial assets	3,606,496	—
B) Cash flow from investment/disinvestment activities	1,199,188	(2,983,901)
Financing activities	—	—
Disbursement of Financial Charge from Promoting Entity	(23,739,541)	(1,382,372)
C) Cash flow from financing activities	(23,739,541)	(1,382,372)
D) Cash flow for the year	17,039,648	14,128,839
Initial cash and cash equivalents	38,832,207	24,703,368
Final cash and cash equivalents	55,871,855	38,832,207

Notes to the Financial Statements as of and for the year ended December 31, 2018

1. Introduction

In the preparation of these financial statements as at December 31, 2018, we have complied with the accounting standards and the schedules attached to Interministerial Decree No. 19 of 14 January 2014 (hereinafter also referred to as “ID” for convenience) which definitively implemented Italian Legislative Decree No. 18 of January 27, 2012, approved in the framework of amendments provided by the “Gelmini” reform (Law No. 240 of 30 December 2012) and which introduced, for all universities, the obligation to keep an economic and financial accounting system and the preparation of individual single financial statements for the year.

As established by article 1, paragraph 3, of the aforementioned ID, in drawing up this document, we have also taken into account, for all that is not expressly sanctioned by the decree itself, the provisions of the Italian Civil Code (Article 2423 and following) and the national accounting standards issued by the Italian Accounting Organisation (OIC) and adapted by the latter to the new provisions of Italian Legislative Decree No. 139/2015 approved in accordance with EU directive 34/13. In adoption of the ID, the financial statements presented below contain some items no longer envisaged by the Balance Sheet and Income Statement formats envisaged by Art. 2424 and 2425 of the Italian Civil Code (Memorandum Accounts in the Balance Sheet, Extraordinary Management in the Income Statement) and the Cash Flow Statement defined by OIC 10, following the changes introduced by the Italian Legislative Decree No. 139/2015.

Furthermore, with the clarifications set out below, the indications contained in the technical-operational manual issued with a new update on July 26, 2017 (Protocol No. 0001841), by the Commission for the economic and financial accounting of Universities provided for by the Art. 9 of Italian Legislative Decree No. 18 of January 27, 2012 and in accordance with the provisions of Art. 8 of the ID.

The document that is submitted for your examination corresponds to the results of the accounting records regularly kept by the University and is made up of the following documents:

- Balance Sheet;
- Income Statement;
- Cash Flow Statement;
- Explanatory Notes.

It should be noted that:

- the balance sheet, the income statement and the cash flow statement are prepared in Euro units. The transition from account balances, expressed in Euro cents, to the financial statements balances, expressed in Euro units, took place by rounding up or down. The balancing of the financial statements was ensured by summarising the differentials of the balance sheet in a “Reserve for rounding into Euro units”, recorded under item “Other reserves” and those of the income statement, alternatively, in “Extraordinary income” or “Extraordinary expenses”;
- the data in the explanatory notes are expressed in Euro units as they guarantee a better intelligibility of the document.

It should be noted that, starting from the 2018 fiscal year, with a just resolution of the Board of Directors of 12 June 2018, adopted in line with the University mission and with the University’s statutory provisions, the University brought forward the duration of the academic year previously scheduled for the period from October 1 to September 30 to the period August 1st to July 31.

Consequently, the allocation of accrued revenues and deferred income for the year ended December 31, 2018 takes into account the new period of duration of the academic year and this aspect must be considered when comparing the income from teaching in 2018 with those of previous year. Specifically, teaching income was recognised for a period of approximately nine months for the 2017-2018 academic year, in line with the 2016-2017 academic year for the 2017 fiscal year, and five months of income for the academic year 2018-2019, compared to three months of the academic year 2017-2018 recognised in 2017.

It is emphasised that the change in duration of the Academic Year, dictated exclusively by educational reasons, has allowed working students to extend the time span of study opportunities and will continue to do so in future.

Notes to the Financial Statements as of and for the year ended December 31, 2018

2. Drafting principles

The valuation criteria adopted for the preparation of the Financial Statements as at December 31, 2018 observe the principle of prudence in the perspective of the continuation of the university's activities and take into account the economic function of the asset or liability element considered.

The criteria and postulates adopted comply with those defined by Art. 2 of ID 19/2014.

The main criteria defined in accordance with Art. 4 of the ID 19/2014 are listed below. For further details, please refer to the comments to the individual item groups of the budget items.

The following have been respected: the general and postulated accounting standards (Art. 2 of ID 19/2014), the principles of valuation of items (Art. 4 of ID 19/2014) and, where applicable, the general clause for the preparation of financial statements, the principles for drafting and the evaluation criteria established by law.

It should be noted that the income from teaching is accounted for in the year taking into account the principle of correlation of the revenues deriving from the enrolment of students in the academic year and the costs associated with the provision in the year of competence of the courses to students enrolled in the same academic year, using the deferred income method. In recording the revenue, account is taken of the peculiarity of the online university which does not allow the use of the service, and consequently of the costs incurred, except for regularly enrolled students.

Assets

Non current assets

Intangible assets

Intangible assets are represented by multi-year assets or costs characterised by their immaterial and, therefore, intangible nature, which manifest their economic benefits over a period of several years.

Intangible assets are recorded at purchase cost including accessory and financial charges, and direct and indirect costs incurred before the use of the asset, for the portion reasonably attributable to them.

The cost of intangible assets, whose use is limited over time, is systematically amortised in each fiscal year according to the residual possible use. In particular, amortisation rates are applied that reflect the estimated economically useful life of the assets.

Amortisation rates used are summarised in the following table:

Category	Rate
Start-up, expansion and development costs	20%
Industrial patent rights and intellectual property rights	20%
Concessions, licenses, trademarks and similar rights	20%
Other intangible assets:	
- <i>Improvements on third party assets</i>	<i>Based on the lease agreement or 20%</i>
- <i>Usufruct on real estate</i>	8.33%

Property, plant and equipment

Property, plant and equipment, whose use is limited in time, are recognised in the financial statements at purchase cost, including directly attributable accessory charges, and have been depreciated on a straight-line basis, based on the useful life of the assets and taking into account their residual possibility of use, physical wear, technological evolution and obsolescence.

Maintenance costs of an ordinary nature have been charged in full to the income statement, while those of an incremental nature (expansion, modernisation or improvement), connected to an increase in the production capacity or safety of the asset or an extension of its useful life, are attributed to the assets to which they refer and are depreciated in relation to the residual possibility of use of the same.

Notes to the Financial Statements as of and for the year ended December 31, 2018

Depreciation rates used are summarised in the following table:

Category	Rate
Plants and machinery:	
- <i>Generic plants</i>	15%
- <i>Specific plants</i>	25%
Furniture and furnishings:	15%
Other property, plant and equipment:	
- <i>Electromechanical and electronic machines</i>	25%
- <i>Cars</i>	25%

Fixed assets in progress and advances include the sums paid as advance on assets not yet operational at the end of the fiscal year or for acquisitions of individual assets constituting components still in formation.

Write-downs for impairment of tangible and intangible assets

At each balance sheet date, the existence of any indicator suggesting that a fixed asset may have suffered impairment is assessed. If such an indicator is present, the recoverable value of the asset is estimated, writing it down only if this is lower than the corresponding net book value. In the absence of indicators of potential impairment, the recoverable value is not determined.

When it is not possible to estimate the recoverable value of an individual asset, the recoverable value of the cash-generating unit to which the asset belongs is estimated.

The recoverable value of an asset is the greater of the fair value less costs to sell and its value in use determined as the present value of estimated future cash flows.

An impairment is recognised if the recoverable value is lower than the book value. When, subsequently, an impairment on an asset, other than goodwill, ceases to exist or is reduced, the book value of the asset or the cash-generating unit is increased up to the new estimate of the recoverable value without exceeding the value that would have been determined if no impairment had been detected.

Financial assets

Equity investments in subsidiaries and associated companies are recorded under financial fixed assets, valued on the basis of the “equity method” according to the indications of Ministerial Decree No. 19 of January 14, 2014.

The item includes the University’s equity investments other than those in subsidiaries and associates, intended for long-term investment, and are recorded at the acquisition cost inclusive of ancillary charges.

Investments in securities and financial instruments are recognised at cost determined on the basis of the reports provided by the custodian bank for asset management.

Receivables

Receivables from students for enrolment in degree courses in a given academic year are entirely recognised on the date of first enrolment or at the beginning of each academic year for students already enrolled in previous academic years, and refer to payments due from students to attend university courses. Receivables for enrolment in postgraduate courses (masters, training and advanced training courses) are entirely recognised on the date of enrolment of the student.

Receivables are shown at their presumed realisable value net of a bad debt provision which is calculated taking into account both the losses resulting from certain elements and information currently available, as well as taking into account the risks of non-collection, prudentially estimated considering the age of receivables and having regard to past experience.

Where the receivables are overdue by over 12 months, discounting is carried out in the event of a significant difference between the effective interest rate and the market rate. For this type of receivable, the receivable (and

Notes to the Financial Statements as of and for the year ended December 31, 2018

the corresponding revenue in the case of commercial transactions) is initially recorded at a value equal to the present value of future cash flows plus any transaction costs. The rate used to discount future flows is the market rate. In the case of receivables arising from commercial transactions, the difference between the initial recognition value thus determined and the forward value is recognised in the income statement as a reduction in revenues, generating a financial income over the duration of the receivable using the effective interest rate criterion.

In the case of financial receivables, the difference between the cash and cash equivalents disbursed or collected and the present value of future cash flows, determined using the market interest rate, is recognised under financial income or expense in the income statement at the time of initial recognition, unless the substance of the transaction or contract leads to the attribution of a different nature to this component. Subsequently, the interest income or expense accruing on the transaction is calculated at the effective interest rate and charged to the income statement with an offsetting entry against the value of the receivable or payable.

If the financial credit is disbursed to a subsidiary and from the available evidence it can be inferred that the nature of the transaction is the strengthening of the subsidiary's equity, the effect deriving from the application of the amortised cost criterion is recognised as an increase in the value of the investment, instead of under financial charges in the income statement.

Cash and cash equivalents

Cash and cash equivalents are shown at their nominal value.

Accrued income and prepaid expenses

Accruals and deferrals refer to income pertaining to the year payable in subsequent years, and to costs incurred by the end of the year but pertaining to subsequent years. The amount of accruals and deferrals is determined by dividing the revenue or cost, in order to attribute only the relevant portion to the current fiscal year, in compliance with the provisions of Art. 4 of the ID.

At the end of each fiscal year, it is checked that the conditions that determined the initial recognition of the accrual or deferred income are still met; if necessary, the relative value adjustments are made. A new valuation is therefore made to update the balance at the end of the year. This valuation considers not only the passage of time but also the possible recoverability of the amount recognised in the financial statements.

Shareholders' equity

Shareholders' equity consists of unencumbered reserves, deriving from the statutory results achieved as well as of statutory reserves.

Provisions for risks and charges

They are set aside to cover losses or debts of certain or probable existence, whose amount or date of occurrence could not be determined at the end of the year.

In the valuation of these provisions, the general criteria of prudence and accrual were respected and no provision was made for generic risk provisions without economic justification.

Potential liabilities are recognised in the financial statements and recorded in the provisions when their manifestation is considered probable and when the amount of the related charge can be reasonably estimated.

Any risks for which the occurrence of a liability is only possible or for which no objective forecast of the resulting charge is possible are indicated in the Explanatory Notes without accruing provisions for risks and charges.

Risks whose probability of occurrence appears remote are not taken into account.

Employee termination indemnity

Employee termination indemnities represent the actual liability accrued towards employees, in compliance with current legislation and collective labour agreements. This liability is subject to revaluation based on the

Notes to the Financial Statements as of and for the year ended December 31, 2018

application of indices established by current legislation, and the amount is recognised gross of the advance payment required by Art. 3 of Law No. 662/96 and subsequent amendments.

The accrual does not include indemnities accrued starting from January 1st, 2007, intended for supplementary pension schemes pursuant to Italian Legislative Decree No. 252 of December 5, 2005.

Payables

Pursuant to Art. 2423, paragraph 4 of the Italian Civil Code, payables were recognised at nominal value and not according to the amortised cost criterion pursuant to Art. 2426, paragraph 1, number 8 of the Italian Civil Code, since the effects of the application of this criterion were irrelevant, given the maturity of the payables within 12 months.

The subdivision of amounts due within and beyond the fiscal year is carried out with reference to the contractual or legal maturity, also taking into account facts and events that may determine a modification of the original maturity.

Payables originating from acquisitions of assets are recognised when the risks, charges and benefits are transferred; those relating to services are recognised at the time the service is performed; financial and other types of payables, at the moment in which the obligation towards the counterpart arises.

Payables to the tax authorities, recorded under the item “Other payables”, include liabilities for certain and determined taxes, as well as withholdings made as a substitute, and not yet paid at the balance sheet date, and, where offsetting is allowed, they are recorded net of advances, withholding taxes and tax credits.

Accrued liabilities and deferred income and investment contributions

Accrued liabilities and deferred income refer to costs pertaining to the year payable in subsequent years and to income received by the end of the year but pertaining to subsequent years. The amount of accruals and deferrals is determined by dividing the revenue or cost, in order to attribute only the relevant portion to the current fiscal year, in compliance with the provisions of Art. 4 of the ID.

At the end of each fiscal year, it is checked that the conditions that determined the initial recognition of the accrual or deferred income are still met; if necessary, the necessary value adjustments are made. A new valuation is therefore made to update the balance at the end of the year.

Operating income

Income from teaching is recorded based on the principle of economic competence, deferring the portion not pertaining to the year. It should be noted that the revenues recorded are gross of costs incurred for student support and for the right to education, which are shown, respectively, in items B IX 1 and B IX 2.

The breakdown by geographical area is not presented as almost all of them are generated in Italy.

Operating costs

Costs and charges are recorded in the financial statements in compliance with the criteria of prudence, of competence, net of returns, discounts, allowances and bonuses.

With reference to the information prescribed by numbers 8, 11 and 18 of paragraph 1 of Art. 2427 of the Italian Civil Code, it is specified that financial charges relating to values recorded in the balance sheet are capitalised during the year, where permitted.

The breakdown by geographical area is not presented as almost all of the operating costs are incurred in Italy.

Financial income and expenses

Financial income and expenses include all the positive and negative components of the economic result for the year connected with the university's financial activities and are recognised on an accrual basis.

Notes to the Financial Statements as of and for the year ended December 31, 2018

Memorandum accounts

It should be noted that the risks relating to guarantees granted, personal or real, for the debts of others have been indicated in the memorandum accounts for an amount equal to the amount of the guarantee given.

Use of estimates

The preparation of the financial statements requires Directors to make estimates and assumptions that have an effect on the values of the assets and liabilities in the financial statements and on the information relating to potential assets and liabilities. The preparation of these estimates involves the use of available information and the adoption of subjective assessments, based on experience.

By their nature, the estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that in subsequent years the current book values may differ as a result of changes in the subjective assessments made.

The estimates and assumptions are periodically reviewed and the effects of each change are reflected in the income statement in the period in which the change occurred.

3. Intangible assets

Intangible assets are mainly composed of software costs, restructuring costs on third party assets, as well as the right of use on the property in Naples, at the Isola A 3 Centro Direzionale purchased in 2010.

The composition and summary of the changes of intangible fixed assets are detailed in the following tables:

	January 1, 2018	Acquisitions during the year	Amortisation of the fiscal year	Movement of Items	December 31, 2018
Cost					
Start-up, expansion and development costs	160,600	—	—	—	160,600
Industrial patents and intellectual property rights	810,490	46,510	—	—	857,000
Concessions, licenses, trademarks and similar rights	139,952	28,060	—	—	168,012
Fixed assets in progress and advances	35,926	—	—	(35,926)	—
Other intangible assets	3,500,284	87,058	—	—	3,587,342
Total cost	4,820,076	161,628	—	(35,926)	4,772,954
Amortisation (accumulated)					
Start-up, expansion and development costs	(104,240)	—	(32,120)	—	(136,360)
Industrial patents and intellectual property rights	(490,014)	—	(55,799)	—	(545,813)
Concessions, licenses, trademarks and similar rights	(102,121)	—	(20,019)	—	(122,140)
Fixed assets in progress and advances	—	—	—	—	—
Other intangible assets	(2,062,451)	—	(313,059)	—	(2,375,510)
Total amortisation (accumulated)	(2,758,826)	—	(420,997)	—	(3,179,823)
Historical write-downs					
Start-up, expansion and development costs	—	—	—	—	—
Industrial patents and intellectual property rights	(134,488)	—	—	—	(134,488)
Concessions, licenses, trademarks and similar rights	—	—	—	—	—
Fixed assets in progress and advances	—	—	—	—	—
Other intangible assets	—	—	—	—	—
Total historical write-downs	(134,488)	—	—	—	(134,488)
Net Book Value	1,753,938	—	—	—	1,458,643

Compared to the previous year, intangible assets decreased by € 295,296 due to the balance between investments and depreciation for the period.

Notes to the Financial Statements as of and for the year ended December 31, 2018

Investments in the period mainly refer to the purchase of new software licenses aimed at improving administrative and financial flows.

Other intangible assets include the multi-year expenses relating to the renovation and improvement works of the University premises leased.

4. Property, plant and equipment

Property, plant and equipment refer to the purchase costs of plant and equipment, furniture and fittings and other assets net of the related accumulated depreciation.

The composition and summary of the changes of property, plant and equipment are detailed in the table below:

	January 1, 2018	Acquisitions during the year	Amortisation of the fiscal year	Movement of Items	December 31, 2018
Cost					
Plant and equipment	348,182	6,404	—	—	354,586
Furniture and furnishings	2,433,264	338,103	—	—	2,771,367
Other property, plant and equipment	2,006,120	504,251	—	—	2,510,371
Fixed assets in progress and advances	50,000	—	—	(50,000)	—
Total cost	4,837,566	848,758	—	(50,000)	5,636,324
Depreciation (accumulated)					
Plants and equipment	(296,756)	—	(22,492)	—	(319,248)
Industrial and commercial equipment	(1,055,309)	—	(358,515)	—	(1,363,824)
Fixed assets in progress	(1,216,005)	—	(367,191)	—	(1,583,196)
Other tangible assets	—	—	—	—	—
Total depreciation (accumulated)	(2,568,070)	—	(748,198)	—	(3,316,268)
Net Book Value	2,269,496	—	—	—	2,320,055

Compared to the previous year, property, plant and equipment increased by € 100,560

The aforementioned increases mainly refer to:

- furniture and furnishings. This relates to the purchase of furnishings intended for the opening of the new University operational offices, with reference to the new headquarters located at Tower F2 at the Centro Direzionale of Naples, which was put into operation in April 2018;
- Other property, plant and equipment. They include the purchase of IT equipment intended for carrying out educational and administrative activities at the new headquarters at Centro Direzionale.

5. Financial assets

The item “Financial assets” mainly refers to equity investments held by the University and to investments in “Securities”.

The movements in financial fixed assets are shown in the table below:

Description	FIXED ASSETS -FINANCIAL ASSETS -
Cost	5,365,134
Historical acquisitions	1,873,611
Previous revaluation	809,440
Historical write-downs	2,295,347
Value at the beginning of the year	5,752,838
Acquisitions during the year	770,280
Disposals in the year	(3,606,496)
Economic revaluations	677,213
Write-downs of the fiscal year	835,139
Rounding (+/-)	1
Final balance	2,758,697
Total revaluations at the end of the year	0

Notes to the Financial Statements as of and for the year ended December 31, 2018

The breakdown of the item Financial fixed assets is shown below, compared with the previous year:

	2018	2017	Change
Pegaso Management S.r.l.	76,640	194,744	(118,104)
Pegaso Consulting S.r.l.	162,478	132,703	29,775
Giapeto Editore S.r.l.	110,051	107,022	3,029
Bellerofonte S.r.l.	129,447	458,280	(328,833)
3D Civil Engineering S.r.l.	5,004	6,073	(1,070)
Benecon	176,162	177,823	(1,661)
Garage Start Up	214,636	261,303	(46,667)
Gal Irpinia Sannio	10,282	12,342	(2,060)
Gal Peloritani Terre die Miti e della Bellezza	253	125	128
Gal Terra Protetta	12,395	12,500	(105)
Gal Vallo di Diano	2,714	4,000	(1,286)
Atena Salus	545,127	—	545,127
Pegaso online University	493,301	—	493,301
Security deposits	390,580	143,900	246,680
Securities and financial instruments from asset management	429,628	4,242,024	(3,812,396)
Total equity investments in subsidiaries	2,758,697	5,752,839	(2,994,142)

The balance of financial assets is given by:

- equity investment in the company Pegaso Management S.r.l., a company established with a deed by notary Vittorio Margarita on 8 November 2011 (file no. 46303—volume no. 14851) with share capital of € 100,000 fully subscribed and paid up by Università Telematica Pegaso, recognised for € 76,640;
- equity investment in the company Pegaso Consulting S.r.l., a company established with a deed by notary Vittorio Margarita on June 22, 2012 (file no. 46576—volume no. 15027) with share capital of € 50,000 fully subscribed and paid up by Università Telematica Pegaso, recognised for € 162,478;
- equity investment in the company Giapeto Editore S.r.l., a company established with a deed by notary Vittorio Margarita on July 29, 2013 (file no. 46955—volume no. 15280), with share capital of € 30,000 fully subscribed and paid up by Università Telematica Pegaso, recognised for € 110,051;
- equity investment in the company Bellerofonte Immobiliare S.r.l., a company established with a deed by notary Paolo Guida on July 21st, 2014 (file no. 28244—volume no. 13121), with share capital of € 50,000 fully subscribed and paid up by Università Telematica Pegaso recognised for € 129,447;
- equity investment in the company 3DCivil Engineering S.r.l., a company established with a deed by notary Stefano Paladini on July 20, 2015 (file no. 1822—volume no. 1322) with share capital of € 10,000 subscribed by Università Telematica Pegaso for € 8,500 (equal to 85% of the share capital) and recognised for € 5,004;
- equity investment in the limited liability consortium company “Benecon” acquired by deed of notary Paolo Guida on October 10, 2016 (file no. 30224—volume no. 14151). Università Telematica Pegaso subscribed a shareholding with a nominal value of € 30,414 (equal to 20.28% of the share capital of € 150,000) for a consideration of € 100,000; the above-mentioned equity investment is recognised in the balance sheet for a value of € 176,162;
- equity investment in the company “Garage Start Up S.r.l.” established by deed for notary Stefano Paladini on February 14, 2017 (file no. 4056—volume no. 2881) with share capital of € 50,000 fully subscribed by Università Telematica Pegaso and recognised in the balance sheet for a value € 214,636;
- equity investment in the limited liability consortium company “Gal Irpinia—Sannio”, acquired with deed by notary Fabrizio Virginio Pesiri on August 5, 2016 (file no. 37371—volume no. 10363); Università Telematica Pegaso subscribed a shareholding with a nominal value of € 4,000 (equal to 8.81% of the share capital of € 45,400) for a consideration of € 4,000; the above mentioned equity investment is recognised in the balance sheet for a value of € 10,282;
- equity investment in the limited liability consortium company “Gal Peloritani Terre dei Miti e della Bellezza”, acquired with deed by notary Caterina Mendaci on September 26, 2016 (file no. 149217—

Notes to the Financial Statements as of and for the year ended December 31, 2018

volume no. 13870) with share capital of € 21,652 subscribed by Università Telematica Pegaso for € 125 (0.58% of the share capital) and recognised in the balance sheet for a value of € 253;

- equity investment in the limited liability consortium company “Gal Terra Protetta”, acquired with deed by notary Francesco Coppa on August 11th, 2016 (file no. 22893—volume no. 14303) with share capital of € 120,750 subscribed by Università Telematica Pegaso for € 12,500 (equal to 10.35% of the share capital) and recognised for € 12,395;
- equity investment in the limited liability consortium company “Gal Vallo di Diano”, acquired with deed by notary Maria D’Alessio on August 24, 2016 (file no. 2379—volume no. 1713). Università Telematica Pegaso subscribed a shareholding with a nominal value of € 4,000 (equal to 2.60% of the share capital of € 154,000) for a consideration of € 4,000; the above mentioned equity investment is recognised in the financial statements for a value of € 2,714;
- equity investment in the company “Atena Salus S.r.l.” established by deed for notary Stefano Paladini on March 2, 2018 (file no. 5484—volume no. 3878) with share capital of € 20,000 fully subscribed by Università Telematica Pegaso and recognised in the balance sheet for a value € 545,127;
- equity investment in the company “Pegaso Online University S.r.l.”, was established with a deed by notary Stefano Paladini on October 8, 2018 (file no. 6229—volume no. 4332) with share capital of € 500,000 fully subscribed and paid up by Università Telematica Pegaso and recognised in the balance sheet for a value of € 493,301;
- Security deposits for € 390,580;
- Securities and financial instruments from asset management for € 429,628.

The following table shows the data relating to the Subsidiaries and Associates:

Equity investments in Subsidiaries	Share	Share capital as at Dec 31, 2017	Shareholders’ Equity as at Dec 31, 2017	Increase in Capital/ Res. or purchases.	Decrease in Capital/ Res. or sale	Result for the year	Shareholders’ equity as at Dec 31, 2018	University shareholders’ equity	Value as at Dec 31, 2018
PEGASO									
MANAGEMENT									
SRL—Naples . . .	100%	100,000	194,744	—	—	(118,104)	76,640	76,640	76,640
PEGASO									
CONSULTING									
SRL—Naples . . .	100%	50,000	132,703	34,270	—	(4,494)	162,478	162,478	162,478
GIAPETO									
EDITORE									
SRL—Naples . . .	100%	30,000	107,022	—	—	3,029	110,051	110,051	110,051
BELLEROFONTE									
SRL—Naples . . .	100%	50,000	458,280	38,077	—	(366,910)	129,447	129,447	129,447
3D CIVIL									
ENGINEERING									
SRL—Naples . . .	85%	10,000	7,146	—	—	(1,260)	5,887	5,004	5,004
GARAGE START									
UP									
SRL—Naples . . .	100%	50,000	261,303	—	—	(46,667)	214,636	214,636	214,636
ATENA SALUS									
SRL—Naples . . .	100%	20,000	—	610,222	—	(65,095)	545,127	545,127	545,127
PEGASO ONLINE									
UNIV.SRL—									
Naples	100%	—	—	500,000	—	(6,699)	493,301	493,301	493,301
BENECON									
S.C.A.R.L.—									
Naples	20.28%	150,000	854,650	—	—	11,094	865,744	175,573	175,573

Notes to the Financial Statements as of and for the year ended December 31, 2018

The changes in the year are shown below, showing them by single item:

- Pegaso Management S.r.l.: write-down of the equity investment for € 118,104 following the result for the year as reported by the Company, in application of the valuation according to the equity method;
- Pegaso Consulting S.r.l.: overall increase in the equity investment for € 29,775 following (i) discounting of non-interest bearing loans disbursed during the year for € 34,270 (ii) write-down of the equity investment, in application of the valuation according to the equity method for € 4,494, following the result for the year reported by the Company;
- Giapeto Editori S.r.l.: revaluation of the equity investment for € 3,029 following the result for the year as reported by the Company, in application of the valuation according to the equity method;
- Bellerofonte S.r.l.: overall decrease in the equity investment for € 328,833 following (i) the increase in the equity investment of € 38,077 following the discounting of non-interest bearing loans disbursed during the year, (ii) the write-down of the equity investment, in application of the valuation according to the equity method for € 366,910, following the result for the year reported by the Company;
- 3D Civil Engineering S.r.l.: write-down of the equity investment for € 1,070 following the result for the year as reported by the Company, in application of the valuation according to the equity method;
- Benecon S.r.l.: write-down of the equity investment for € 1,661 following the result for the year as reported by the Company, in application of the valuation according to the equity method;
- Garage Start Up S.r.l.: write-down of the equity investment for € 46.667 following the result for the year as reported by the Company, in application of the valuation according to the equity method;
- Atena Salus S.r.l.: purchase of the equity investment for € 20,000, increase in the equity investment for € 590,222 following the discounting of non-interest bearing loans disbursed during the year and the write-down of the equity investment for € 65,095 following the result of the year reported by the Company, in application of the valuation according to the equity method;
- Pegaso Online University S.r.l.: purchase of the equity investment for € 500,000, write-down of the equity investment for € 6,699 following the result for the year 2018 as reported by the Company, in application of the valuation according to the equity method;
- New guarantee deposits for € 246,680 due to the signing of new lease contracts for the offices of Reggio Calabria, Verona and Naples (Centro Direzionale);
- Reduction in the overall value of securities and financial instruments for € 3,812,396 following (i) Reimbursement of securities and financial instruments for € 3,602,896 (ii) final balance of the negative results for 2018 (€ 209,500). The overall market value at the end of the fiscal year was € 429,628

6. Receivables

The item “Receivables from students for taxes and contributions” represents the receivables from students enrolled in degree, postgraduate and advanced training courses, net of the related bad debt provision of € 14,134,884:

	Amount
Gross receivables as at December 31, 2017	51,706,411
Provision for bad debts at December 31, 2017	(12,901,417)
Net receivables as at December 31, 2017	38,804,993
Increases	13,439,438
Use of bad debt provision	(1,710,918)
Write-down at December 31, 2018	2,944,384
Net receivables as at December 31, 2018	51,010,965

The increase in gross receivables is due exclusively to the increase in the amounts recorded during the year as detailed in the report on the financial statements. The accrual to the bad debt provision was made by estimating the amounts of receivables accrued for academic years prior to 18/19 for which there is a risk of recoverability. Due to the strengthening of the administrative and accounting structure and the improvement of the credit recovery process started in 2018, compared to the previous year, the University decided to set aside 70% of the credits of the last closed academic year to the Bad Debts Provision, that is the 17/18 academic year. In the previous year, this percentage stood at 85%. The reasons for this change are based on the monitoring of the

Notes to the Financial Statements as of and for the year ended December 31, 2018

receivables collection trends of the 16/17 academic year which occurred in 2018 and 2019. In fact, in this period, in relation to the receivables of the 16/17 academic year recognised in the financial statements at December 31, 2017, the University collected in 2018 and 2019 over 30% of the amount of these receivables posted in the financial statements at December 31, 2017.

The item “Receivables from subsidiary companies and entities” for a total of € 20,996,544 includes:

- the receivable from the subsidiary Bellerofonte Immobiliare S.r.l. of € 4,581,290 for non-interest bearing loans disbursed up to December 31, 2018. During the year, the University disbursed further loans for € 500,000. In addition, the loans disbursed in 2016 (€ 16,523), in 2017 (€ 61,747) and in the current year (€ 38,077) were discounted. The amount described relating to the 2018 fiscal year is included in the value of the investment;
- the receivable from the subsidiary Bellerofonte Immobiliare S.r.l. of € 750,000, due within the following year, for the deposit paid in accordance with the preliminary real estate lease contract signed during the 2015 fiscal year. At the date of preparation of this document, this receivable is still open and will be collected in 2020 as a result of the signing, on April 1st 2018, of the lease contract for the new University headquarters located in Naples, at the Tower F/2 of Centro Direzionale, signed on April 1st 2018;
- the receivable from the subsidiary Pegaso Management S.r.l. of € 4,893,098 for non-interest bearing loans disbursed up to December 31, 2018. During the year, the University disbursed a further loan for € 25,000, due in 2019. The loans disbursed in 2016 were also discounted (€ 63,779);
- the receivable from Pegaso Consulting S.r.l. of € 1,633,759 for loans disbursed up to December 31, 2018. During the year, the University made further loans for € 450,000; the loans disbursed in 2017 for (€ 13,722) and in the current year (€ 34,270) were also discounted. The amount described relating to the 2018 fiscal year is included in the value of the investment;
- the receivable from 3D Civil Engineering Lab S.r.l. of € 1,000 for loans disbursed up to December 31, 2017;
- the receivable from Garage Start Up S.r.l. of € 1,977,307 for the loan disbursed during the 2017 fiscal year. During the year, the University disbursed a further loan for € 15,000, due in 2019. The loan disbursed during the 2017 fiscal year was also discounted for an amount of € 39,970;
- the receivable from Atena Salus S.r.l. of € 7,160,088 for the loan disbursed during the year. The loan disbursed during the current fiscal year was also discounted for an amount of € 590,222 included in the value of the equity investment

	<u>Initial balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Final balance</u>
Receivables from subsidiary companies and entities	12,723,061	8,273,482	—	20,996,544

The balances of item B II 8 “Receivables from others (public)” includes tax and social security receivables for withholdings and contributions on employees and receivables from MIUR for the teacher bonus in application of Law 107 of July 13th, 2016.

	<u>Initial balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Final balance</u>
Receivables from others (public)	203,953	62,295	(118,717)	147,531

The balance of item B II 9 “Receivables from others (private)” includes the following receivables:

- rent payables for advances amounting to € 1,912,188 relating to the offices in Piazza Trieste e Trento. This amount includes the positive effect of € 14,562 recognised in the income statement under financial income deriving from the discounting of the nominal value, on the basis of the payment plan which will be completed by December 31, 2024; Also pursuant to Art. 2427 no. 22/bis, it is specified that said property is placed at the disposal of the University by its President on the basis of the lease agreement;
- the residual balance of € 46,184 for advances to employees, professionals and suppliers while awaiting invoices.

	<u>Initial balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Final balance</u>
Receivables from others (private)	2,722,392	2,669	(766,690)	1,958,372

Notes to the Financial Statements as of and for the year ended December 31, 2018

The reduction is almost entirely attributable to the reduction in the collection of the aforementioned “rents payable for advances”. The collection takes place by offsetting the annual payable for the lease. During the 2018 fiscal year, the rent for the years 2017 and 2018 was offset.

7. Financial assets

The University’s financial assets as at December 31, 2018 are shown below.

The following table shows the balances relating to financial assets at the closing date of the fiscal year. This balance refers to the value as at December 31, 2018 relating to an asset management underwritten by the University during the previous year to guarantee a credit facility, not yet used, in favour of the parent company of the University Proposer, Multiversity.

	<u>Initial balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Final balance</u>
Financial assets	<u>10,247,692</u>	<u>32,065</u>	<u>(557,884)</u>	<u>9,721,872</u>

8. Cash and cash equivalents

The University’s cash and cash equivalents as at December 31, 2018 are shown below.

The following table shows the balances in the University’s current accounts at the closing date of the fiscal year.

	<u>Initial balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Final balance</u>
Bank and post office deposits	<u>38,818,219</u>	<u>17,040,944</u>	<u>—</u>	<u>55,859,163</u>

The balance in the next table represents the existence of cash and cheques at the closing date of the fiscal year.

	<u>Initial balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Final balance</u>
Cash and cash equivalents	<u>13,987</u>	<u>—</u>	<u>(1,295)</u>	<u>12,692</u>

9. Provisions for risks and charges

The provisions for risks and charges consist of:

- provisions for potential contributions to be paid to institutional suppliers against statements not yet received, for € 1,729,112. During 2018, the provision as at December 31, 2017 was partially used, for € 1,374,784, and provisions for potential contributions of € 496,664 were made;
- provisions for sundry risks for a total of € 272,999 which refer to the risk of defeats on disputes in progress as per the opinions provided by the lawyers appointed by the Entity. During the year, the total amount of € 239,530 was used and the amount of € 208,025 was set aside;
- with reference to the provisions for the First and Fisua foundations charges set aside at the end of the previous year, respectively for € 9,750,000 and € 8,157,812; the full release of the accruals made in previous years for € 17,907,812 was approved, with resolution of the Board of Directors of December 17, 2018.

	<u>Initial balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Final balance</u>
Provision for risks and charges	<u>20,819,548</u>	<u>704,689</u>	<u>(19,522,126)</u>	<u>2,002,111</u>

10. Employee termination indemnity

Employee Termination Indemnity is determined on the basis of the benefits accrued solely for the revaluation, according to current legislation, by blue-collar workers and employees as at December 31, 2018, the residue of which still remains in the company.

Notes to the Financial Statements as of and for the year ended December 31, 2018

The employee termination indemnity corresponds to the total of the individual benefits accrued by employees at the balance sheet date, net of the advances paid and the amounts paid to the INPS Treasury Fund for € 92,230 and taking into account the effects of the Reform introduced by Law 296 of December 27, 2006 (2007 Finance Law) relating to the choices made by employees.

	<u>Initial balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Final balance</u>
Employee Termination Indemnity	<u>355,994</u>	<u>166,957</u>	<u>36,178</u>	<u>486,773</u>

11. Payables

	<u>Initial balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Final balance</u>
PAYABLES—Payables to universities	<u>3,100</u>	<u>—</u>	<u>(300)</u>	<u>2,800</u>

This is the residual amount to be paid to the Nebrija University by virtue of an agreement signed with the University in past years.

	<u>Initial balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Final balance</u>
PAYABLES—Payables to students	<u>3,930,274</u>	<u>727,387</u>	<u>(1,022,030)</u>	<u>3,635,631</u>

The item includes the sums paid by students as an advance on enrolments in advanced courses and, also, the sums paid by dropped out students that must be returned.

	<u>Initial balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Final balance</u>
PAYABLES—Payables to suppliers	<u>34,084,461</u>	<u>39,176,802</u>	<u>—</u>	<u>73,261,263</u>

Compared to the previous year, the suppliers balance increased (i) due to the increase in costs related to the increase in revenues from core business; (ii) due to a slight increase in the average extension granted by suppliers; (iii) but almost exclusively for the increase in intra-group payables such as:

- Payables to the Parent Company Multiversity S.p.A. (€ 4,655,722) for the balance of the royalties accrued during the 2018 fiscal year as per the contract signed on February 1st, 2016. This contract provides for the concession for use by the Università Telematica Pegaso of the Pegaso brand, the entire software structure for distance learning activities, technology, specific know-how and functional platforms for online university training and teaching, management and administration activities of the University;
- Payables to the University Promoter, Università Telematica Pegaso S.p.A., for € 56,559,776 relative to the accrued charge with reference to the ongoing contractual relationship between the Entity and the promoter, pursuant to and for the purposes of Art. 2 of the University's articles of association, as better described in the relevant comment section to the income statement items in this document.

	<u>Initial balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Final balance</u>
PAYABLES—Payables to employees	<u>618,597</u>	<u>123,262</u>	<u>—</u>	<u>741,859</u>

The item includes the payable for wages in December 2018 and the payable to employees for arrears of holidays to be paid.

	<u>Initial balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Final balance</u>
PAYABLES—Other payables	<u>749,845</u>	<u>351,204</u>	<u>(73,446)</u>	<u>1,027,603</u>

The item includes tax and social security payables for taxes, regional and municipal withholdings, withheld from personnel and self-employed workers. The item in question also includes the payable for the stamp duty to be paid online and other merely residual current payables.

Notes to the Financial Statements as of and for the year ended December 31, 2018

12. Changes in shareholders' equity

A summary table of the changes that occurred in items which contributed to the shareholders' equity during the year is provided, as required by Art. 2427, paragraph 1, point 4, of the Italian Civil Code.

	Result for the year	Retained Earnings Reserve	Retained Earnings Reserve	Total
At the beginning of the previous year	847,786	—	5,256,636	6,104,422
Other allocation	(847,786)	—	847,786	—
Result for the previous year	3,297,861	—	—	3,297,861
At the close of the previous year	3,297,861	—	6,104,422	9,402,283
Other destinations	(3,297,861)	—	3,297,861	—
Result for the current year	6,856,689	—	—	6,856,689
At the close of the current year	6,856,689	—	9,402,283	16,258,972

13. Accruals, deferrals and other provisions

The item Deferred income is mainly generated by the postponement to future fiscal years of costs for the use of third-party assets, insurance policies, sundry rentals and sundry costs.

	31-Dec-18	31-Dec-17	Change
Deferred cost of use of third-party assets	238,291	55,257	183,034
Sundry deferrals	16,706	8,266	8,440
Deferred sundry rentals	4,353	767	3,587
Deferred insurance premiums	8,328	9,006	(678)
Total	267,679	73,296	194,383

Accrued expenses mainly include teaching staff costs accrued at the end of the fiscal year; for this item the amount of accruals was determined on the basis of the contractual term which, in most cases, coincides with the academic year.

	31-Dec-18	31-Dec-17	Change
Accrued liabilities on interest	17	17	—
Accrued expenses for tutor contracts	9,606	15,626	(6,020)
Accrued expenses for teacher contracts	610,329	569,119	41,211
Total	619,952	584,762	35,190

The item Accrued expenses mainly relates to taxes for students who have submitted an application for enrolment in degree and/or postgraduate courses for the academic year 2018/2019 by December 31, 2018; the amount of these deferrals pertaining to the following year was determined on the basis of the duration of the academic year (1 August 2018 to 31 July 2019); It should be noted that, starting from the 2018 fiscal year, following a resolution of the Board of Directors on June 12th, 2018, in accordance with the University mission and with the University's articles of association provisions, the University brought forward the duration of the year previously scheduled for October 1st to September 30. Consequently, the allocation of accrued revenues and deferred income for the 2018 fiscal year considers the new period of duration of the academic year.

It is emphasised that the change in duration of the Academic Year, dictated exclusively by educational reasons, has allowed working students to extend the time span of study opportunities and will continue to do so in future.

	31-Dec-18	31-Dec-17	Change
PREPAID FEES AY 2018/2019	48,475,249	—	48,475,249
DEFERRED FEES AY 2017/2018	—	42,785,004	(42,785,004)
Total	48,475,249	42,785,004	5,690,245

Notes to the Financial Statements as of and for the year ended December 31, 2018

14. Operating income

The breakdown of operating income is shown below, with reference to the Report on the University Single Financial Statements for a detailed comment on its performance:

	31-Dec-18	31-Dec-17	Change
Tuition for enrolment in degree courses	60,350,579	38,496,550	21,854,029
Tuition for enrolment in postgraduate courses	7,671,576	8,219,768	(548,192)
Tuition for enrolment in single courses	17,866,117	8,673,891	9,192,226
Administrative fees, issuing degree and other certificates and exam taxes	2,361,231	1,560,524	800,707
Off-site exams	5,633,125	4,244,094	1,389,031
Contribution from undergraduate and postgraduate students	7,419,444	5,096,345	2,323,099
Conventions	827,019	198,062	628,957
Total	102,129,090	66,489,235	35,639,855

It should be noted that “Income for teaching”, being very similar to graduate and postgraduate tuition, also include the following income: income for off-site exams, enrolment tuition for degree and postgraduate courses, administrative fees, issuing of degree and other certificates and fees for graduation exams. This income, which in previous years was posted under the item “Other revenues and income”, was also reclassified for the previous year.

	31-Dec-18	31-Dec-17	Change
‘5 per mille’ (5 per thousand) contribution	272,280	360,135	(87,855)
Contributions for research projects and conventions	1,401,548	1,204,403	197,145
Total	1,673,829	1,564,538	109,290

The item “Grants” includes grants for € 5,000 collected by the University during the 2018 fiscal year and the grants accrued during the fiscal year on research projects.

	31-Dec-18	31-Dec-17	Change
Penalties	146,488	155,958	(9,469)
Other income from the release of funds	17,965,812	—	17,965,812
Other income	36,372	11,763	24,608
Total	18,148,672	167,721	(9,469)

The item “other income and sundry revenues” includes the penalties paid by students for late payment of tuition, the proceeds from the release of provisions for risks and charges already described above under the item “Provisions for risks and charges”.

15. Purchase of technical and management services and collaborations

The following table shows the breakdown of costs for “purchase of technical and management services and collaborations”:

	31-Dec-18	31-Dec-17	Change	%
Costs for Utilities	149,478	120,164	29,313	19.6%
Facility management	188,695	36,099	152,596	80.9%
Hosting Services	72,600	68,587	4,013	5.5%
ECP contributions	15,711,155	9,149,070	6,562,085	41.8%
Professional Guidance	418,450	389,760	28,690	6.9%
Technical consultancy	220,665	325,575	(104,909)	-47.5%
Remuneration and contributions of the Chairman of the Board of Directors	523,146	521,881	1,264	0.2%
Conventions with institutions and universities	75,773	75,340	433	0.6%
Other costs	21,134	15,831	5,303	25.1%
Total	17,381,095	10,702,306	6,678,789	38.43%

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In the current year the item in question amounted to € 17,381,095, with an increase of 6,678,789 (+62.41%) compared to 2017.

The increase is mainly due to the increase in contributions to ECPs related to the increase in teaching income for € 6,562,085.

16. Use of third party assets

The following table shows the breakdown of costs for “use of third party assets”.

	31-Dec-18	31-Dec-17	Change	%
Rental charges for operational headquarters	2,481,044	1,838,163	642,882	35%
Operating offices condominium expenses	334,591	115,115	219,475	190.7%
Sundry rentals	58,256	53,393	4,863	9.1%
Royalties costs	6,485,456	4,310,074	2,175,382	50.5%
Total	9,359,347	6,316,745	3,042,602	48.17%

In the current year the item in question amounts to € 9,359,347, an increase of € 3,042,602 (+48.17%) compared to 2017.

The increase is mainly due to:

- costs for rent and condominium charges related to the opening of the new operating offices for € 862,000, of which approximately € 672,000 relating to the headquarters in the Centro Direzionale of Naples, island F2, rented in 2018, owned by the subsidiary Bellerofonte Immobiliare S.r.l.;
- costs of royalties payable to the Parent Company Multiversity S.p.A., for € 6,485,456. The change with respect to the previous year is due to the mechanism for determining royalties which is equal to 5% of the characteristic income pertaining to the fiscal year, with the exception of contributions and financing of research projects and public contributions.

17. Other costs

The following table shows the breakdown of “other costs”.

	31-Dec-18	31-Dec-17	Change	%
Insurance	25,240	25,135	105	0.4%
Cleaning services	343,832	227,852	115,980	50.9%
Telephone charges	381,925	244,655	137,270	56.1%
Security Services	18,848	20,296	(1,448)	-7.1%
Advertising	10,022,728	5,409,893	4,612,835	85.3%
Travel and transfers	637,209	638,816	(1,607)	-0.3%
Bank charges	552,865	291,127	261,737	89.9%
Maintenance	153,840	96,329	57,511	59.7%
Administrative consultancy	292,937	327,746	(34,809)	-10.6%
Legal advice	338,827	143,950	194,877	135.4%
Remuneration to auditors	49,959	49,959	—	0%
Remuneration at core evaluation	40,423	32,000	8,423	26.3%
Remuneration for Board Members	11,441	11,441	—	0%
Reimbursement of expenses	21,356	19,813	1,543	7.8%
Postage	22,659	23,576	(917)	-3.9%
Technical consultancy	117,618	87,307	30,311	34.7%
Other costs	109,226	355,861	(246,635)	-69.3%
Total	13,140,933	8,005,757	5,135,176	64.14%

In the current year the item in question amounted to € 13,140,933, with an increase of € 5,135,176 (+64.14%) compared to 2017.

The increase is mainly due to:

- increase in costs incurred for advertising campaigns carried out in the current year for € 4,612,835;
- increase in telephone expenses for € 132,270;

Notes to the Financial Statements as of and for the year ended December 31, 2018

- increase in cleaning costs for € 115,980;
- increase in legal expenses for € 194,887;
- increase in bank commissions for € 261,737

18. Write-downs of receivables included in current assets and cash and cash equivalents

As already highlighted in the commentary on the item “Trade receivables”, an accrual to the provision for bad debts was set made for a total amount of € 2,944,384.

19. Other operating expenses

The following table shows the breakdown of “other operating expenses”:

	31-Dec-18	31-Dec-17	Change	%
Real estate taxes	15,459	14,387	1,072	7.4%
Other taxes and fees	27,624	17,828	9,796	54.9%
Online stamp duty	1,109,812	793,526	316,286	39.9%
Donations/Contributions to foundations	10,500	6,500	4,000	61.5%
Contributions of trade unions and trade associations	53,161	50,171	2,990	6.0%
Ordinary contingencies	328,883	24,080	304,803	1265.8%
Other miscellaneous operating expenses	12,388	6,907	5,481	44.2%
Total	1,557,827	913,400	644,428	70.55%

The item equal to € 1,557,827 is mainly composed of the costs for registration taxes, the online stamp duty, and donations in favour of entities and associations. The item increased by € 644,428 (+70.55%) compared to 2017. The increase in the online stamp duty is proportional to the increase in the enrolment of students in 2018.

Ordinary contingencies include the reversal of revenues for research projects and/or the posting of costs relating to previous years.

20. Interest and financial charges

Interest and other financial charges, equal to € 56,872,942, are attributable to

- interests to the tax authorities for € 146;
- financial losses deriving from the disinvestment of financial investments held by the Entity for € 621,127;
- interest paid to financial companies for payment deferrals granted to students for € 15,410;
- charge accrued with reference to the contractual relationship between the Entity and the and the Promoter pursuant to and for the purposes of Art. 2 of the University’s Articles of Association for € 56,559,776. This contractual relationship, known as “promotion and support”, provided for a charge for the 2018 fiscal year equal to the aforementioned amount, in compliance with the commitment undertaken by the promoter to participate in the losses incurred by the University.

21. Extraordinary income and expenses

Extraordinary income and expenses derive mainly from the recognition of income and costs referable to previous years.

	Amount
Contingent assets	38,683
Total extraordinary income	38,683
	Amount
Contingent liabilities	260,787
Total extraordinary expenses	260,787

Extraordinary income refers to positive adjustments on student taxes from previous years.

Extraordinary charges mainly include negative adjustments on taxes from previous years and costs from previous years and/or extraordinary costs.

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22. Commitments and guarantees

The table below shows guarantees given directly and indirectly as well as guarantees received (if applicable) as at December 31, 2018, differentiating between sureties and other guarantees, for an amount equal to the actual commitment and collateral for an amount equal to the value of the right or asset given as a guarantee.

	<u>Amount</u>
Commitments and guarantees given	13,712,584
of which sureties given to third parties	662,584
of which guarantees given to subsidiaries	3,600,000
of which guarantees given to parent companies	9,450,000

The sureties given in favour of third parties concern those given in the context of projects.

The guarantees given to subsidiaries concern the pledge on liquid assets in favour of Bellerofonte Immobiliare S.r.l..

The guarantees in favour of the parent companies refer to the financial investments allocated to current assets to guarantee a credit facility, not yet used, in favour of the Parent Company Multiversity.

Other information

23. Average number of employees

In compliance with the provisions of Art. 2427 no. 15 of the Italian Civil Code, we inform you that the movement in employees and the consequent average number is:

<u>Qualification</u>	<u>Apprentices</u>	<u>Teachers</u>	<u>Employees</u>	<u>Researchers</u>	<u>Executives</u>	<u>Total</u>
Average number	0	78	167	38	0	283

24. Remuneration of Directors and Auditors

The amount of remuneration to the directors and the Board of Statutory Auditors, for 2018, is equal to a total of € 561,400.

25. Significant events occurring after the end of the fiscal year

The main events that occurred after the close of the fiscal year ended December 31, 2018 are listed. The University has been awarded, in ATI as leader, the tender issued by the Municipality of Agerola (CIG 76284181AE) for the Concession of Use for the management and use of the property “Colonia Montana Principe di Napoli” without the purpose of profit as a Centre for higher education and university specialisation in the sectors of gastronomy and tourism, according to the terms and conditions set out in the “management project” drawn up by the Agerola Municipal Administration.

Training activities will start after summer 2019.

With regard to the conversion of the University into a limited liability company, approved by the Board of Directors on 19 November 2018 and communicated to the MIUR, at the date of preparation of these financial statements, the deadline for the relative communication of the Ministry’s provision is pending.

These explanatory notes, as well as the entire University Financial Statements of which they constitute an integral part, give a true and fair view of the economic, financial and equity situation of Università Telematica Pegaso.

The disclosure of the values required by Art. 2427 of the Italian Civil Code was drawn up in compliance with the principle of clarity.

SCHEDULE TO COMBINED FINANCIAL INFORMATION

The following tables show certain combined unaudited financial information of Multiversity S.r.l. consisting of the income statement and the cash flows statement for the year ended December 31, 2019.

Such schedules represent the aggregated income statements and the aggregated statement of cash flows for the year ended December 31, 2019 derived from the stand-alone financial statements of the following entities, which were acquired in 2019:

- Università Telematica Pegaso S.r.l., Universitas Mercatorum, Multiversity S.r.l., Certipass S.r.l., Università Telematica Pegaso S.p.A., Pegaso Management S.r.l. and Unimerccatorum S.r.l., which have been audited by EY S.p.A. on a stand-alone basis (the “**EY Audited Entities**”);
- Uniglobal Invest Ltd and Pegaso International Ltd controlled by Multiversity S.r.l. audited on a standalone basis by other auditors (the “**Non-EY Audited Entities**”); and
- other entities controlled by Multiversity S.r.l. which have not been audited (the “**Unaudited Entities**”).

It should be noted, that the Schedule to Combined Financial Information also represents the eliminations of intercompany balances with respect to (i) the EY Audited Entities and (ii) the Non-EY Audited Entities and the Unaudited Entities.

The Schedule to Combined Financial Information is prepared on the basis of a perimeter consistent with the consolidation area used for the audited consolidated financial statements of Multiversity S.r.l. as of and for the year ended December 31, 2020.

The financial statements of Università Telematica Pegaso S.r.l., Univeristas Mercatorum, Multiversity S.r.l., Certipass S.r.l., Università Telematica Pegaso S.p.A., Pegaso Management S.r.l. and Unimerccatorum S.r.l. for the year ended December 31, 2019, and the related audit reports, publicly available in Italian language, are incorporate by reference in this Offering Memorandum.

Schedule to Combined Financial Information—Unaudited income statement

Univ. Telematica	Universitas Mercatorum	Multiversity Srl	Cortipass Srl	Pegaso Spa	Pegaso Management Srl	Unimercatorum Srl	Other Audited Companies by other Auditors	Unaudited Entries	Aggregated	Elimination/ Consolidation Entries Audited by EY	Elimination/ Consolidation Entries Companies by other Auditors and Not Audited
Univ. Telematica Pegaso Srl	Universitas Mercatorum	Multiversity Srl	Cortipass Srl	Pegaso Spa	Pegaso Management Srl	Unimercatorum Srl	Other Audited Companies by other Auditors	Unaudited Entries	Aggregated	Elimination/ Consolidation Entries Audited by EY	Elimination/ Consolidation Entries Companies by other Auditors and Not Audited
(in thousands of Euro)											
A) VALUE OF PRODUCTION											
1) Revenues from sales of goods and services	7,532	1,824	1,953	0	0	377	1,497	551	137,913	-1,890	-94
5) Other revenues and income	597	0	58	14	0	3	207	625	3,089	-65	-109
TOTAL VALUE OF PRODUCTION (A)	8,129	1,824	2,011	14	0	380	1,703	1,177	141,002	-1,955	-204
B) COSTS OF PRODUCTION											
6) Cost of raw materials, consumables and goods for resale	99	0	48	0	0	0	3	128	649	0	0
7) Cost of services	3,231	88	664	61	20	64	266	747	45,700	-162	-62
8) Costs for the use of third parties assets	502	4	86	0	1	0	102	112	11,646	-6,400	0
9) Costs of personnel	2,026	209	214	0	0	0	43	171	9,277	0	0
10) Amortization, depreciation and write-downs											
a) Amortization of intangible assets	98	927	96	7	0	1	0	29	1,565	0	0
b) Depreciation of property, plant and equipment	819	3	24	0	0	0	49	22	955	0	0
c) Bad debt Accruals	3,968	0	0	0	0	0	0	5	4,323	0	0
Total amortization, depreciation and write-downs	5,195	930	120	7	0	1	49	56	6,844	0	0
14) Other operating expenses	2,524	711	256	3	49	2	0	5	3,550	-110	0
TOTAL COSTS OF PRODUCTION (B)	66,104	1,231	1,389	71	70	67	461	1,218	77,666	-6,673	-62
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)											
C) FINANCIAL INCOME AND EXPENSES	1,075	593	622	-56	-70	313	1,242	-42	63,336	4,717	-141
16) Other financial income											
d) other	0	0	0	50,794	0	0	0	0	51,984	-50,877	0
17) Interest and other financial expenses											
e) to controlling companies	0	0	0	0	69	0	450	0	51,327	-50,877	-450
e) other	425	4	8	0	0	0	0	0	438	-425	0
TOTAL FINANCIAL INCOME AND EXPENSES (C)	-50,044	0	-8	50,794	-69	0	-450	-40	219	425	450
TOTAL (LOSS) BEFORE INCOME TAXES (A-B+C)	9,616	593	613	50,737	-139	313	792	-42	63,555	5,143	309
20) Income taxes											
a) Current income taxes	165	226	208	12,167	0	92	367	20	16,657	1,098	0
c) Deferred and prepaid taxes	0	-267	-4	8	0	1	4	0	-258	0	0
Total income taxes (20)	3,413	-41	204	12,174	0	93	371	20	16,399	1,098	0
NET INCOME FOR THE YEAR (A-B+C-20)	6,204	906	633	38,563	-139	220	421	-62	47,156	4,044	309
Ebitda	60,887	1,211	1,523	742	-50	-70	314	1,291	10	65,857	4,717
Ebitda % on total Ebitda Group (Aggregated)	86 %	2 %	2 %	1 %	0 %	0 %	0 %	2 %	0 %	94 %	7 %
Ebitda net of intercompany	67,415	1,288	-301	742	-50	-68	248	1,291	-132	—	—
Ebitda % on total Ebitda Group (Combined)	96 %	2 %	0 %	1 %	0 %	0 %	0 %	2 %	0 %	—	0 %

Schedule to Combined Financial Information—Unaudited statement of cash flows

	Università Telematica Pegaso Srl	Universitas Mercatorum	Multiversity Srl	Certipass Srl	Pegaso SpA	Pegaso Management Srl	Unimercatorum Srl	Other Audited Companies by other Auditors	Not Audited Companies	Aggregated	Intercompany transactions towards Multiversity SpA	Combined after Intercompany transactions towards Multiversity SpA
	(in thousands of Euro)											
A. Cash flows from operating activities:												
Net profit for the year	6,204	906	633	410	38,563	-139	220	421	-62	47,156	0	47,156
Income taxes	3,413	165	-41	204	12,174	0	93	371	20	16,399	0	16,399
Interest expenses, net	50,044	4	0	8	-50,794	69	0	450	0	-219	0	-219
Gain on disposal of fixed assets	0	0	0	0	0	0	0	0	0	0	0	0
1. Pre-tax profit before interest, dividends and gains/(losses) in the sale of assets	59,660	1,075	593	622	-56	-70	313	1,242	-42	63,336	0	63,336
Adjustments for non-monetary items that did not affect net working capital												
Amortization and depreciation	1,227	136	930	120	7	0	1	49	52	2,521	0	2,521
Provision for termination indemnity, risks and other, net	4,655	498	-23	63	0	49	0	0	5	5,247	0	5,247
2. Cash flow before changes in working capital	65,542	1,709	1,500	805	-50	-21	314	1,291	14	71,104	0	71,104
Changes in working capital:												
Other changes in working capital	-2,743	-719	-695	-296	-20,111	19	-293	-1,224	959	-25,103	4,067	-21,036
Changes in working capital	-2,743	-719	-695	-296	-20,111	19	-293	-1,224	959	-25,103	4,067	-21,036
3. Cash flows after changes in working capital	62,799	990	805	509	-20,161	-2	21	67	973	46,001	4,067	50,068
Other adjustments:												
Net change in deferred tax assets and liabilities												
Total other adjustments	0	0	0	0	0	0	0	0	0	0	0	0
Cash flows generated from operating activities (A)	62,799	990	805	509	-20,161	-2	21	67	973	46,001	4,067	50,068
B. Cash flows from investing activities:												
(Purchases) of intangibles and tangibles assets, net	-591	-246	-226	-17	-32	—	—	-1	-696	-1,809	0	-1,809
(Increase) in other non-current financial assets, net	-27,434	229	0	0	-7	—	—	—	-15	-27,228	26,958	-270
Increase/(decrease) of trade payables due to investments	9,722	0	0	0	0	—	249	—	—	9,971	0	9,971
Cash flows used in investing activities (B)	-18,303	-17	-226	-17	-40	0	249	-1	-712	-19,066	26,958	7,892
C. Cash flows from financing activities:												
Financial charge paid to the Promoting Entity (Pegaso Spa)	-69,360	0	0	0	69,360	—	—	—	—	—	0	0
Increase/(decrease) in short-term bank loans and overdrafts	—	—	—	—	—	—	—	—	—	—	—	—
New loans	—	—	—	—	—	—	—	—	—	—	0	0
Repayment of loans	—	-241	0	-6	—	—	-319	—	—	-565	0	-565
Dividends collected (paid)	—	—	—	—	-59,232	—	—	—	—	-59,232	59,232	0
Cash flows from financing activities (C)	-69,360	-241	0	-6	10,128	0	-319	0	0	-59,797	59,232	-565
Increase/(decrease) in cash and banks(A+B+C)	-24,864	733	579	486	-10,073	-2	-48	66	262	-32,862	90,257	57,395
Cash and banks at the beginning of the year	55,872	435	100	586	10,372	3	297	478	487	68,629	0	68,629
Cash and banks at the end of the year	31,008	1,167	679	1,072	299	1	249	544	749	35,767	90,257	126,024

Unaudited Schedule of Multiversity S.p.A.'s Adjusted Net Assets as of June 30, 2021

	Summary unaudited balance sheet	Intercompany balances, including equity investments in the perimeter	Out of perimeter assets and liabilities	Net Assets adjusted for intercompany and out of perimeter balances
	as of June 30, 2021			
	Amounts in thousands of Euro			
Assets				
- <i>Intangible assets</i>	1,448	—	—	1,448
- <i>Financial Assets</i>	329,406	-328,606	—	800
Non Current Assets	330,854	-328,606	—	2,248
- <i>Intangible assets held for sale</i>	28	—	-28	—
- <i>Tangible assets held for sale</i>	11,176	—	-11,176	—
Non Current Assets held for sale	11,204		-11,204	—
Receivables	16,941	-32	-16,542	367
Current financial assets	250,955	—	-22,770	228,185
Cash and cash equivalents	25,506	—	—	25,506
Accruals and prepayments income	18	—	—	18
Total Assets	635,478	-328,638	-50,516	256,324
Liabilities and Equity				
Deferred tax liabilities	3,940	- 3,940	—	—
Bank payables	44,166	—	—	44,166
Trade payables	53,405	-52,701		704
Equity	533,967	-271,997	-50,516	211,454
Total Liabilities and Equity	635,478	-328,638	-50,516	256,324

Unaudited Schedule of Wversity S.r.l.'s Adjusted Net Assets as of June 30, 2021

	Summary unaudited balance sheet	Intercompany balances, including equity investments in the perimeter	Out of perimeter assets and liabilities	Net Assets adjusted for intercompany and out of perimeter balances
	as of June 30, 2021 Amounts in thousands of Euro			
Assets				
- <i>Financial Assets</i>	163	-163	—	—
Non Current Assets	163	-163	—	—
- <i>Tangible assets held for sale</i>	18	—	-18	—
Non Current Assets held for sale	18	—	-18	—
Receivables	10,337	-8,793	-1,543	1
Cash and cash equivalents	10,380	—	—	10,380
Accruals and prepayments income	0.2	—	—	0.2
Total Assets	20,898	-8,956	-1,561	10,381
Liabilities and Equity				
Deferred tax liabilities	106	-106	—	—
Trade Payables	199	—	—	199
Accruals and deferred income	0.2	—	—	0.2
Equity	20,593	-8,850	-1,561	10,182
Total Liabilities and Equity	20,898	-8,956	-1,561	10,381

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